SPUR CORPORATION INTEGRATED REPORT

Spur Corporation

2012

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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.

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.

Spur Steak Ranches — A taste for life | Panarottis Pizza Pasta — Big on Family. Big on Pizza. | John Dory's — FISH • GRILL • SUSHI | DoRego's — It's all good!

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, John Dory's catch of the
day or DoRego's crispy chicken, our food is
prepared to please and satisfy.

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

HEPS
128.32 cents
31.3% Up

REVENUE
R503.4m
24.8% Up

DIVIDEND PER SHARE
87 cents
31.8% Up

PROFIT - LOCAL OPERATIONS (R'000)
171 703
18.6% Up

RESTAURANT TURNOVER
R4.05bn
16.1% Up

RETURN ON INVESTMENT (capital and dividends) PRE-TAX
35.5%

1.1 MILLION SPUR FAMILY CARD MEMBERS
ACCOUNT FOR 27% OF LOCAL SPUR RESTAURANT TURNOVER

6 COLLEGE OF EXCELLENCE GRADUATES

18 NEW STORES OPENED
73 STORES REFURBISHED AND RELOCATED

SPUR "UNREAL BREAKFAST" A RESOUNDING SUCCESS

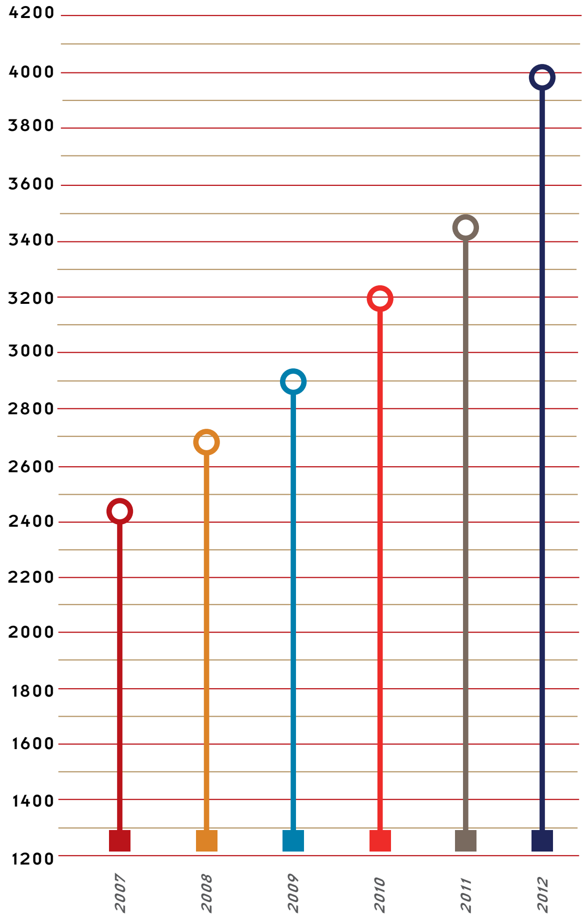
CALL CENTRE BROUGHT IN-HOUSE

DOREGO'S ACQUIRED FROM 1 MARCH 2012

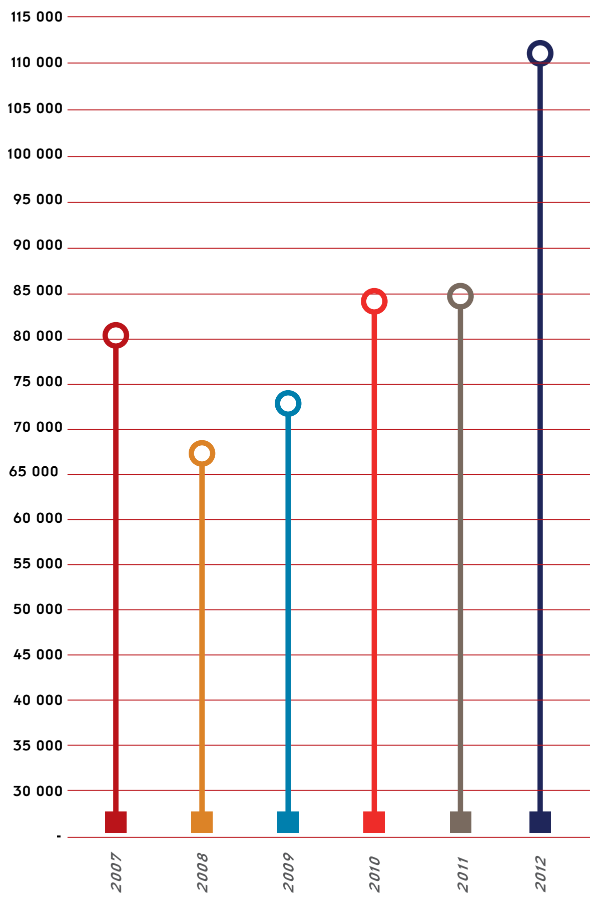
REMAINING 35% OF JOHN DORY'S ACQUIRED ON 25 JANUARY 2012

STRATEGIC ACHIEVEMENTS

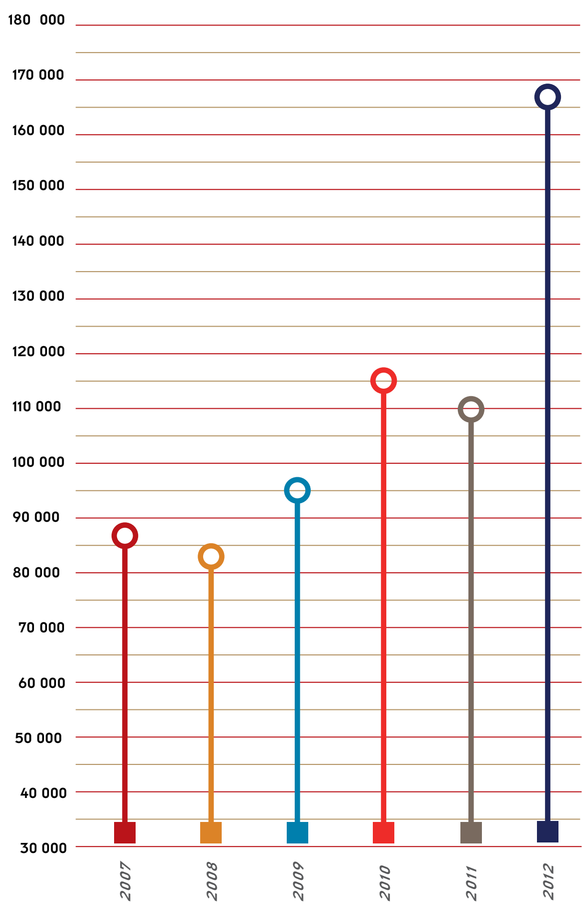
STORE TURNOVERS (R'm)



HEADLINE EARNINGS (R'000)

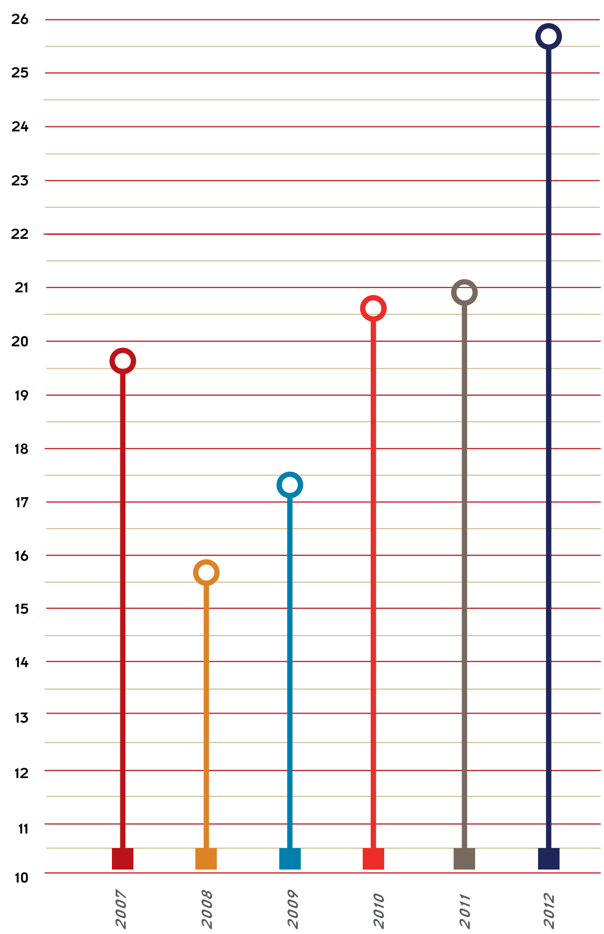


OPERATING PROFIT BEFORE FINANCE INCOME* (R'000)



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

RETURN ON EQUITY (%)



5 YEAR REVIEW

	footnote	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Statement of comprehensive income						
Revenue		**503 444**	403 396	348 024	326 774	295 838
Operating profit before finance income	1	**168 936**	111 969	118 549	96 196	85 242
Adjusted operating profit	2	**164 575**	130 030	124 504	108 693	95 088
Net interest income		**6 164**	4 861	4 380	6 219	4 852
Profit before income tax		**175 100**	116 830	122 929	102 415	90 094
Headline earnings	3	**111 795**	85 759	85 067	74 476	67 395
Statement of financial position						
Property, plant and equipment		**73 492**	70 387	75 184	84 429	98 890
Cash and cash equivalents		**98 804**	115 966	84 628	83 887	66 865
Bank overdraft		**1 854**	2 256	3 596	2 853	2 262
Statement of cash flows						
Net cash flow from operating activities		**59 916**	56 213	12 580	35 673	34 343
Share statistics						
Weighted average number of shares (000's)	3	**87 124**	87 777	87 865	87 942	88 156
Earnings per share (cents)	3	**130.71**	80.65	88.27	71.94	67.23
Headline earnings per share (cents)	3	**128.32**	97.70	96.82	84.69	76.45
Cash flow earnings per share (cents)	4	**136.18**	123.46	102.31	102.02	105.51
Operating cash flow per share (cents)	5	**68.77**	64.04	14.32	40.56	38.96
Net asset value per share (cents)	6	**493.42**	468.09	458.99	494.30	495.83
Distribution per share (cents)	7	**87.00**	66.00	60.00	55.00	55.00
Distribution cover (times)	8	**1.5**	1.5	1.6	1.5	1.4

	footnote	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
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)		**22 569**	20 739	20 930	28 271	24 712
Value of shares traded (R'000)		**333 353**	283 628	230 533	195 639	222 263
Percentage of issued shares traded (%)		**23.12**	21.24	21.44	28.96	25.31
Market price per share (cents)						
- close		**1789**	1385	1220	840	620
- high		**1789**	1550	1325	995	1210
- low		**1235**	1175	850	560	620
Headline earnings yield (%)	9	**7.17**	7.05	7.94	10.08	12.33
Distribution yield (%)	10	**4.86**	4.77	4.92	6.55	8.87
Price earnings ratio		**13.94**	14.18	12.60	9.92	8.11
Market capitalisation (R'000)		**1 746 654**	1 352 217	1 191 123	820 117	605 325
Business performance						
Operating profit margin (%)	11	**32.69**	32.23	35.77	33.26	32.14
Return on equity (%)	12	**25.99**	21.07	20.91	17.58	15.89
Return on total assets (%)	13	**18.31**	15.47	15.89	13.98	12.47
Liquidity ratio	14	**1.91**	2.47	2.36	2.86	2.07

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 group financial statements on page 104.
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 growing multi-brand restaurant franchisor listed in the travel and leisure sector of the JSE Limited. Through its four restaurant brands - Spur Steak Ranches, Panarottis Pizza Pasta, John Dory's Fish, Grill & Sushi and DoRego's - 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, and the remaining 35% was acquired on 25 January 2012, with the group now owning 100% of the business.

With effect from 1 March 2012, the group acquired the DoRego's franchise and distribution centre businesses as going concerns. DoRego's is a value-oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers. The origins of the brand date back to the 1960's. The chain had 78 franchised outlets at the date of the acquisition with a strong presence in the Free State, Gauteng and Eastern Cape.

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
456

291
SPUR STEAK RANCHES
63
PANAROTTIS PIZZA PASTA
28
JOHN DORY'S FISH, GRILL & SUSHI
74
DOREGO'S

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 Spur, Panarottis and John Dory's cater for children in restaurant design, marketing communication and product.

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

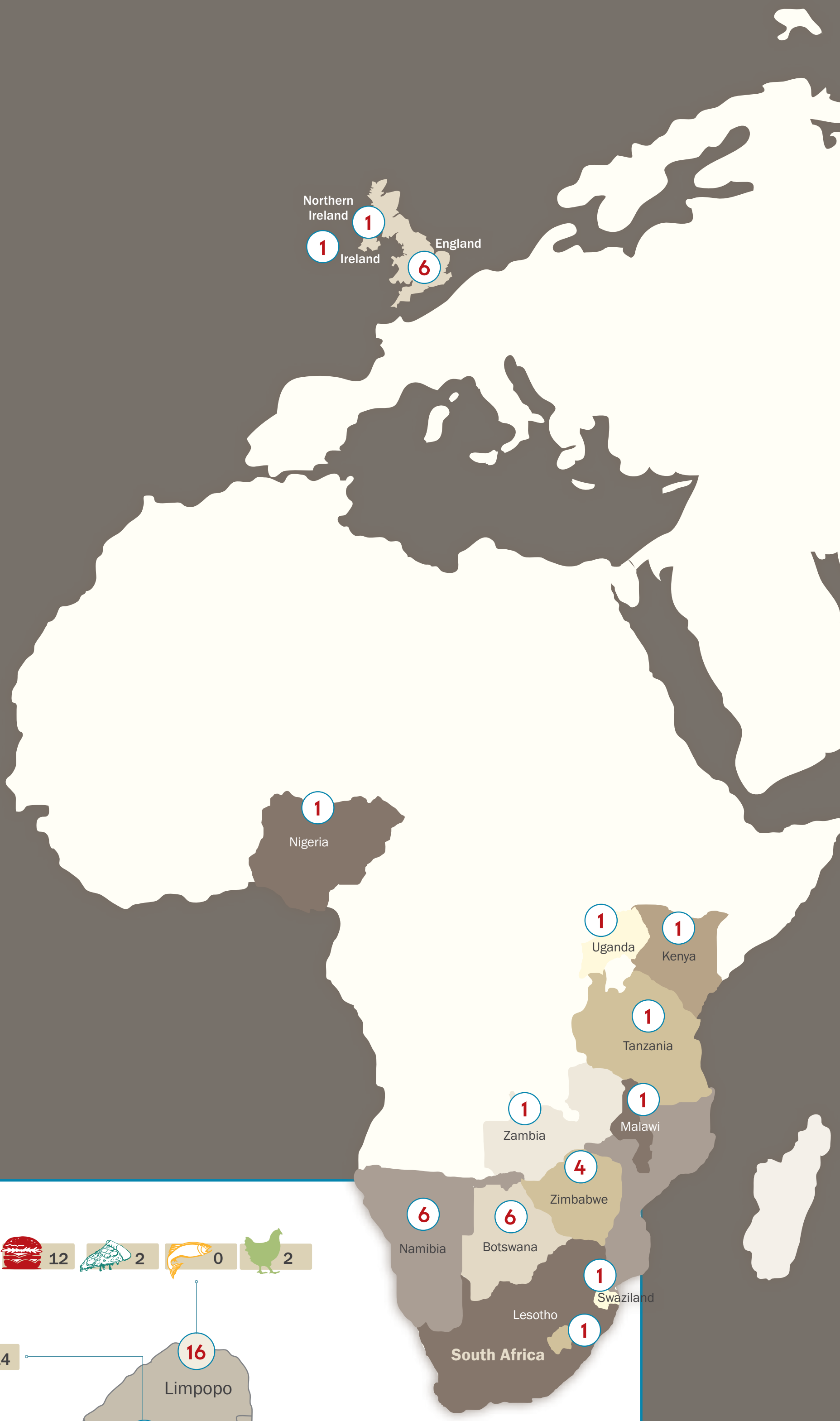
Spur Corporation has already expanded its franchising model into several African territories, Mauritius, the United Arab Emirates ("UAE"), the United Kingdom and Ireland ("UK") and Australia.

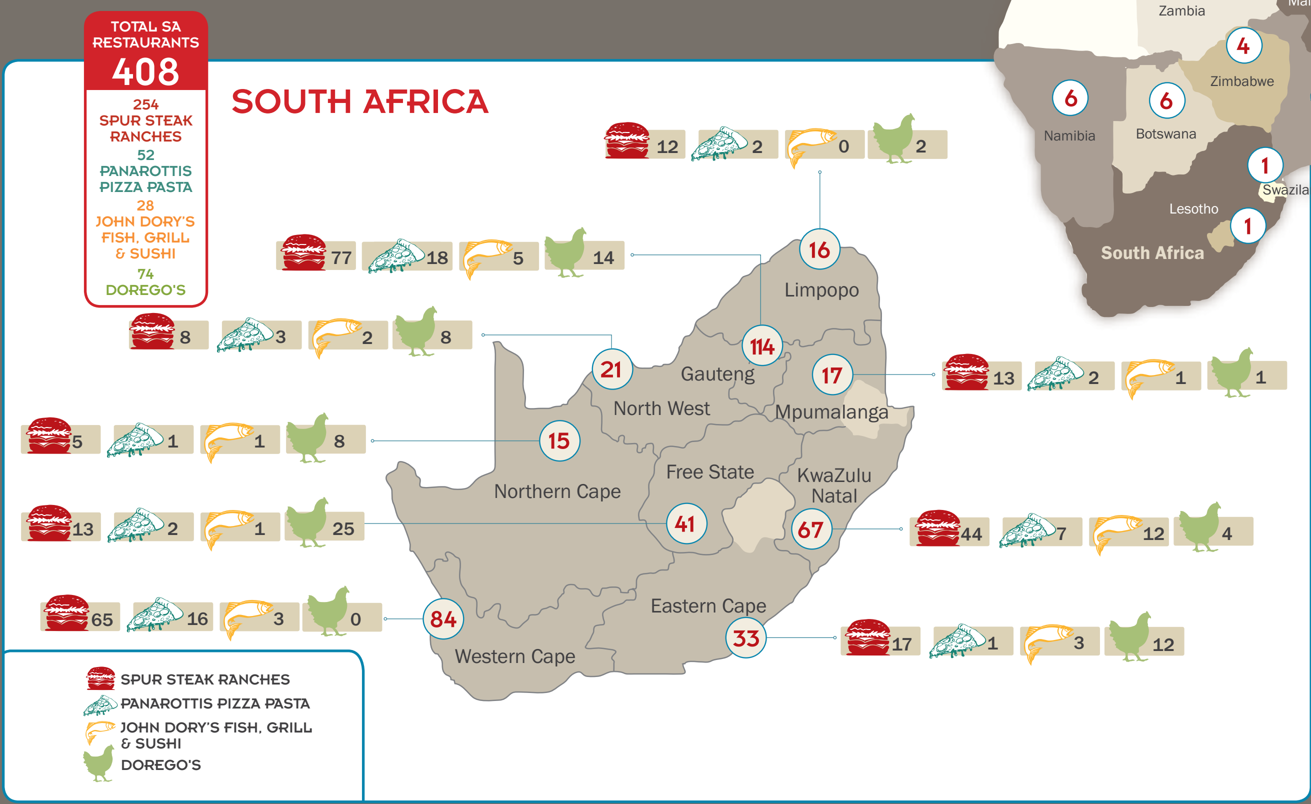
BUSINESS MODEL

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 its retail outlets.





TOTAL INTERNATIONAL RESTAURANTS
48

37 SPUR STEAK RANCHES
11 PANAROTTIS PIZZA PASTA

INTERNATIONAL

REGION	SPUR STEAK RANCHES	PANAROTTIS PIZZA PASTA	TOTAL
Africa, Mauritius and UAE	**26**	**7**	**33**
Botswana	5	1	6
Kenya	1	-	1
Lesotho	1	-	1
Malawi	1	-	1
Namibia	5	1	6
Nigeria	1	-	1
Swaziland	1	-	1
Tanzania	1	-	1
Uganda	1	-	1
Zambia	1	-	1
Zimbabwe	3	1	4
Dubai	1	-	1
Mauritius	4	4	8
Australia	**3**	**4**	**7**
United Kingdom and Ireland	**8**	**-**	**8**
England	6	-	6
Northern Ireland	1	-	1
Ireland	1	-	1

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 14 and 15) which are integral to the franchise business model. Since the acquisition of the DoRego's distribution centre in March 2012, the group also acts as wholesaler and distributor to DoRego's franchisees.

OUR FRANCHISE BUSINESS

Our Team
Interns and Trainees
Number of people

FRANCHISE MANAGEMENT

Experienced brand-specific operations teams provide ongoing support to franchisees in the management of their businesses, 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.

6

DEVELOPMENT

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.

7
JOHN DORY'S OPERATIONS
28 Stores

9
PANAROTTIS OPERATIONS
52 Stores

41
SPUR OPERATIONS
254 Stores

8
DOREGO'S OPERATIONS
74 Stores

INTERNATIONAL

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

UK Franchise Operations

1

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

148

UK Restaurant Operations

3

African Franchise Operations

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

9

TRAINING

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.

The training departrment is also responsible for the College of Excellence.

6

GROUP MARKETING

24

Group Marketing is 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 R140.8 million (2011: R118.0 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.

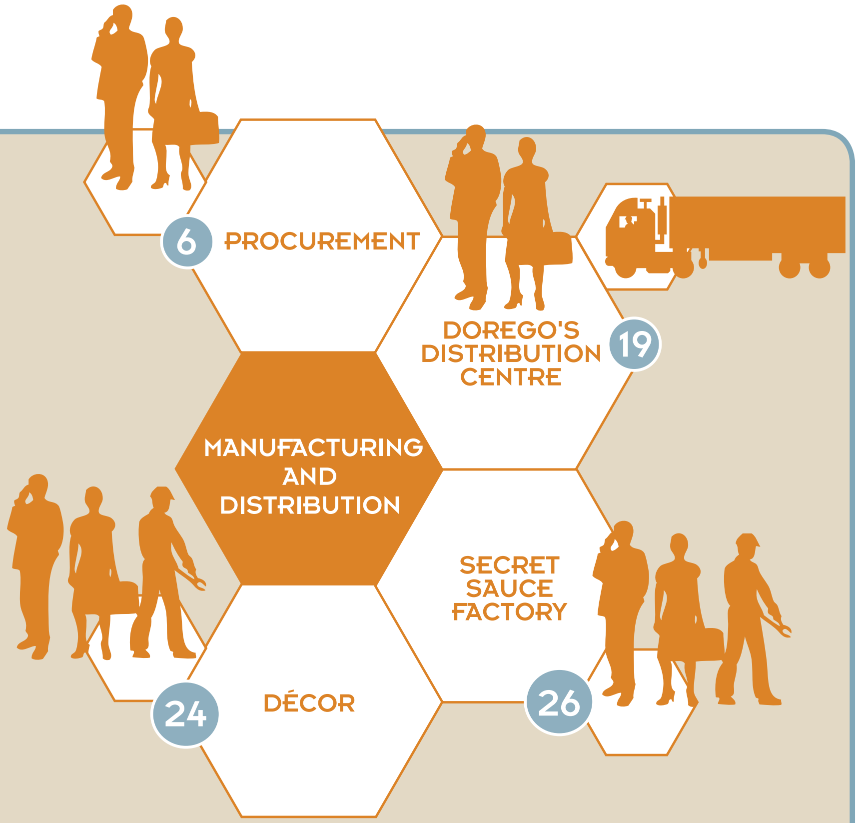
During the 2006 financial year, the group outsourced the national distribution of restaurant supplies from its manufacturing facilities and third party suppliers to an independent distributor. This was done to ensure the security of supply and the consistent quality of all products in restaurants and 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.

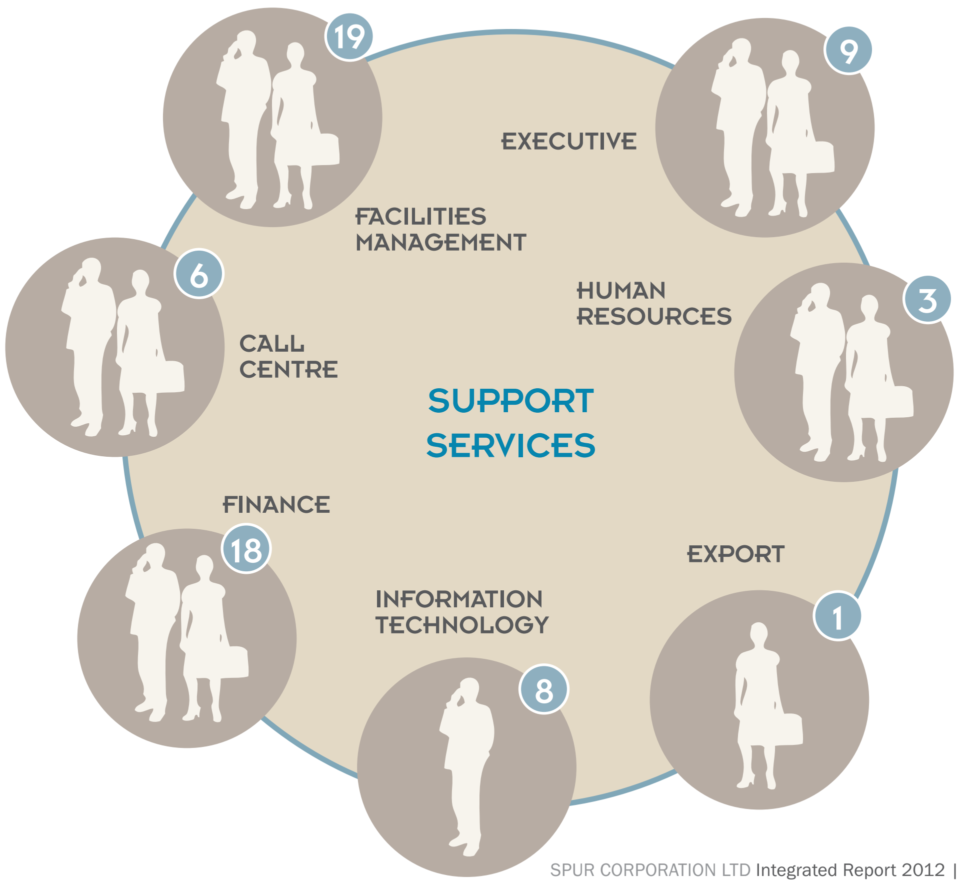


The group's sauce factory manufactures most of the brands' unique sauces which are supplied to franchisees via the group's outsourced distributor. In November 2010, the group closed its Johannesburg based facility and consolidated its manufacturing capacity in the Cape Town based facility.

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

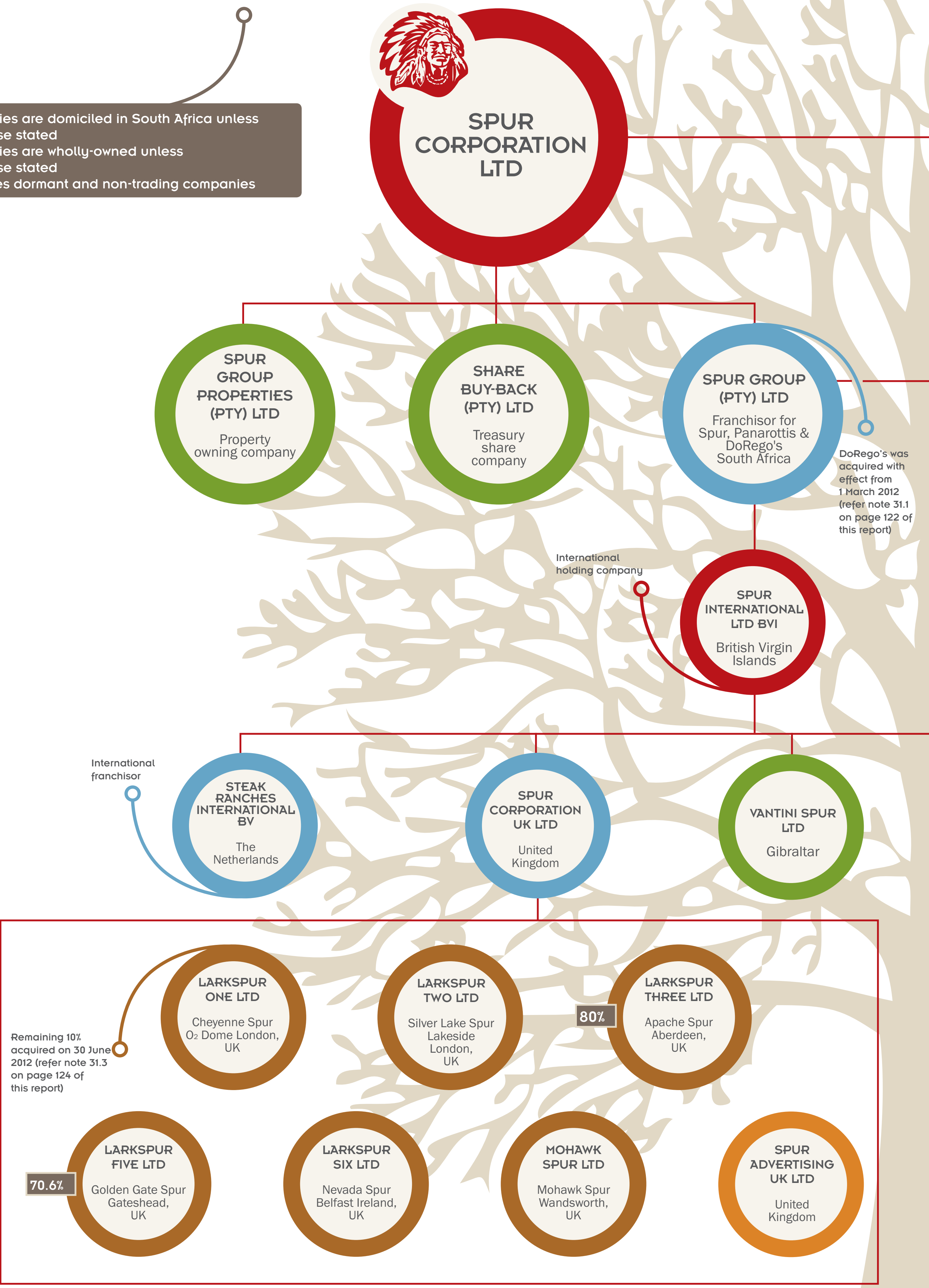
The DoRego's distribution centre was acquired as part of the DoRego's acquisition in March 2012. The distribution centre warehouses a significant portion of the goods supplied to DoRego's franchises including fish, chicken and burgers. A fleet of seven (ranging from 1-ton to 14-ton) refrigerated trucks distributes these goods to franchisees nationally. The distribution centre charges franchisees a logistics fee of an average of 15% of the cost of the items delivered. An experienced procurement team works tirelessly to ensure the best possible pricing for DoRego's franchisees and an experienced logistics team manages the fleet to maximise efficiencies within the franchise system.

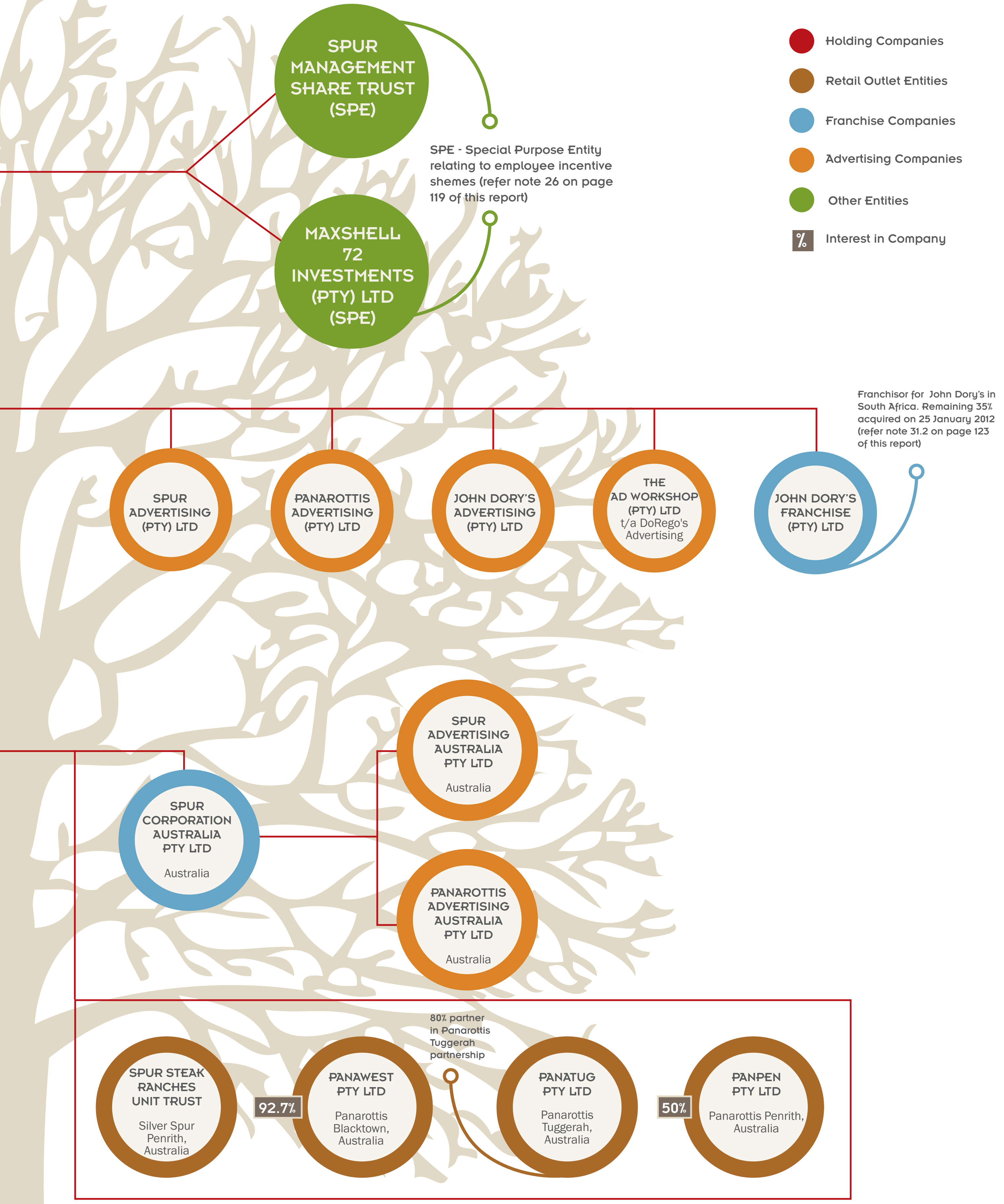
Franchise management functions for Australia are performed by dedicated operations management personnel in Australia.



SPUR AND ITS SUBSIDIARIES

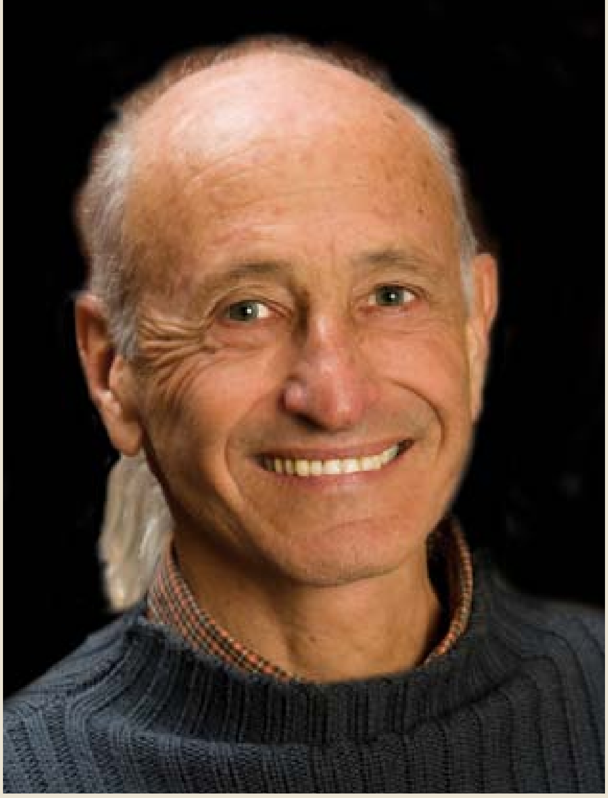
- All entities are domiciled in South Africa unless otherwise stated
- All entities are wholly-owned unless otherwise stated
- Excludes dormant and non-trading companies




SPUR MANAGEMENT SHARE TRUST (SPE)
MAXSHELL 72 INVESTMENTS (PTY) LTD (SPE)
SPE - Special Purpose Entity relating to employee incentive shemes (refer note 26 on page 119 of this report)
Holding Companies
Retail Outlet Entities
Franchise Companies
Advertising Companies
Other Entities
%
Interest in Company
Franchisor for John Dory's in South Africa. Remaining 35% acquired on 25 January 2012 (refer note 31.2 on page 123 of this report)
SPUR ADVERTISING (PTY) LTD
PANAROTTIS ADVERTISING (PTY) LTD
JOHN DORY'S ADVERTISING (PTY) LTD
THE AD WORKSHOP (PTY) LTD t/a DoRego's Advertising
JOHN DORY'S FRANCHISE (PTY) LTD
SPUR ADVERTISING AUSTRALIA PTY LTD Australia
SPUR CORPORATION AUSTRALIA PTY LTD Australia
PANAROTTIS ADVERTISING AUSTRALIA PTY LTD Australia
80% partner in Panarottis Tuggerah partnership
SPUR STEAK RANCHES UNIT TRUST Silver Spur Penrith, Australia
92.7%
PANAWEST PTY LTD Panarottis Blacktown, Australia
PANATUG PTY LTD Panarottis Tuggerah, Australia
50%
PANPEN PTY LTD Panarottis Penrith, Australia

OUR LEADERSHIP TEAM: EXECUTIVE DIRECTORS

Allen Ambor (Age 71)
EXECUTIVE CHAIRMAN



Pierre van Tonder (Age 53)
CHIEF EXECUTIVE OFFICER

Mark Farrelly (Age 48)
CHIEF OPERATING OFFICER

Ronel van Dijk (Age 40)
CHIEF FINANCIAL OFFICER

During the year under review, the board was restructured in order to move towards complying with the requirements of King III to a greater extent. As a consequence of the restructure, Phillip Joffe (36 years' service) retired as a director and Kevin Robertson (25 years' service) resigned as director, both with effect from 29 February 2012. The board extends its sincerest gratitude to Phillip and Kevin for their significant efforts and many years of faithful service. As part of the restructure, the board subcommittees were similarly restructured to achieve a greater level of compliance with King III. The board continues to review its composition as well as the composition of its committees.

Phillip Joffe

Kevin Robertson

Allen Ambor (Age 71)
EXECUTIVE CHAIRMAN
45 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 chief executive officer down, on issues that have substantive bearing on the future direction and strategy of the company; both locally and internationally. Allen is involved in the strategic management of the company together with the other directors.

Pierre van Tonder (Age 53)
CHIEF EXECUTIVE OFFICER
30 years' service

Pierre joined the group in 1982 as a junior store manager. He was appointed as an operations 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. Pierre was appointed managing director of the group in 1996 and chief executive officer in 2012.

Pierre is responsible for the group's overall strategy and operations. He is also the group's chief risk officer, the chairman of the risk, operational exco, transformation, human resources productivity and treasury committees and a member of the social and ethics committee.

Mark Farrelly (Age 48)
CHIEF OPERATING OFFICER
22 years' service

Mark completed an Advanced Executive Programme through UNISA Graduate School of Business. He joined Spur head office in 1990 as an operations 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.

Mark was appointed as chief operating officer in 2012 and consequently is responsible for implementing the growth strategy of the group's trading brands locally. As a board member, he is also responsible for developing group strategy.

Ronel van Dijk (Age 40)
CHIEF FINANCIAL OFFICER
9 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 2008, Ronel has been involved in the growth strategy of the group's international operations. As an executive director, Ronel is also instrumental in determining and implementing group strategy.

OUR LEADERSHIP TEAM: NON-EXECUTIVE DIRECTORS

Keith Madders MBE (Age 64) ~ DEPUTY CHAIRMAN; NON-EXECUTIVE DIRECTOR 17 years' service

Keith graduated with a B.Com (Economics) degree at the University of Cape Town in 1970. After graduating, he worked in finance and as an investment analyst (Old Mutual) before establishing a successful business in the music industry. In 1976 he relocated to London, where he lectured in accounting, banking and economics and subsequently founded successful portfolio management and property investment companies. He is also actively involved in charitable organisations working to relieve poverty in Africa and was awarded an MBE in the Queen's 2002 Honours List for services to the Zimbabwe Trust.

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

Keith Getz (Age 56) ~ NON-EXECUTIVE DIRECTOR 21 years' service

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 two of the group's international subsidiaries.

Keith is a former member of the group's remuneration committee and currently chairs the group's social and ethics committee. Keith chaired the nominations committee up until 5 September 2012.

Mntungwa Morojele (Age 53) ~ INDEPENDENT NON-EXECUTIVE DIRECTOR; LEAD INDEPENDENT DIRECTOR 2 years' service

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), Bachelor's degree in Business Administration (University of Charleston, USA), Master's 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, nominations and transformation committees. He was appointed as chairman of the nominations committee on 5 September 2012.

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

Dean Hyde (Age 45) ~ NON-EXECUTIVE DIRECTOR
18 years' service

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 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 is a former member of the group's audit and nominations committees and currently chairs the group's remuneration committee.

Muzi Kuzwayo (Age 44) ~ INDEPENDENT NON-EXECUTIVE DIRECTOR
4 years' service

Muzi has a B.Sc (Biochemistry and Microbiology) from Rhodes University and an Executive MBA from the University of Cape Town. He is a visiting professor at the UCT Graduate School of Business where he teaches Marketing and Customer Value. He is the founder and CEO of Ignitive, a marketing and advertising consulting company, and has interests in a number of other businesses. Muzi is also an author and commentator on advertising and marketing, having published two books, and had his comments published in the media on related matters. Muzi is the former CEO of TBWA/Hunt/Lascaris, a former director of King James Advertising, the former chairman of Project Literacy, a former director of Jacana Publishing and a former director of the Association of Communication Agencies.

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

OUR LEADERSHIP: KEY MANAGEMENT

OUR TEAM OF DEDICATED AND PASSIONATE PEOPLE GROWING GREAT BRANDS.

During the year, a number of key management positions were reviewed and restructured. Certain designations and spheres of responsibility of certain key management personnel were adjusted to align with current industry trends.

Blaine Freer (AGE 47) – GROUP DEVELOPMENT EXECUTIVE

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 outside of the Western and Eastern Cape.

Cobus Jooste (AGE 36) – NATIONAL TRAINING EXECUTIVE

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 executive (previously national training manager) in 2010.

Derick Koekemoer (AGE 42) – FRANCHISE EXECUTIVE: AFRICA

Derick trained as a chef during his national military service. He joined head office in 1996 as an operations manager and was promoted to a regional operations manager in Gauteng in 1999. In the subsequent years Derick was involved in establishing the group's first outlets in the United Kingdom and Ireland. During 2009, Derick was seconded to the group's international division to manage the group's expansion into Africa. Derick has studied food service supervision and holds a diploma in business and financial management.

Duncan Werner (AGE 52) – GROUP PROCUREMENT AND DEVELOPMENT EXECUTIVE

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 and Eastern Cape development and menu engineering. He also oversees the group's sauce and décor manufacturing facilities.

Etienne Ralphs (AGE 42) – CHIEF OPERATING OFFICER: DOREGO'S

Etienne started his Spur career as a part time waiter in 1988 whilst studying toward a BSc in microbiology and biochemistry at the University of Cape Town. After completing his degree, he managed and operated Spur restaurants for ten years before joining head office in 2002 as an operations manager for the Western Cape region. He fulfilled this role for seven years before being appointed as national marketing development manager (event sponsorships and strategy). Etienne was appointed as chief operating officer for the DoRego's brand on its acquisition by the group in March 2012.

Kevin Robertson (Age 46) ~ NATIONAL FRANCHISE EXECUTIVE

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 2011, Kevin's involvement in the UK has been limited to strategic input. In 2012, Kevin resigned as a director of Spur Corporation Limited, but was appointed as a director of the group's main operating subsidiary, Spur Group (Pty) Ltd. At the same time, Kevin was appointed as national franchise executive. Kevin's primary focus is managing the Spur South Africa Inland operations but he continues to give strategic input to the board and other brand chief operating officers.

Leonard Coetzee (AGE 39) – CHIEF OPERATING OFFICER: JOHN DORY'S

Leonard started his career as a Spur waiter in 1989. After completing his national military service in 1992, he became a store manager and joined head office as an operations manager in March 1996. He was promoted to regional operations manager responsible for the KwaZulu-Natal region in 2003. Leonard assisted in opening restaurants in Perth, Dar Es Salaam, Reunion Island and Mauritius. He was promoted to chief operating officer of John Dory's in February 2012.

Patrick Lawson (AGE 41) – GROUP BUSINESS INTELLIGENCE EXECUTIVE

Patrick originally joined Spur in 1998 as the Spur marketing brand manager, and left in 2003 to join an international advertising agency working on a large retail food brand. He subsequently joined one of Spur's service providers, where he managed the operational aspects of Spur's Secret Tribe birthday club and Customer Care cards and related data analysis and reporting. This evolved into the launch of the Spur Customer Call centre, which sparked Patrick's interest and passion in data, data analysis and business intelligence. Patrick rose up the ranks to managing director of the service provider in question, before re-joining Spur in 2009 as senior marketing brand manager overseeing the Spur and Panarottis brands. In 2011 Patrick was appointed as group business intelligence executive.

Peter Wright (AGE 61) – GROUP HR EXECUTIVE

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 (AGE 34) – GROUP FINANCE EXECUTIVE

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 finance executive (previously referred to as chief financial officer).

Robin Charles (AGE 38) – NATIONAL PROCUREMENT EXECUTIVE

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 procurement executive (previously national supply chain manager) in 2010.

Sacha du Plessis (AGE 34) – GROUP MARKETING EXECUTIVE

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, John Dory's and DoRego's brands.

Tyrone Herdman-Grant (AGE 41) – CHIEF OPERATING OFFICER: PANAROTTIS

Tyrone started as a waiter at 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 operations 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. In March 2011 he was appointed as the chief operating officer of Panarottis Pizza Pasta.

STAKEHOLDER RELATIONSHIPS

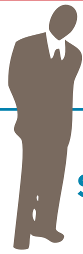
The sustainability committee identified the following key stakeholders who play a pivotal role in developing the group's sustainability strategy. These stakeholders were identified by engaging various employees within the group. The group currently engages with these stakeholders as follows:

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 seven locations 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



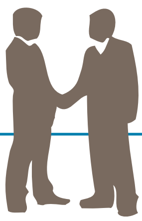
Shareholders

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 group chief executive officer and chief financial officer 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, John Dory's or DoRego'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

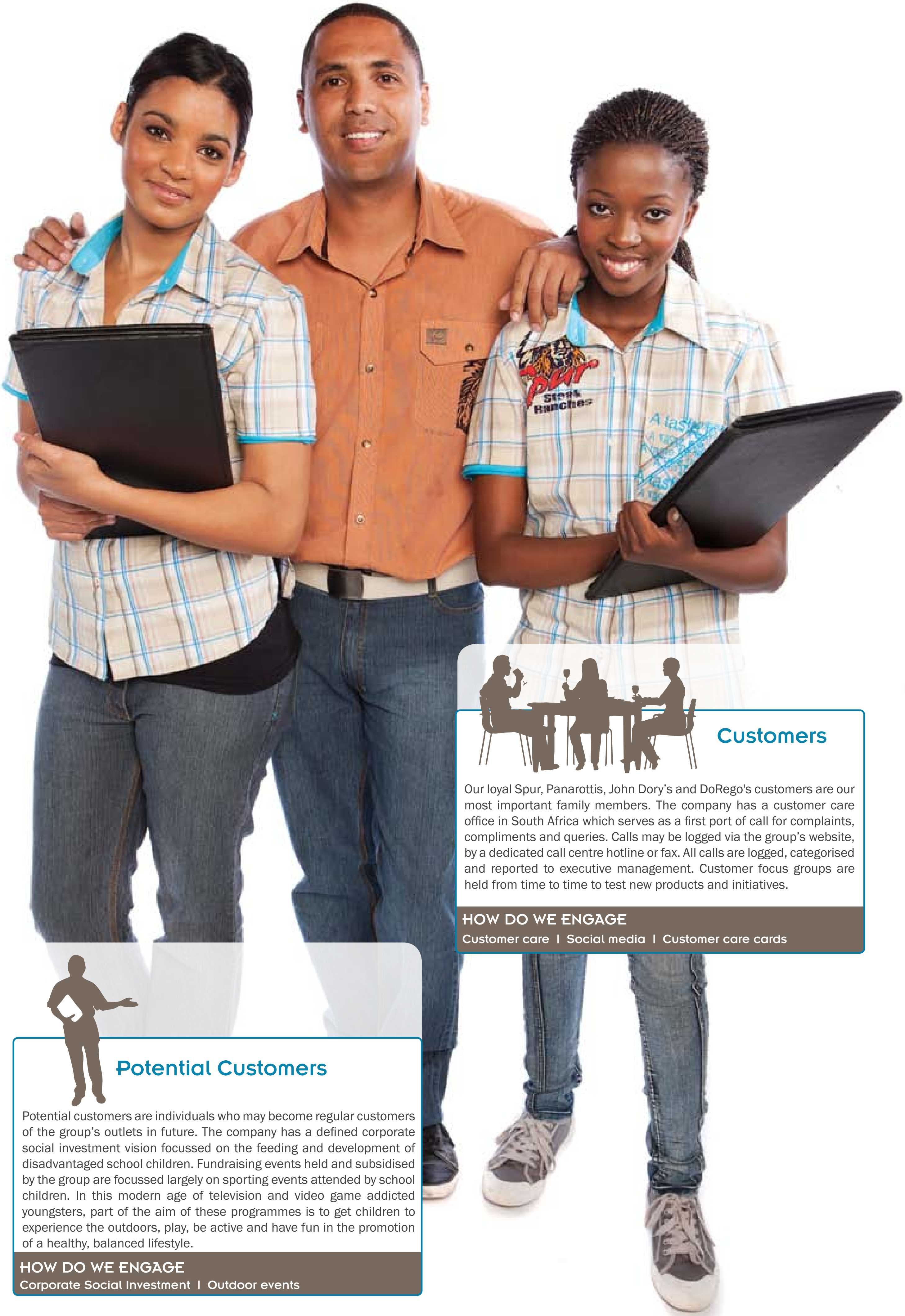
Suppliers

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, distribution centre 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, John Dory's and DoRego's customers 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 are individuals who 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

Allen Ambor
EXECUTIVE CHAIRMAN'S REPORT

INTRODUCTION

The 2012 financial year was characterised by an increasingly competitive environment and trading conditions both locally and in the international markets in which Spur Corporation operates.

The South African economy remains sensitive to uncertainty in global markets, with financial instability in several European countries continuing to delay a sustained recovery in our domestic economy.

Interest rates remained stable throughout the reporting period at their lowest level in four decades. After our year end, the SA Reserve Bank reduced the repurchase (repo) rate by 50 basis points which is positive for consumer spending in this country.

However, fuel, utility and food costs, which account for a large portion of the disposable income of our middle income target customers, continue to rise and place strain on consumers and suppliers alike.

Consumer confidence levels declined in the second half of the financial year and as there is a close relationship between consumer sentiment and consumer spending, declining confidence levels could be an issue in the months ahead.

Irrespective of market conditions, Spur Corporation focusses on rewarding its loyal customers with a value-for-money, quality and memorable eating out experience at all times.

FINANCIAL PERFORMANCE

Despite this challenging consumer environment the group delivered a strong financial performance for the year ended 30 June 2012. **Group revenue increased by 24.8%** to exceed R500 million for the first time, driven by pleasing growth across all our brands. Franchise revenue in Spur Steak Ranches increased by 13.5%, Panarottis Pizza Pasta by 12.4% and John Dory's Fish Grill Sushi by 13.4%. Franchise revenue in our newly-acquired brand, DoRego's, amounted to R2.5 million for the four months to June 2012. **The South African operations contributed 71% of the group's revenue.**

Turnover and profitability in the group's international operations have shown encouraging improvements, despite difficult trading conditions in offshore markets. International revenue, which comprises franchise revenue and company-owned restaurant turnover, reflects the better trading performance in Africa, Mauritius and the United Kingdom and increased by 23.9% to R144.0 million. The group has 48 restaurants outside of South Africa, including 39 franchised outlets and six company-owned restaurants in the UK and three in Australia.

Manufacturing and distribution revenue rose by 31.0% to R142.8 million, which includes the revenue of R23.5 million from the DoRego's distribution centre for the four months to June 2012. Following the consolidation of our manufacturing operations into one facility in Cape Town last year, we continue to focus on creating efficiencies in this area.

Further detail on the trading performance is included in the Chief Executive Officer's Report which follows on page 26.

Profit before income tax for the financial year increased by 49.9% to R175.1 million. Comparable profit before income tax, excluding exceptional and one-off items and the contribution of DoRego's from March 2012, grew by 21.0%.

★ The group increased headline earnings by 30.4% to R111.8 million, with diluted headline earnings per share growing by 31.4% to 127.95 cents per share.

A final cash dividend of 47.0 cents per share has been declared, bringing the total dividend for the year to 87.0 cents per share, an increase of 31.8% on the previous year.

EXPANDING MARKET PRESENCE

While organic growth is the group's preferred strategy, the board and management regularly evaluate potential acquisition opportunities to accelerate growth or to expand into new markets or product offerings.

During the year the group acquired the DoRego's fast food restaurant chain for R30 million. DoRego's is a value oriented take-away chain which serves more than 5.2 million customers each year through its 74 outlets. The chain has a strong presence in Gauteng, Free State and Eastern Cape, with outlets mainly located in regional shopping centres and areas close to commuter transport hubs.

This acquisition gives the group exposure to growth opportunities in the lower to middle income market which is an area of significant expansion in the quick service restaurant market. There is no overlap between DoRego's and the other brands in the Spur Corporation portfolio.

DoRego's is a strong brand with great growth potential in South Africa. We plan to capitalise on the current brand awareness and expand the footprint into areas such as the Western Cape, KwaZulu-Natal and Mpumalanga. In the year ahead we plan to open at least 10 new DoRego's outlets.

As our expertise lies in managing franchise restaurant operations, we have ensured a phased transition with the previous owners to ensure we benefit from their experience in operating quick service outlets and their knowledge of the brand and target markets.

Moving beyond the borders of South Africa, our restaurant presence in Africa has grown to 24 outlets. Seven franchised outlets were opened across the continent during the past year. These included our first store

in Nigeria, the relaunch of the Spur brand in Zambia, the first Panarottis restaurant in Botswana and further outlets in Namibia and Malawi. The group also has a growing brand presence in Mauritius where two Spur and four Panarottis restaurants were opened.

Our international expansion will continue to focus on Africa and a further seven outlets are planned in the year ahead, as well as two further outlets in Mauritius and one in the Seychelles.

CORPORATE GOVERNANCE

The group strives to achieve a balance between maintaining the entrepreneurial ethos of the business and corporate governance practices, while ensuring that the interests of all stakeholders are protected.

The board and management subscribe to the principles of King III. While we have chosen not to apply all the recommendations, and explain material departures from the code, we are confident that the fundamental objectives of King III are being achieved within the business. Further information is contained in the corporate governance reports on pages 50 to 65 and 70 to 73.

In compliance with the Companies Act, a social and ethics committee has been established, with oversight for the group's activities relating to social and economic development, corporate citizenship, the environment, health and safety, consumer relationships, as well as labour and employment.

The members of the audit committee were elected for the first time by shareholders at the annual general meeting in December 2011.

During the year the board was restructured in line with the King III recommendation that the majority of directors should be non-executive, and to recognise the expanding areas of responsibility of the leadership team.

Consequently, Phillip Joffe retired as a director but will continue to be actively involved in a managerial capacity in the financial activities of the group. Kevin Robertson resigned from the board and was simultaneously appointed to the board of subsidiary company Spur Group (Pty) Ltd as national franchise executive of the group. We thank Phillip and Kevin for their service to the board over several years.

Pierre van Tonder, who was previously managing director, was appointed as chief executive officer of the group; Mark Farrelly, deputy managing director, was appointed to the newly-created position of chief operating officer. Ronel van Dijk's title as group financial director was re-designated as chief financial officer.

At the date of this report, the nine-member board consists of two independent non-executive directors, three non-executive directors and four executive directors.

PROSPECTS

The retail trading environment is expected to remain challenging in the year ahead. The group is confident that by focussing on its core strengths of quality, good value and innovative marketing across all brands, it will remain competitive in the "eat-out" market.

Eleven new Spur Steak Ranches are planned for South Africa for the year ahead, as well as seven Panarottis Pizza Pasta, eight John Dory's Fish Grill Sushi and ten DoRego's outlets.

A platform for sustainable growth has been built in Africa and expansion includes the opening of second outlets in Nigeria, Kenya, Tanzania, Swaziland and Zambia in the near future.

APPRECIATION

The group has a strong and stable leadership team and I thank our chief executive, Pierre van Tonder, executive management and our employees for their contribution to the performance of the past year.

Thank you to our franchisees, suppliers, business partners and advisers for their continued support. I also extend my appreciation to our shareholders and the investment community for their active following of the group, and welcome those shareholders who invested in Spur Corporation for the first time this year.

Our customers have continued to make us their first choice eating out experience and we thank them for supporting our brands in increasing numbers over the past year.

Allen Ambor EXECUTIVE CHAIRMAN

Pierre van Tonder
CHIEF EXECUTIVE OFFICER'S REPORT

OVERVIEW

Spur Corporation delivered a strong trading performance in a subdued local and global economic environment. The results have been achieved through an aggressive promotions strategy aimed at driving foot traffic and attracting consumers across our local and international operations.

Profit before income tax from local operations increased by 18.6% on revenue growth of 25.2%. Comparable profit, excluding exceptional and one-off items, increased by 14.7%.

The dilution in the local operating margin relative to the prior year from 50.4% to 47.8% is largely as a result of the inclusion of the DoRego's distribution centre during the year which operates at a substantially lower net margin than the rest of the local businesses. Operating margins of all other local business units improved on the prior year.

Internationally, the group added impetus to its rollout in Africa and Mauritius and focussed on operational disciplines in Australia and the United Kingdom. This translated into an increase in revenue of 23.9%. Before tax, the international operations contributed a profit of R3.4 million in the current year compared to a loss of R28.0 million in the prior year. On a comparable basis, excluding foreign exchange differences and the impact of impairments, the contribution of the international businesses to the group's profit before income tax increased by R7.9 million on the prior year.

SPUR STEAK RANCHES

The Spur brand continued to perform well, with restaurant turnover increasing by **14.2% to R3.1 billion**. **Restaurant turnover from existing business increased at 11.7%.** Menu prices were increased by 5.8% in November 2011 and 4.6% in April 2012, necessitated by increased energy and labour costs. Franchise income increased by 13.5% to R155.4 million and the division's contribution to the group's profit before income tax increased by 14.9% to R136.4 million.

The performance of the division can be attributed to the stringent enforcement of standards, the continuous repositioning of the brand's menu and the on-going success of the breakfast and Monday night burger promotions. In addition, excellent regional marketing initiatives and the boosting of quieter trading periods through the introduction of weekday specials, proved attractive to cash strapped consumers.

Following the launch of the Spur Family Card in the prior financial year, membership has grown to over 1.1 million and accounts for 27% of the brand's local restaurant turnover. The loyalty programme has been successful in increasing average spend per head and creating a greater affinity with the Spur brand, with cardholders spending on average 20% more than non-members.

During the past year we opened 12 restaurants locally and relocated eight outlets from redundant to improved trading sites. In addition, 56 restaurants underwent revamps, with the total investment by our franchisees amounting to approximately R34 million for the year. Relocations and revamps have resulted in turnover increases of on average between 18% and 28% in the respective outlets.

In the year ahead, we plan to remain highly competitive through entrenching the gains we have made in the breakfast market, implementing a targeted lunchtime offering, continued focussed and innovative marketing and on-going adherence to stringent operational standards.

PANAROTTIS PIZZA PASTA

Panarottis' restaurant turnover in South Africa grew by 14.7% to R267.6 million for the year under review, with turnover from existing stores growing at 13.0%. Menu prices were increased by 3.4% in December 2011 and 3.9% in June 2012. Franchise income increased by 12.4% to R13.0 million and the division's contribution to the group's profit before income tax increased by 15.1% to R7.9 million.

The brand has increased its focus on its family offering, while the menu has been refocussed on the brand's core products of pizza and pasta. The brand also benefitted from the success of on-going weekday specials, the introduction of slice bar and breakfast offerings, and the refurbishment of outlets.

Three new restaurants were opened, while eight were revamped to the new store specification which incorporates fresh new design elements. Our ability to source prime sites has improved, as our new design has been well received by the public and landlords alike. This is expected to serve as a platform for meaningful growth in the restaurant base in the year ahead.

Focus for the year ahead will again be on operational disciplines and customer service. We will also continue to improve our family offering by upgrading our kids' facilities and revamping old outlets to the new store specification.

Panarottis will once again be partnering with radio station 5FM during their Drive Time slot, sponsoring their new platform of "Feel Good Flashbacks". Throughout this year-long campaign, we will be entrenching our weekday specials in the majority of our communications.

JOHN DORY'S FISH GRILL SUSHI

The group acquired the remaining 35% of the John Dory's franchise business with effect from 25 January 2012, resulting in the group owning 100% of the business. Under the stewardship of new management, **restaurant turnover grew by 14.2% to R221.8 million. Restaurant turnover from existing business increased by 11.7%.** Menu prices were increased by 4.8% in December 2011 and 7% in June 2012. Franchise income increased by 13.4% to R11.1 million and the division's contribution to the group's profit before income tax increased by 28.1% to R5.8 million. The margin improvement is partly attributed to the reduced overhead structure following the resignation of the previous managing director of the business.

During the year, the brand refocussed its marketing efforts and introduced additional promotions to take advantage of quieter weekday trading periods. One new restaurant was opened.

Despite the change in management, the operations team has remained stable and is now focussed on the strategic goals of the brand. Following the change in ownership, a great deal of research and development has gone into a complete re-design of menus which were launched in June 2012. We believe that this will focus the brand on its core competencies, improve the value proposition to its customers, improve efficiencies within the franchise system and ultimately enhance the brand's equity. Further efforts have gone towards standardising the store specification

and re-engaging franchisees. We believe that we now have a solid foundation to support growth in the years ahead.

DOREGO'S

The DoRego's franchise and distribution centre businesses were acquired with effect from 1 March 2012 for R25 million, with a further R5 million payable on 28 February 2013, subject to profit warranties. DoRego's is a value-oriented take-away chain offering a combination of chicken, seafood and burgers through 74 franchised outlets with a strong presence in the Free State, Gauteng and Eastern Cape. The distribution centre is based in Bloemfontein and supplies core products to franchisees utilising its own fleet of refrigerated trucks.

The acquisition is expected to give the group exposure to growth opportunities in the lower to middle income market, an area of significant expansion in the current quick service restaurant market place. Synergies are expected in terms of applying the group's extensive franchising expertise to the DoRego's brand, vertical integration into the group's manufacturing facilities and improved efficiencies in group shared infrastructure. Opportunities exist to expand into areas in South Africa where the brand is not currently represented. The model also lends itself to expansion in Africa which will be investigated in the year ahead.

We were able to retain the services of both the former owners of the business until September 2012 and this facilitated a seamless integration into the group.

Restaurant turnover for the four months to June 2012 amounted to R59.9 million. For the same period, the franchise business contributed franchise income of R2.5 million and a profit of R0.9 million to the group's profit before income tax. The profit for the current year includes costs related to the integration of the businesses. The margin is expected to improve as the number of outlets increases, but given the size and contribution of each franchised outlet, the long term margin will be less than that of the group's other brands.

Two new outlets were opened since the acquisition.

A new format menu will be launched towards the end of the 2012 calendar year which we believe will be beneficial to franchisees and excite our customers. We will also be focussing on up-skilling franchisees and further entrenching the group's standards throughout the business and franchise network. We are encouraged by the interest in new franchises and look forward to reporting good growth in the business in the year ahead.

SPUR INTERNATIONAL

Our international division now comprises 37 Spur Steak Ranches and 11 Panarottis Pizza Pasta outlets across Africa, Australia, the United Kingdom and Ireland, Mauritius and the Middle East.

International revenue, comprising franchise revenue and company-owned restaurant turnover, reflects the improving trading performance in Africa, Mauritius and the United Kingdom, and increased by 23.9% to R144.0 million. On a comparable basis, excluding foreign exchange differences and the impact of impairments, the division realised an improvement in profit before income tax of R7.9 million on the prior year.

Following extensive research conducted in the UK in the previous financial year, we undertook a re-branding exercise in that region to adapt the intellectual property for the peculiarities of that specific market. In particular, all brand signage was updated and a new menu format was launched. This was particularly well received by the UK customer and translated into the improved financial performance reported, despite an extremely competitive trading environment.

The trading conditions in Australia remain difficult. The focus for the year was on cost management and local marketing promotions to drive foot traffic.

International expansion has focussed on Africa, with the opening of five Spur and two Panarottis franchised outlets across the continent (outside of South Africa). Spur openings included Zambia, Malawi, Botswana, Namibia and Nigeria and Panarottis openings included Botswana and Zimbabwe. The group has a growing brand presence in Mauritius, where two Spur and four Panarottis restaurants were opened during the year.

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

A platform for sustainable growth has been built in Africa and planned expansion includes the opening of second outlets in Nigeria, Kenya, Tanzania, Swaziland and Zambia. Two further outlets are planned for Namibia, two in Mauritius and one in the Seychelles.

A number of franchise opportunities are being investigated in Australia, including a Spur in northern Perth and Panarottis Express outlets in New South Wales and Western Australia.

MANUFACTURING AND DISTRIBUTION

Manufacturing and distribution revenue rose by 31.0% to R142.8 million and contributed profit before income tax of R55.7 million, an increase of 12.1% on the prior year. The DoRego's distribution centre contributed revenue of R23.5 million and profit before income tax of R0.9 million for the four months to June 2012. The net margin of the distribution centre business is significantly lower than the group's traditional manufacturing and distribution business which has resulted in the segment's lower overall margin relative to the prior year.

We continue to focus on creating efficiencies following the successful consolidation of our manufacturing operations into one facility in Cape Town in the previous year.

The focus will now be on completing an upgrade of the sauce manufacturing premises and the installation of a bottling plant. In the year ahead, we intend to develop further products for supply to Panarottis, John Dory's and DoRego's, as well as to supply bottled barbecue sauce and salad dressing to Spur Steak Ranches. The move to bottled table sauces is in line with international trends and an important development from a food health and safety perspective. We continue to investigate other opportunities to maximise efficiency within the sauce manufacturing facility in order to enhance the return on investment.

Volumes of goods supplied through the group's outsourced distribution channel have increased by 10.7% on the prior year. Franchisee participation continues to increase as the benefits in terms of convenience, quality and food health and safety of the centralised procurement network are realised by all stakeholders.

HUMAN RESOURCES

The Human Resources department has become more business focussed and a strategic partner in attempting to align employees' and franchisees' goals with those of the group.

To this end, we have developed and introduced new learning courses that are proving to be successful. These include a 12-session "Manager as Coach" workshop that teaches managers how to coach and manage and become more effective operators and leaders in their restaurants. We have also developed a concept titled "Conversation Café", which is conducted on a bi-monthly basis in each region. This forum provides franchisees the opportunity to engage in dialogue with the franchisor concerning any matters that may assist them in operating more efficient restaurants. The purpose of both processes is for all participants to have a safe platform where they can discuss relevant and pertinent matters and create opportunities for franchisor and franchisee alike.

INFORMATION TECHNOLOGY

During the past financial year, we continued to invest 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.

The upgrade of our restaurant point of sale system, which commenced during the year, is expected to be completed by the end of December 2012 and all brands, with the exception of DoRego's, will be operating on the SQL platform. The benefits of the new system include greater business intelligence, improved security and greater in-store efficiency. Additional benefits include the ability to integrate our loyalty information and customer profiling. We will also be in a position to launch mobile loyalty (i.e. a loyalty programme without a physical card) in the new year and we continue to investigate a gift card solution.

Towards the end of the financial year, we undertook the sizeable task of bringing our call centre in-house. Although this goes against the general trend of outsourcing, our view is that the call centre is a critical channel of interaction between our brands and our customers. Given the importance of our customers, we are of the view that it is better to have absolute control over this function.

In the year ahead we will be testing various technologies designed to improve service levels within the restaurant environment, compliance measurement of our franchisees, as well as support our franchisees with regards to their business planning needs.

TRAINING

The group continues to provide training for current and prospective franchisees and their staff through a network of 12 designated franchised outlets that serve as training facilities located throughout the country. In addition 5 171 delegates attended training workshops at the group's head office and regional facilities.

The Spur College of Excellence, which was established during the previous financial year, provides a six month intensive practical and theoretical course aimed at fast tracking the development of junior management. During the past year, six graduates completed the training programme with a further six candidates in the process of working through the curriculum. The College will have a further intake of ten candidates in September 2012 and the programme will be expanded into the Cape Town region during the year ahead. I am pleased to report that the College and related systems and protocols have been accredited by the CATHSSETA, with whom we continue to engage in order to obtain accreditation for our individual training programmes.

ENVIRONMENT

Following the migration from polystyrene and plastic packaging to paper packaging for Spur and Panarottis in the prior year, we similarly converted John Dory's packaging in the current year and continue to modify our packaging to reduce the impact even further on the environment. We aim to convert DoRego's packaging in the same way in the new financial year.

We have also continued the efforts and programmes launched in the prior year in respect of water and energy savings and waste management at each of our regional offices.

During the year we invested in piloting an energy saving lighting solution and energy usage monitoring system in three franchised outlets in the Western Cape. The results of the pilot were used to develop a group wide efficient lighting specification and other energy saving intellectual property which we intend rolling out to franchisees in the year ahead and beyond. This will be critical for the financial sustainability of our various franchise models in the medium to long term.

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 GROUP CHIEF EXECUTIVE OFFICER

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.

A brief overview of the group's financial performance follows:

KPI	2009	2010	2011	2012	Target 2013
Operating profit before finance income	R96.2m	R118.5m	R112.0m	R168.9m (Target R152.0m)	R184.4m
Growth in adjusted operating profit (as defined on page 9)	14.3%	14.5%	4.4%	26.6% (Target 15.0%)	15.0%
Operating profit margin (as defined on page 9)	33.3%	35.8%	32.2%	32.7%	
Return on equity (as defined on page 9)	17.6%	20.9%	21.1%	26.0%	
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)	44.4%	52.4%	18.9%	35.5%	

In order to improve operating margins, the group is constantly reviewing its structures to identify opportunities to improve efficiencies.

The acquisition of DoRego's with effect from 1 March 2012 presents the group with the opportunity to capitalise on synergies in terms of support infrastructure and vertical integration into the group's manufacturing facilities. Further investment has been made in the group's sauce manufacturing business in order to improve efficiencies and maximise the return on investment of the plant.

The group exceeded all its operating profit and return on investment targets for the year. Whilst this has been exaggerated by the exceptional and one-off items described in more detail below, comparable operating margins have improved in all trading divisions with the exception of wholesale and distribution. The improvement in margins in all other trading divisions is attributed to better than anticipated restaurant turnovers and effective cost management. The reduction in the wholesale and distribution margin is as a result of the introduction of the DoRego's distribution centre which operates at a significantly lower net margin than the group's traditional wholesale and distribution business. In the year ahead, this reduction in margin will be more pronounced as the distribution centre will have traded for a full year. The operating margin of the DoRego's franchise business is also lower than the other franchise divisions due the fact that each outlet contributes a proportionately lower amount to franchise income than the other brands. Whilst the margin is expected to improve over time, it is anticipated that the margin will remain at lower levels than the other franchise brands. This will result in group operating margins declining slightly in the years ahead.

The growth in operating profit on the prior year is distorted as a result of exceptional and one-off items in both the current and prior periods. These items include:

- certain items that did not qualify for capitalisation in terms of IFRS relating to the relocation of the group's training centre in Cape Town, the establishment of the group's call centre internally and improvements to the group's sauce manufacturing facility in Cape Town to facilitate the implementation of a bottling plant in the 2013 financial year, totalling R0.491 million (the prior year included R1.133 million relating to the relocation of the group's Johannesburg regional office, the relocation and consolidation of the group's Johannesburg sauce manufacturing facility to the Cape Town facility and the relocation of the group's décor manufacturing plant in Cape Town);
- a capital profit on the sale of the group's Johannesburg regional office building in the prior year amounting to R1.205 million;
- depreciation on property, plant and equipment in the prior year of R1.482 million relating to assets in certain UK retail outlets that were impaired as at 30 June 2011;
- a bargain purchase gain arising from the acquisition of DoRego's of R3.694 million in the current year as detailed in note 31.1 on page 122 of this report;
- a contribution to profit before income tax of R1.876 million by the DoRego's business for the four months since acquisition to 30 June 2012 – although this is not exceptional or one-off, it does impact on the comparative analysis;
- due diligence costs in respect of the DoRego's acquisition and another potential acquisition that the group did not progress totalling R0.745 million in the current year;
- a fair value gain of R0.843 million on the realisation of collateral in respect of a loan advanced to the former non-controlling shareholder of one of the group's subsidiaries as more fully described in note 31.3 on page 124 of this report;
- foreign exchange gains of R2.288 million in the current year (losses of R0.794 million in the prior year);
- an impairment loss in respect of the goodwill relating to the Panarottis in Tuggerah (Australia) of R1.564 million (the prior year included impairments in respect of goodwill and property plant and equipment relating to certain of the UK retail outlets totalling R18.482 million) as more fully described in notes 5.1 and 10.2 on pages 101 and 107 respectively of this report;
- legal costs of R3.171 million in respect of the shareholder dispute with the former non-controlling shareholder of John Dory's Franchise (Pty) Ltd as detailed in note 31.2 on page 123 of this report;
- a share-based payment charge in respect of the group's cash-settled, long-term share-linked retention scheme of R3.965 million (2011: R0.555 million), and a fair value gain on the related hedge derivative financial instrument of R7.479 million (2011: loss of R2.627 million). Refer notes 15 and 21 on pages 113 and 116 respectively of this report;
- costs incurred in the current year relating to the group's convention due to take place in February 2013 of R2.0 million;
- a contribution during the year of R0.670 million to the Spur Foundation to commemorate Nelson Mandela Day. This contribution will be used by the foundation to achieve the group's corporate social investment strategy; and
- trading losses in the prior year of R1.261 million in respect of Yellowstone Spur (Derby, UK), an outlet that ceased trading in December 2010.

Comparable operating profit before finance income is listed below

R'000	2012	2011	% Change
Operating profit before finance income	168 936	111 969	50.9%
Capital expenditure – projects	491	1 133	
Capital profit on sale of Johannesburg building	-	(1 205)	
Depreciation on impaired outlets	-	1 482	
DoRego's bargain purchase gain	(3 694)	-	
DoRego's franchise and distribution centre	(1 876)	-	
Due diligence costs	745	-	
Fair value gain on realisation of collateral	(843)	-	
Foreign exchange (gain)/loss	(2 288)	794	
Impairment losses (property, plant and equipment and goodwill)	1 564	18 482	
Legal costs – John Dory's	3 171	-	
Share appreciation rights (net of related hedge)	(3 514)	3 182	
Spur Convention	2 000	-	
Spur Foundation	670	-	
Trading losses of Yellowstone Spur (Derby, UK)	-	1 261	
Comparable operating profit before finance income	**165 362**	**137 098**	**20.6%**

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 35).

Strategies to grow foot traffic and spend per head

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:

- Continued focus on business intelligence and market research to identify changes in consumer trends and respond to these
- Continued focus on revamps and relocations of outlets to better trading sites
- Focus marketing on digital media

Individual Brand Actions include:

SPUR:

- Promote weekday specials;
- further entrench breakfast market presence;
- improve focus on kids' offering;
- focus marketing on product credentials (quality and value proposition);
- refocus on brand's spirit of generosity;
- implement exciting lunchtime offering;
- continued community involvement; and
- enhance loyalty offering.

PANAROTTIS:

- Promote weekday specials;
- improve focus on kids' offering;
- expand delivery business;
- expand slice bar and take-away offerings;
- innovative products (including coffee, desserts, subs, saucy pizza options and breakfast);
- focussed approach to 'big on family, big on pizza';
- greater community involvement; and
- implement loyalty program.

JOHN DORY'S:

- Promote weekday specials;
- improve focus on kids' offering;
- further refine brand positioning;
- greater community involvement;
- rejuvenate brand's vibe and spirit of generosity;
- national marketing exposure;
- improve operational disciplines; and
- enhance loyalty offering.

DOREGO'S:

- Enhance Value-Added Campaigns (promotions);
- increase focussed regional media exposure;
- implement new format menu in second half of 2012 calendar year;
- continued market research;
- increase community involvement;
- improve business intelligence; and
- staff training to enhance customer experience.

Unreal Breakfast continues to grow Spur's presence in the overall breakfast category.

KPI	2009	2010	2011	2012	Target 2013
New local stores					
- Spur	10	9	10	12 (Target 9)	11
- Panarottis	1	3	7	3 (Target 4)	7
- John Dory's	1	5	3	1 (Target 4)	8
- DoRego's				2	10
Closed local stores					
- Spur	6	4	6	7	
- Panarottis	2	3	5	3	
- John Dory's	-	1	2	0	
- DoRego's				6	
Total local stores					
- Spur	240	245	249	254 (Target 254)	262
- Panarottis	50	50	52	52 (Target 55)	58
- John Dory's	22	26	27	28 (Target 31)	34
- DoRego's				74	82
Relocated*/revamped local stores					
- Spur	16	24	32	64 (Target 32)	65
- Panarottis	6	5	2	8 (Target 8)	8
- John Dory's	-	3	1	1 (Target 6)	4
Total store turnover					
- Spur	R2 245.4m	R2 459.0m	R2 702.7m	R3 085.3m (Target R2 946.1m)	R3 379.0m
% growth in store turnover	8.6%	9.5%	9.9%	14.2% (Target 9.0%)	9.5%
% growth in existing store turnover	6.8%	7.8%	7.9%	11.7% (Target 7.7%)	8.6%
- Panarottis	R207.0m	R223.2m	R233.2m	R267.6m (Target R258.4m)	R304.2m
% growth in store turnover	4.4%	7.8%	4.5%	14.7% (Target 10.8%)	13.7%
% growth in existing store turnover	3.1%	4.8%	0.3%	13.0% (Target 8.2%)	10.9%
- John Dory's	R143.1m	R176.6m	R193.9m	R221.8m (Target R226.0m)	R252.4m
% growth in store turnover	18.2%	23.4%	9.8%	14.2% (16.4%)	13.8%
% growth in existing store turnover	6.1%	7.8%	4.5%	11.7% (Target 8.0%)	9.7%
- DoRego's				R59.9m	R206.7m
Loyalty					
Family Card loyalty spend	N/A	N/A	R163.3m	R821.0m (Target R400.0m)	R924.0m
Family Card membership	N/A	N/A	190 836	1 135 254 (Target 490 000)	1 200 000
Kids Tribe membership	935 588	1 053 899	1 066 827	909 315 (Target 1 098 831)	910 000
John's Club loyalty spend	N/A	R8.0m	R23.9m	R36.4m (Target R45.0m)	R55.0m
John's Club membership	N/A	13 790	37 630	50 753 (Target 70 000)	65 000

* 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.

Beyond the 2013 financial year and up to (and including) 2017, the group is targeting:

- At least six new Spur outlets, three new Panarottis outlets, four new John Dory's outlets and 15 new DoRego's outlets per annum;
- Family card membership at 30 June 2017 of 2.2 million; and
- Kids Tribe membership at 30 June 2017 of 1.1 million.

COMMENTARY

Spur achieved its number of stores target for the year and exceeded its restaurant turnover targets. This is largely attributed to continued focus on operational standards, innovative marketing and menu engineering, and the significant number of revamps during the year. A particular focus during the year was the upgrading of kids' facilities which has in many cases led to a profound improvement in turnover. This will continue to be an area of focus in the year ahead. The continued success of the Monday night burger and breakfast offerings has been an important driver of foot traffic. The participation in the group's Family Card loyalty program has exceeded all expectations and has contributed to increases in both foot traffic and spend per head. The participation in the Kids' Tribe (Spur Sectret Tribe) programme has reached a plateau and is not expected to grow significantly as new members replace those exceeding the qualifying age.

Panarottis was short of its number of stores target but exceeded its restaurant turnover targets. Whilst three new stores were opened, three stores were closed too. The Panarottis' management team has made great strides in terms of raising the profile of the brand with customers and landlords and it is expected that targets will be achieved in respect of store numbers for the years ahead.

John Dory's was short of its number of stores and restaurant turnover targets. The legal dispute with the former non-controlling shareholder and former managing director of John Dory's created uncertainty in the market place which made it difficult to expand the business and also diverted management's attention from the management of the business. With the matter resolved and the introduction of a new management team, it is anticipated that the targets for 2013 will be achieved. The focus since the resolution of the matter has been on standardising intellectual property across the brand, refocussing on operational disciplines and re-engineering the menu to focus on core products.

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 compromising 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;
- 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; and
- Greater emphasis on operations management reviewing store financial information to assist franchisees proactively in addressing inefficiencies within franchised businesses across all four brands.

COMMENTARY

The group's relationship with its franchisees is evolving over time towards becoming true business partners. This is driven by the fact that the financial success (or failure) of franchisees has a direct impact on the financial success of the group as franchisor. As a consequence of this evolving relationship, greater emphasis has been placed on the monitoring of franchisees' financial management. To this end, a key focus area of the operations management teams has been the regular review of store financial information in order to identify potential inefficiencies and to work with franchisees to address these inefficiencies on a proactive basis. The operations management teams will continue to direct greater attention and provide further support to those franchisees who are not achieving the brand's financial model.

Spur will continue to identify locations for its smaller-format store. 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. This allows the brand to expand into locations that would not previously have been considered for financial feasibility reasons.

During the prior year, the group opened its first Panarottis Express outlet in South Africa. The pilot stores have proved successful and it is the intention of the brand's management to roll this model out in the years ahead.

The DoRego's management team has investigated several channels to expand the brand's footprint and there are a number of opportunities that will be further explored in the year ahead. In particular, the brand is in the process of partnering with certain filling station groups with a view to implementing a filling station forecourt model. Further opportunities exist to expand the brand's presence in the regions in which it already trades, and in other regions of South Africa.

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	2012	Target 2013
Number of smaller format Spur outlets	3	4	7 (Target 6)	12
Number of Panarottis Express outlets	-	4	5	8

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. This strategy is expected to contribute favourably to profit growth in the future, and will diversify the geopolitical risk of the group.

Specific actions include:

- Continue rolling out franchised outlets in the rest of Africa and Mauritius – both in the countries in which the group already trades as well as new territories;
- Continue rolling out franchised outlets in Australia. As the region is now self-funding, the board will consider possible investments in Australia in the future; and
- Identify expansion opportunities in the United Kingdom. As the region is new self-funding, the board will consider possible investments in the United Kingdom in the future. Any such investment will be on a prudent basis.

COMMENTARY

Despite difficult trading conditions, this is the Australian region's second consecutive year of improved profitability and cash flow generation. This has been achieved by implementing local marketing promotions and managing labour and other overhead costs effectively.

The retail trading conditions in the United Kingdom remain highly competitive. Despite the challenging environment, the division showed an encouraging turnaround in profitability in the current year. The appointment of a full time dedicated regional head of operations for the United Kingdom in the prior year has improved operating efficiencies, enhanced marketing efficacy and allowed the trading outlets to adapt more quickly to customer needs. Following the extensive brand research conducted in the United Kingdom in the prior year, a significant rebranding exercise was undertaken during the current year: all brand signage was updated and a new menu format was launched. These enhancements have been well received by the UK consumer.

The group's franchised restaurants in Africa and Mauritius have generally traded well and growth prospects remain positive. Following a number of years of relatively low growth in the number of stores in the region, 13 outlets were opened during the year (seven in Africa and six in Mauritus), well ahead of target. The accelerated growth can be attributed to the dedicated African operations team that was established in the prior year.

Group Marketing continues to provide dedicated resources to manage the growing needs of an expanding international business. Specific marketing focus includes weekday promotions, 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 that territory, the board has resolved to suspend further investment in retail outlets for the time being. As a consequence of the subdued economic state of the United Kingdom, there is an increase in distressed restaurant businesses in that territory which may present an opportunity for the group. As the region is self-sustaining and generating cash, it may be beneficial to the group to take advantage of these opportunities.

A number of franchise opportunities are being investigated in Australia – in particular an opportunity for a Spur in northern Perth, and the possibility of rolling out the Panarottis Express concept in New South Wales and Western Australia.

Further franchise opportunities are being pursued in Nigeria, Kenya, Tanzania, Swaziland, Zambia, Namibia, Mauritius and the Seychelles.

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

KPI	2009	2010	2011	2012	Target 2013
Percentage of international revenue to total group revenue	29.6%	26.6%	28.9%	28.6% (Target 30.0%)	25.4%
Percentage of international profits to total group profit*	(8.9%)	(7.3%)	(23.9%)**	1.9% (Target 1.5%)	5.5%
Number of international outlets	35	38	36	48 (Target 39)	57

* Profit before tax

** The percentage of international profits to total group profit was impacted by impairments of property, plant and goodwill of R18.5 million as more fully detailed in note 5.1 on page 101.

The target for the percentage of international revenue to total group revenue for 2013 is expected to be lower than the historic trend as a result of the inclusion of the DoRego's distribution centre for a full year.

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.

Know your seafood! SMS the name of the fish to 079 499 8795 to check on the sustainability of the species.
Visit www.wwfsassi.co.za

The group's procurement department is specifically focussed on:

- Applying 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	2012	Target 2013
Percentage of suppliers managed by the group that have adequate and appropriate sustainability plans in place.	10%	20%	64% (Target 50%)	75%
Percentage of seafood suppliers managed by the group that comply with SASSI guidelines and Marine Stewardship Council standards.	60%	80%	95% (Target 90%)	95%

By 30 June 2017, the group is targeting:

- 100% of suppliers managed by the group will have adequate and appropriate sustainability plans in place; and
- 100% 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 ISO22000 compliant will be engaged and encouraged to become compliant.

93% of products on our menus are MSG free. The intention is to have menus that are entirely MSG free, although this could have a consequence on the pricing of affected items. The procurement team continues to assess alternative products.

Spur undertook a full nutritional analysis of its entire menu during the year in order to allow customers to make informed decisions about their diet. This information is available to customers on the brand's website (www.spur.co.za/nutrition). The site is interactive and allows a customer to download the full nutritional analysis of a fully customisable meal. The analysis for the Panarottis menu is expected to be completed during the 2013 financial year, where after the John Dory's and DoRego's menus will be analysed.

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 22000 compliant.

KPI	2010	2011	2012	Target 2013
Percentage of suppliers managed by the group who are HACCP/ISO 22000 compliant	59%	65%	91% (Target 85%)	95%
Percentage of menu items that are rBST and MSG free	Not Available	93%	93%	95%

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 45 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 21 100 people at its local 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. Spur's Masidlale TEKA event in 2012 was a huge success.

More than 140 sport and recreational events took place in 2012,
with the focus on the following sponsorships:

The Spur-grown concept of 'Masidlale' (meaning "let's play") was launched in 2005 with the key objective to uplift local communities through the game of football. 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 is a 10-week mini tournament for 200 learners, both boys and girls, and is held across 4 regions.

Spur has increased its investment in the development of the National Schools Mountain Biking League, which now incorporates over 40 events and attracts more than 5 000 riders between the ages of 14 and 18 years. 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. 11 family events are held in the Western Cape and KZN.

Spur is committed to the development and the transformation of rugby 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 numerous junior and high school rugby festivals and supports The Sharks Talent ID Development Tournament and Ithembelihle High School in the Eastern Cape. The Western Province Mini Rugby Day attracts more than 4 000 children and is one of the biggest days in mini rugby.

The Teddy Bear Clinic is a non-profit organisation that provides assistance, support and protection to children who have been abused and/or sexually assaulted. 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.

The Spur Annual Charity Golf Tour, comprising of three regional events, raised R95 000 in 2012 for JAM (Joint Aid Management) and the feeding of underprivileged children within school feeding schemes.

FOODBANK SOUTH AFRICA

During the prior 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. During the prior year, 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	2009	2010	2011	2012	Target 2013
Contribution to JAM or similar organisation	R157 826	R213 615	R87 412	R95 000 (R195 000)	R90 000
Contribution to FoodBank (corporate and employees)	Rnil	R10 000	R23 400	R21 060 (Target R30 000)	R42 120

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 5 171 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 174 people were trained in these facilities.

The group established the Spur College of Excellence in the 2011 financial year. 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. In addition to the four graduates of the prior year, six students graduated from the College during the year. The College will expand into the Western Cape in the year ahead and a further 18 students are expected to complete the course in the 2013 financial year. The College has been accredited with the CATHSSETA, although the training team continues to engage with the CATHSSETA to have the individual training programmes accredited.

During the year, the training department launched a "For the love of food (Spur)" training program. This practical workshop is designed to ignite the passion for food in those employees responsible for preparing food for our customers – if these employees take pride in what they do, and are given the skills and the tools of the trade to do their jobs properly, our customers can only benefit. The workshop focusses on knife skills, grilling techniques, frying techniques and food presentation. At the same time, the training and operations departments are focussing on ensuring that franchisees provide a working environment and the necessary tools and paraphernalia for their employees to operate at their optimum. The "For the love of food" program will be adapted and rolled out to Panarottis and John Dory's in the year ahead.

The training department also intends to launch a "Keys to management" course in the year ahead which is aimed at upskilling franchisees' management personnel with regards to their management of people.

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

KPI	2009	2010	2011	2012	Target 2013
Number of people trained	5 841*	7 624*	4 269	5 171 (target 4 950)	5 735
Number of successful of Spur College of Excellence	N/A	N/A	4	6 (target 10)	18

* Note: the basis of the calculation in 2009 and 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 2017, the group is targeting:

- Training 7 500 people per annum through the group's training facilities; and
- 32 people per annum graduating from the Spur College of Excellence.

Broad-Based Black Economic Empowerment ("BBBEE")

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. The board continues to investigate a black employee ownership trust.
- 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 is currently in the process of identifying black candidates, who are chartered accountants, to recruit an independent non-executive director to the board and the audit committee.
- 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 is currently identifying black candidates with the intention to recruit a new head of resources and transformation. Recruitment processes have been updated to promote transformation and an operations management mentorship program has been launched in terms of which black trainee operations managers have been recruited to shadow qualified operations managers.
- 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 has commenced negotiations with a banking institution to provide limited financing facilities to fund minority black equity transactions for certain of its franchisees, where the group will stand as surety for the funding. The transformation committee continues to assess further enterprise development opportunities.
- The group scores well on socio-economic development (see Community Support on page 39).

Cabinet approved the revised BBBEE Codes of Good Practice (2012) for public comment on 22 August 2012. The board will consider the impact of these revisions on the group's transformation strategy once the revisions are formally adopted.

The board remains comitted 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 assets. 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	2009	2010	2011	2012	Target 2013
Head office staff rotation	11%	12%	20%	10% (Target 10%)	10%
Staff loans (education and housing)	R209 072	R229 690	R163 355	R275 682 (Target R250 000)	R250 000
Staff training costs (external costs; excludes internal time)	R262 001	R259 489	R274 163	R499 942 (Target R202 909)	R579 800

Refer Remuneration Committee Report on page 61 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 2012 in South Africa was as follows:

	2012					2011				
Occupational level	Male	Female	TOTAL	Black	White	Male	Female	TOTAL	Black	White
Top management	5	1	6	-	6	5	1	6	-	6
Senior management	24	2	26	1	25	22	2	24	2	22
Professionally qualified and experienced specialists and mid-management	9	10	19	5	14	8	9	17	6	11
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	51	44	95	36	59	36	42	78	23	55
Semi-skilled and discretionary decision-making	38	45	83	69	14	23	32	55	40	15
Unskilled and defined decision-making	12	9	21	20	1	3	3	6	6	-
Total permanent	**139**	**111**	**250**	**131**	**119**	**97**	**89**	**186**	**77**	**109**
Non-permanent	1	1	1	1	-	-	4	4	4	-
Total	**140**	**112**	**251**	**132**	**119**	**97**	**93**	**190**	**81**	**109**

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. Use the 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 SUSTAINABILITY

The group is committed to sustainable environmental practice and through aligning with its mission statement "***a passionate people growing great brands***" the group wishes to address the triple bottom line including social and economic development, as well as effective resource management.

Spur aims to make a lasting difference in the lives of its employees, franchisees, communities and the environment. Through the support of the sustainability committee, the group aims to guide the business in the ongoing development and implementation of their environmental and social strategies and policies.

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 its business.

COMMITMENTS

- Generating a long-term view on targeted profitability that is sustainable and in line with the responsible management of social and environmental concerns affecting the group's business and its operations.
- Working with management, employees and franchisees through a process of investigation, collaboration, education and policy implementation to achieve the group's environmental sustainability goals and targets.

Achievements

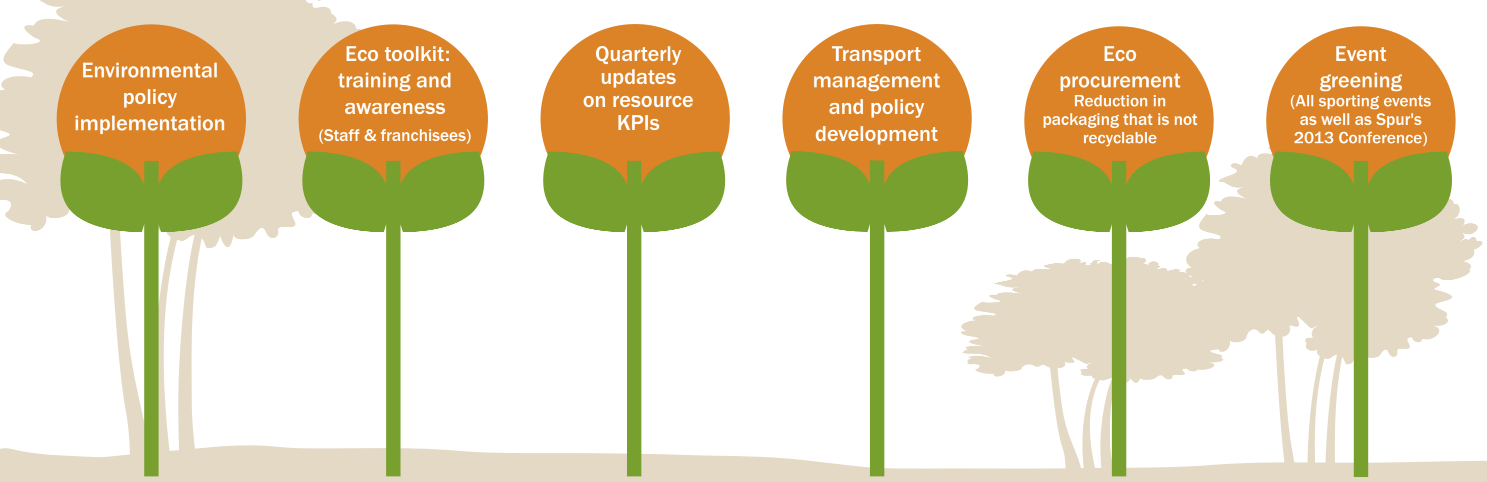
- The sustainability team has established waste and resource management protocols at all the main office centres around the country.
- Continued engagement and alignment with the group's supply partners in terms of the group's sustainability goals has shown positive results.
- National franchisee roll-out of the sustainability team's energy communication campaign in four official languages.
- **Converting 1 million litres of used frying oil into biofuels in the Western Cape.**
- Successful completion of an energy intervention programme in 3 test stores in the Western Cape. The key learnings of this programme will inform the building specifications as well as create a guideline on efficient lighting interventions that could potentially lead to a 23% saving in energy consumption per month per store.
- Ongoing conversion to more sustainable packaging. John Dory's now fully complies alongside Spur and Panarottis.

Key Challenges

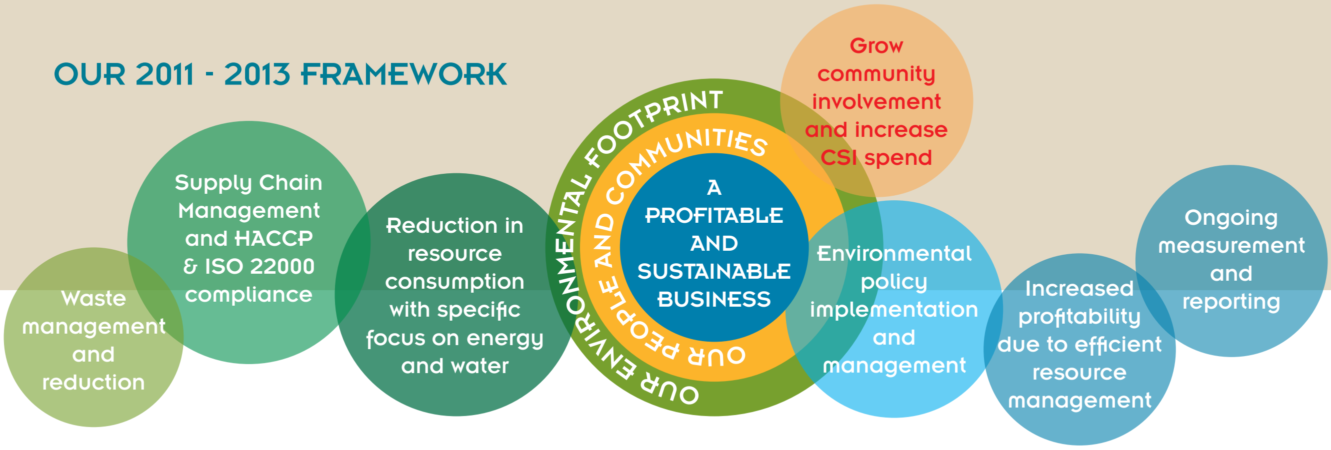
HEAD OFFICE TARGETS: The group has experienced some difficulty in achieving some of its targets. With the acquisition of DoRego's and full acquisition of John Dory's, a new complement of staff has joined the group. The main priorities have been to include the new brands into the brand family and major renovations have been conducted to allow for the additional staff members.

The sustainability team aims to conduct an additional audit to establish the exact impact of the changes. The data findings will be reviewed on a quarterly basis to inform actions. The team has already embarked on training programmes to encourage staff participation and buy-in. Training will continue until considerable behavioural changes and reductions in consumption are noted.

Key environmental strategies for 2013



OUR 2011 - 2013 FRAMEWORK



SUPPLY CHAIN / ECO PROCUREMENT:

The procurement team aims to keep best practice at heart through establishing relationships with suppliers. By supporting local business in the supply chain, the group can indirectly attract additional investment to the local economy.

Strategy

The procurement team increased their efforts to establish the sustainability goals of all suppliers – focussing on restaurant products, packaging and marketing materials. Refer pages 37 and 38 of this report for more details.

RESOURCE MANAGEMENT

The group aims to run a profitable and sustainable business through efficient resource management and reduction in consumption, with a specific focus on energy, water and waste.

Strategy

Due to Spur's franchise model, the group can only provide guidance and support to its owner-operated franchises, while implementation and monitoring is actioned at store level. The group commits to provide support and awareness campaigns to enable franchisees to minimise their impact and reduce their resource consumption more efficiently.

The national (head- and regional offices) energy baseline for the year under review is reflected in the table below. The sustainability team aims to achieve an overall reduction of 10% in 2013.

REGIONAL OFFICE	Consumption (kWh)	Staff Members	kWh/person/ month
Cape Town Head Office	264 480	94	234.47
Gauteng Regional Office	82 503	54	127.32
Durban Regional Office	88 584	18	410.11
Port Elizabeth Regional Office	9 700	6	134.72

KPI - FRANCHISOR	2011	2012	Target 2013	Target for the next 5 years
CARBON FOOTPRINT				
% Waste reduction*	55%	70% (Target 64%)	75%	85%
% Water usage reduction**	Not available	0% (Target 10%)	10%	20%
% Travel reduction***	Not available	0% (Target 10%)	10%	20%
PROCUREMENT				
% Takeaway packaging that is recyclable	15%	65% (Target 25%)	75%	90%
% Reduction in use of plastic bags, and other polymers	35%	45% (Target 40%)	50%	65%
% Marketing elements that are recyclable or reusable	45%	50% (Target 50%)	60%	75%

* Cumulative percentage reduction compared to baseline audit benchmark at July 2010.
** Cumulative percentage reduction compared to baseline audit benchmark at July 2011.
*** Cumulative percentage reduction compared to baseline audit benchmark at July 2012.

WATER AND ENERGY EFFICIENCIES

The sustainability team will continue to focus on improving energy and water consumption at the respective corporate offices, working closely with the development and procurement gatekeepers.

KPI Focus Areas:

Energy:

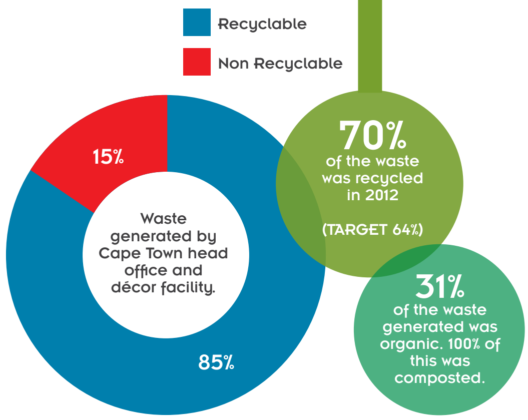
- The direct energy consumption by primary source, namely electricity.
- Energy saved due to conservation and efficiency improvements.
- Initiatives to provide renewable energy-based products and services, and reduction in energy requirements as a result of these initiatives.
- The number of stores that have implemented energy-reduction programmes.

Water:

- Total water withdrawal by source – water consumption as per utility bill.
- The number of stores that have implemented water conservation programmes.

Waste:

- Total weight of waste by type and disposal method.
- The number of stores that have implemented waste reduction and recycling programmes.



Greenhouse Gas Emissions:

- Total direct and indirect greenhouse gas emissions by weight.
- Initiatives to reduce greenhouse gas emissions and reductions achieved.

Specific actions include:

- **Encourage the implementation of effective measurement and verification systems for energy, water and waste at respective corporate offices and at store level.**
- **Compile case studies with data on savings and benefits to encourage stores to implement better resource management and green economic strategies.**
- **Encourage the collection of greenhouse gas emissions' data to enable the development of initiatives to help reduce greenhouse gas emissions.**
- **Develop minimum standards for new buildings (or store retrofits) based on green building principles.**
- **Ongoing staff engagement and training is required to achieve targets.**
- **Introduce waste reduction and recycling initiatives at franchise level.**

COMMUNITIES

The sustainability team currently supports two ongoing initiatives that align with the group's sustainability principles:

- **Creating Change:** The group contributes clothing, cash donations and cooking items for the Conscious Cooking course at Marine Primary in Ocean View, Cape Town. It teaches life skills and educates children on what it means to eat ethically and the impact their food choices have on personal health, our communities, animals and environment.

- **ZTL Organics schools recycling project:** This initiative assists schools with the establishment of recycling facilities. It is a fun, engaging project based on educating and encouraging children to recycle and create food gardens.


Creating Change take action in Ocean View! Learning through the "Conscious Cooking" programme.

EVENTING

The group aims to host and report all major events in a responsible manner.

Strategy

The sustainability team will be introducing a full event-greening manual and training programme to the market development and operations management teams. This will ensure that all events leave a legacy that reflects the group's environmental policy. The group is committed to promoting equality, participation and education in the communities in which we operate.

The group's policy and manual will be based on the following principles:

- **Environmental protection:** Ensuring a low ecological footprint of events through the responsible management of resources.
- **Economic value:** Ensuring that all events leave a legacy and economic benefit for the host community, where applicable.

PACKAGING

The sustainability team aims to reduce the negative environmental impact of the group's packaging by considering the packaging material, ink coverage and colours used on all packaging elements. The group continues to use this as a vehicle to engage with consumers to participate in waste reduction and recycling efforts.

Strategy

The group has successfully migrated from plastic-intensive takeaway packaging to sustainable paper-based packaging. The design team has further reduced the ink coverage and number of colours used on all packaging elements across the Spur and Panarottis brands. This ensures a reduction in the environmental impact during manufacturing and production stages. The procurement team continues to engage with its packaging and printing suppliers to develop and explore sustainable alternatives.

Specific actions include:

- Ongoing monitoring of packaging suppliers to ensure compliance with the sustainability standards outlined in the group's procurement policy.
- Continued efforts to reduce (where possible) the amount of packaging and marketing material used.
- Explore alternative methods of communication (digital and mobile communication).

TRANSPORT MANAGEMENT

The group aims to reduce the negative impact that its distribution and supply transportation systems have on the environment.

Strategy

To enable the sustainability team to measure and reduce the group's environmental impact, the team aims to work with the group's service providers to encourage more efficient policies and practices.

Specific actions include:

- Implementation of a company travel policy.
- Introduction of an eco-driving programme to reduce CO_2 emissions.
- Optimising routes and kilometres travelled by collecting GPS information and tracking fuel consumption.

284 Car hire bookings

1 164 Local flights

266 International flights

The current travel baseline for the year under review

Waste management and gardening project at Blossom Primary in Athlone Western Cape, in collaboration with ZTL Organics.

Visit www.spur.co.za/EcoWarriors/ for more info

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

GOVERNANCE REPORTS

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 flair, customer focus, operational excellence, empowerment and learning, and prudent and considered decision making. The group's success to date can largely been 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, appear to 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 believes that not all the recommendations of King III are appropriate to the group, the directors are confident that the fundamental objectives of King III 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 during the financial year under review include:

- *Whilst the board currently comprises a majority of non-executive directors, the board comprised a majority of executive directors up to 29 February 2012. For the period under review, the majority of non-executive directors are not independent as defined by King III. The chairman is not an independent non-executive director. Refer page 51.*
- *Directors, committee chairmen and committees are not subject to formal evaluations as prescribed by King III. Refer page 53.*
- *For the period under review, the risk committee was an executive committee. Refer page 58.*
- *For the period under review, the nominations committee was not chaired by an independent non-executive director. The committee did not comprise of a majority of independent non-executive directors until 29 February 2012. Refer page 54.*
- *The audit committee is not chaired by an independent non-executive director. The committee did not comprise of a majority of independent non-executive directors until 29 February 2012. Refer page 70.*
- *The remuneration committee is not chaired by an independent non-executive director. The committee did not comprise of a majority of independent non-executive directors until 29 February 2012. Refer page 61.*
- *The social and ethics committee does not comprise a majority of non-executive directors and is not chaired by an independent non-executive director. Refer page 65.*
- *For the period under review, the company did not adopt King III's recommendations relating to Internal Audit. Refer page 73.*

During the year, the board, through its nominations committee, undertook a restructure, incorporating its various committees, in an attempt to address certain of the historic departures from King III. The primary objectives of this restructure were to correct the balance of executive and non-executive directors on the board; and entrench the independent oversight role of the non-executive directors on the various committees.

As reported to shareholders via SENS on 2 March 2012, at a meeting of the board on 29 February 2012, the following was duly approved:

- Pierre van Tonder was appointed as the Chief Executive Officer of the group. Previously he was the Spur Group Managing Director;
- Mark Farrelly was appointed as the Chief Operating Officer of the group. Previously he was the Spur Group Deputy Managing Director;
- Ronel van Dijk's title as Group Financial Director was re-designated to Chief Financial Officer of the group;
- Kevin Robertson was appointed to the board of Spur Group (Pty) Ltd (the principal operating subsidiary of the group) as National Franchise Executive. Pursuant to this appointment, the board accepted his resignation as a director of the company; and
- Phillip Joffe's retirement as a director of the company following his request to devote more time to his personal affairs whilst continuing to be actively involved in a managerial capacity in the financial activities of the company.

At the same meeting, the board approved the nomination of its social and ethics committee as well as the restructure of its nominations, remuneration and audit committees. The restructure of the audit committee was approved by shareholders in general meeting on 26 April 2012.

At a meeting of the board on 5 September 2012, the board resolved to:

- Appoint Mntungwa Morojele as chairman of the nominations committee (to comply with King III's recommendations and the JSE Listings Requirements relating to the composition of a nominations committee); Keith Getz stepped down as chairman of the committee but remains a member of the committee;
- Formally recognise the group's risk committee as a subcommittee of the board and to establish the appropriate terms of reference and charter for the committee (the risk committee was previously a management committee); and
- Upon the recommendation of the nominations committee, accept the appointment of executive directors Pierre van Tonder (chairman and chief risk officer), Mark Farrelly and Ronel van Dijk to the risk committee.

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 18 to 20. None of the directors has any actual or potential political connections or exposure.

The company has a unitary board structure comprising, at the date of this report, of two independent non-executive directors, three non-executive directors who, in the opinion of the board, act independently and four 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. Up until 29 February 2012, the board comprised a majority of executive directors. Subsequent to 29 February 2012, with the retirement of Phillip Joffe and resignation of Kevin Robertson, the board comprises a majority of non-executive directors, although the majority of the non-executive directors are not independent as contemplated by King III. Whilst three of the five non-executive directors are not considered 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 considered independent for the period in question 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 value of the consulting services provided by Keith is not material to him and the nature of the services relate largely to strategic matters. For this reason, the board is satisfied that his relationship as a consultant does not conflict with 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 practicing attorney bound by professional ethics, the board is of the opinion that Keith's objectivity and integrity are beyond reproach.

Dean Hyde is not considered independent as he holds interests in group franchises. The board is of the opinion that the extent of Dean's franchise interests does not call into question his ability to act independently.

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. In addition, the board has appointed a Lead Independent Director ("LID"), as recommended by King III, as a consequence of the chairman being an executive director.

The appointment of the LID is for a period of three years. The role of the LID, currently Mntungwa Morojele, is formalised in a Lead Independent Director Charter and includes *inter alia:*

- To preside at all meetings of the board at which the chairman is conflicted;
- To lead the board of directors in the assessment (on an annual basis) of the independence of the independent non-executive directors and of the ability of the non-independent non-executive directors to act independently;
- To preside over the process of evaluating the chairman's performance as chairman of the board of directors;
- To call and preside over meetings of the independent non-executive directors where necessary;
- To serve as principal liaison between the independent non-executive directors and the chairman;
- To perform all such functions that cannot be performed by the chairman due to the existence of a conflict of interest;
- To liaise with major shareholders if requested by the board in circumstances or transactions in which the chairman is conflicted; and
- To perform other duties that the board of directors may from time to time delegate.

Pierre van Tonder is the group chief executive officer and is responsible and accountable to the board for all group operations. The chairman and the group chief executive officer have clearly defined and separate roles.

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

The board, through its nominations committee, continues to assess possible changes to the board and its committees in order to achieve a greater level of compliance with the recommendations of King III in this regard. In particular, the focus in the short term is to appoint an additional independent non-executive director to the board and to consider alternative chairmen of the various committees. Following the restructure of the committees referred to above, the board considered it appropriate to have directors with the most experience and knowledge of the group chair the respective committees in the short term; with the goal to have independent non-executive directors chair each of the respective committees in the medium term.

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 reports 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 group chief executive officer 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 group chief executive officer.

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 2011 to 30 June 2012 was as follows:

Director	29-30 August 2011	7 September 2011	27-28 February 2012	29 February 2012
Allen Ambor	P	P	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	P	P	P
Phillip Joffe	P	P	P	P
Keith Madders	P	P	P	P
Keith Getz	P	P	P	P
Dean Hyde	A	P	P	P
Muzi Kuzwayo	P	P	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 a disinterested quorum 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 disinterested 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 group chief executive officer 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 group chief executive officer is assessed by the chairman of the board on an annual basis. During the year under review, the group chief executive officer's performance in respect of the 2011 financial year was assessed by the chairman of the board and Keith Madders; and in respect of the 2012 financial year, by the chairman of the board. 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 evaluating the chairman's performance if an independent service provider is not used. In this regard, an evaluation of the chairman was performed by independent non-executive director Muzi Kuzwayo during the year in respect of the 2012 financial year. During the year under review, the chairman of the board's performance in respect of the 2011 financial year was assessed by the group chief executive officer, independent non-executive director Muzi Kuzwayo and non-executive director Keith Madders. In terms of the board's recently adopted Lead Independent Director charter, the LID will lead the process of evaluating the chairman going forward.

A formal evaluation of the board's committees as recommended by King III is not conducted on an annual basis. Concerns regarding the functioning of the board's 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's subcommittees. Whilst a formal evaluation of the functioning of the board, as recommended by King III, was not conducted during the year under review, an evaluation was conducted in July and August 2012.

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's committees and directors.

The evaluation of the board referred to above was conducted by an independent service provider and the results were presented to the board at the meeting of 23 to 24 August 2012. The board is committed to addressing the issues identified as part of the evaluation process.

An in-house legal and compliance officer assists the board and the company 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 group chief financial officer (and financial director) of the group. 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 Mrs 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 at this time.

The board has assessed the competence and expertise of Ronel van Dijk, in her capacity as company secretary, and is satisfied in this regard.

In addition to being bound by the company's Code of Ethics and Conduct, as a Chartered Accountant (South Africa), Ronel van Dijk is also bound by professional ethics. The board has faith in Mrs Van Dijk to act impartially, ethically and in the best interests of the company and its stakeholders at all times. The company secretary is supported in her role as gatekeeper of good governance by the group's in-house legal and compliance officer who is free to communicate with any non-executive director should any governance related concern arise. In this way, the board is satisfied that Mrs Van Dijk is capable of fulfilling the role of gatekeeper of good governance.

Board committees

The directors have delegated specific responsibilities to six subcommittees to assist the board in the discharge of its duties:

- Audit committee (refer Audit Committee Report on pages 70 to 73);
- Risk committee (refer Risk Committee Report on pages 58 to 60);
- Remuneration committee (refer Remuneration Committee Report on pages 61 to 64);
- Social and ethics committee (refer Social and Ethics Committee Report on page 65);
- Transformation committee; and
- Nominations committee.

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

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 previously disadvantaged 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 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

Two indepenedent non-executive directors:
- Mntungwa Morojele
- Muzi Kuzwayo (appointed during the year)

Invitees: The chairman of the board, group finance executive, national training executive, national franchise executive, group marketing executive, group human resources executive and legal and compliance officer.

Functioning of the Committee

Meetings: Three meetings were held during the year under review. The committee strives to meet quarterly.

The attendance at committee meetings for the period 1 July 2011 to 30 June 2012 was as indicated:

Director	27 July 2011	16 February 2012	2 May 2012
Pierre van Tonder	P	P	P
Mark Farrelly	P	A	P
Ronel van Dijk	P	P	P
Mntungwa Morojele	A	P	P
Muzi Kuzwayo	-	-	P

P - Present; A - Absent

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 (including the number of independent non-executive directors considered appropriate);
- Review plans for succession particularly for the chairman, group chief executive officer and executive directors; and
- Make recommendations in respect of directors retiring by rotation, or by contract, to be put forward for re-election.

Composition

Three non-executive directors:
- Keith Getz* (chairman)
- Keith Madders (resigned during the year)
- Dean Hyde (resigned during the year)
- Mntungwa Morojele§
- Muzi Kuzwayo§ (appointed during the year)

* With effect from 5 September 2012, Mntungwa Morojele was appointed as chairman of the committee; Keith Getz stepped down as chairman of the committee, but remains a member of the committee.

§ Independent non-executive director

As reported on page 50, at a meeting of the board on 29 February 2012, the board restructured the committee to comply with the requirements of King III relating to nominations committees to a greater extent.

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 did not comprise a majority of independent non-executive directors for part of the year under review. Following the resignations of Dean Hyde and Keith Madders from the committee on 29 February 2012 and the appointment of Muzi Kuzwayo on the same date, the committee comprises a majority of independent non-executive directors from that date. The committee was chaired by a non-executive director who is not independent as defined by King III for the year under review. However, with effect from 5 September 2012, the board appointed Lead Independent Director Mntungwa Morojele as chairman of the committee. The remaining members of the committee remain unchanged.

Functioning of the Committee

Meetings: Two meetings where held during the year under review. Typically one meeting is scheduled annually.

The attendance at committee meetings for the period 1 July 2011 to 30 June 2012 was as indicated:

Director	7 September 2011	27 February 2012
Keith Getz	P	P
Keith Madders	P	P
Dean Hyde	P	P
Mntungwa Morojele	P	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.

The appointments of the non-executive directors are formalised in a letter of appointment.

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. In terms of the JSE Listings Requirements, no less than one third of the non-executive directors are to retire annually by rotation each year at the annual general meeting. Consequently, at the forthcoming annual general meeting, Messrs Allen Ambor, Muzi Kuzwayo and Mntungwa Morojele 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.

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, Ronel van Dijk and Mark Farrelly and includes heads of all functional areas within the group. The committee is chaired by the group chief executive officer, 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. With specific reference to "green policies", the committee is focussing currently on piloting the implementation of the group's environmental policy at store level (refer page 46 of this report).

The committee comprises executive directors Pierre van Tonder, Mark Farrelly and Ronel van Dijk, the group finance executive, group marketing executive, Panarottis chief operating officer and a number of other functional heads and managers within the group. The committee is chaired by the group's sustainability champion, Joe Stead. Additional subcommittees have been established in each region and in certain specific functional areas.

The committee aims to meet quarterly.

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 three executive directors, senior functional department heads, the group human resources executive and the group human resources manager. The committee is chaired by the group chief executive officer, Pierre van Tonder.

Treasury Committee

This committee comprises executive directors, Pierre van Tonder and Ronel van Dijk, the group finance executive, financial manager and Phillip Joffe. 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 group finance executive, group business intelligence executive (who chairs the meeting) and the head of IT Infrastructure. The committee typically meets 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 (who chairs the meeting), the group finance executive, group business intelligence executive, the head of IT Infrastructure and the head of Point-of-Sale. The committee meets typically 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.

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. Whilst the group has IT controls, processes and procedures in place that are appropriate given the nature and complexity of the group, as IT related risks have not been assessed as high risk areas, the board considers the cost of independent assurance to exceed any benefit gained therefrom. In the event that substantial changes take place within the IT environment, the board may contract the external auditor or another appropriate 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 System Development Lifecycle 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 external third parties. These relationships are managed in terms of service level agreements. The IT steering committee manages the performance of the outsourced IT developers against their service level agreements 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

The group has an in-house legal and compliance officer whose responsibilities include proactively and systematically managing compliance.

The board relies on the group chief financial officer, who, with the assistance of the legal and compliance officer, 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.

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

Stakeholder Relationships

Details of stakeholder engagements are listed on pages 22 and 23.

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 group chief executive officer 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 and the relevant chairman will be available via telephone.

During the year, in addition to the scheduled engagements referred to above, management engaged selected shareholders to discuss concerns raised in respect of non-executive directors' remuneration following the fact that shareholders did not adopt the relevant resolution tabled at the annual general meeting of 2 December 2011. As a consequence of this engagement, at a further general meeting on 26 April 2012, shareholders adopted *inter alia* a resolution to approve the payment of remuneration to non-executive directors.

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.

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.

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. The company also has an Employee Interest in Group Franchises policy which governs the number of group franchised outlets and the extent of the interest in such outlets that employees may have, the approval process to be followed before franchises are granted to employees and other requirements to be fulfilled.

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. Whilst this recommendation has not been adopted, the social and ethics committee intends to review the recommendation with a view to making further recommendations to the board in this regard.

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.

RISK COMMITTEE REPORT AND RISK MANAGEMENT

Role of Committee

- Assist management in identifying major risk areas affecting the sustainability of the group's operations;
- Assess and review the risk management process and related activities;
- Make recommendations to the board concerning levels of tolerance and 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

Three executive directors:
- Pierre van Tonder (chairman)
- Mark Farrelly
- Ronel van Dijk

Six members of key management
- Kevin Robertson*
- Phillip Matthee
- Tyrone Herdman-Grant
- Sacha du Plessis
- Robin Charles (appointed during the year)
- Duncan Werner (appointed during the year)

* Kevin Robertson resigned as director on 29 February 2012 but remains a member of the committee

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

With effect from July 2010 and for the duration of the financial year under review, the committee did not operate as a formal subcommittee of the board, but rather as a management committee. Consequently the recommendations of King III relating to risk committees were not considered relevant. On 5 September 2012, the board of directors resolved to constitute the risk committee as a formal subcommittee of the board. For the remainder of this report, a reference to the risk committee relates to the structure and functioning of the committee prior to 5 September 2012.

Functioning of the Committee

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

The attendance at committee meetings for the period 1 July 2011 to 30 June 2012 was as indicated:

Director	26 August 2011	31 January 2012
Pierre van Tonder	P	P
Mark Farrelly	P	P
Ronel van Dijk	P	P
Kevin Robertson	P	P

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 committee was only formally constituted as a subcommittee of the board on 5 September 2012, the terms of reference and the charter of the committee are still to be formally adopted and approved by the board.

The board has approved a formally documented risk management policy as recommended by King III. This policy clearly sets out: the responsibilities of employees, management, the risk committee and the board; the definition of risk and risk management; risk management objectives; the board's risk approach and philosophy; and the risk management process and structures.

In terms of this policy, the risk committee serves an oversight role in respect of risk management. In this regard, the committee is assisted by the operational exco committee (refer page 55) which deliberates semi-annually on risks relevant to the group and appropriate response strategies. Each member of the operational exco 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 operational exco meeting. That 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 risk committee reviews and assesses the appropriateness of the risks identified and related response strategies as determined by the operational exco committee, prior to reporting the findings and recommendations of the operational exco committee to the board.

The full board reviews the findings and recommendations of the risk 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.

Material Losses

During the year under review, the group incurred no material losses.

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 during the year under review, 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. With the appointment of an outsourced service provider to provide internal audit services, the board, through its audit committee, will assess the cost and benefits of including a review of the risk management process in the scope of services supplied by the said service provider.

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 group chief financial officer and group chief executive officer. 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 30 of this report.

Additional risks that the group is exposed to are detailed below:

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 bye-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 provides 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.
Reliance on outsourced distribution network The group has only one outsourced distribution network which supplies a material proportion of supplies for Spur, Panarottis and John Dory's outlets. In the event that the outsourced distributor was unable to fulfil its obligations to franchisees, the interrupted supply of restaurant supplies could result in compromised food standards, lost revenue, dissatisfied customers, and franchisee business failures.	The outsourced distributor's disaster recovery plan and related processes are assessed on a regular basis by the group's procurement team, who is satisfied that these are adequate. However, it is noted that in the event of a business failure, the group has no immediate alternative supplier. The likelihood of the risk materialising in the short term is considered low, but the procurement team continuously reassesses this risk in light of available information.

Risk	Mitigation
Tax compliance The group is tax resident in multiple complex tax jurisdictions including South Africa, Australia, the UK and the Netherlands. In addition the treatment of cross-border transactions (relating to transfer pricing) is complex and high risk in that there are certain subjective elements and interpretations.	To enhance tax compliance (and mitigate risk), the group has outsourced its tax compliance and advisory functions in all foreign jurisdictions to independent, reputable experts. Similarly independent reputable experts are available to the group locally. Local finance employees attend regular tax law training and consult with external professional tax advisers to review the group's structure and transactions from time to time, including the group's transfer pricing policy document.
Broad-based Black Economic Empowerment ("BBBEE") rating 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 continues to engage with franchisees on specific transformation issues (in particular relating to ownership) 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 jeopardised.	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 the group's restaurants. Management continue to work with franchisees to encourage implementing the necessary measures.

Pierre van Tonder

CHIEF RISK OFFICER AND RISK 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 34 on page 126 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 group chief executive officer;
- 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 group chief executive officer to measure the performance of executive directors in discharging their functions and responsibilities;
- Consider, and approve if appropriate, the recomendation of the chairman of the board and the group chief executive officer in respect of shares/options awarded to executives and employees; and
- Regularly review incentive schemes to ensure continued contribution to shareholder value.

The remuneration committee is responsible for reviewing and recommending the remuneration of executive 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 executive board.

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 such decision is made by a disinterested quorum of directors.

Composition

Three non-executive directors:

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

* Independent non-executive director

As noted on page 50, at a meeting of the board on 29 February 2012, the board restructured the committee to comply with the requirements of King III relating to remuneration committees to a greater extent.

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. Prior to 29 February 2012, the committee comprised five non-executive directors: two of whom were independent (in accordance with King III's requirements) and three of whom acted independently. Subsequent to 29 February 2012, the committee comprises three non-executive directors: two of whom are independent (in accordance with King III's requirement) and one of whom acts independently. For the period under review, whilst the recommendations of King III have not been complied with, the board is satisfied that the experience and knowledge of the business of Dean Hyde, Keith Getz and Keith Madders (for the respective periods that they served on the committee) added significant value to the functioning of the committee. The board is furthermore satisfied that Dean Hyde, Keith Getz and Keith Madders (for the respective periods that they served on the committee) acted with sufficient integrity, objectivity and independence such that the interests of stakeholders were not prejudiced.

Functioning of the Committee

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

The attendance at committee meetings for the period 1 July 2011 to 30 June 2012 was as follows:

Director	6 September 2011	29 February 2012
Keith Madders	P	-
Keith Getz	P	-
Dean Hyde	P	P
Muzi Kuzwayo	P	P
Mntungwa Morojele	P	P

P - Present; A - Absent

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 group chief executive officer and chairman of the board. Executive directors' increases are proposed by the chairman of the board and the group chief executive officer 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 group chief financial officer and in the case of higher paid individuals the additional approval of the group chief executive officer and chairman of the board. Adjustments to executive directors' 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 local 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 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 services providers. A committee comprising group chief executive officer Pierre van Tonder, group chief financial officer Ronel van Dijk and other senior managers 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 group chief executive officer 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 120 of this report for further information.

Profit share bonus payments are determined by the group chief executive officer 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 group chief executive officer has the right to make certain adjustments to individual payments within certain limits under certain circumstances. Payments to executive directors are reviewed and approved by the remuneration committee in advance.

In terms of the rules of the scheme currently:

- The maximum aggregate bonus payable to all participants is 90% of the dividends received by the Trust in respect of the financial year for which the bonuses are to be determined (the balance of 10% is utilised for the purpose of benefitting previously disadvantaged employees through loans and grants) ("the bonus pool");

- The maximum bonus payable to each participant is a pro rata share of the bonus pool based the ratio of each participant's cost to company to the aggregate of all participants' costs to company ("the maximum bonus");

- 20% of each participant's maximum bonus is subject to the group's performance (the average of growth in year-on-year undiluted earnings per share and undiluted headline earnings per share ("group performance measure")) ("the group bonus");

- 80% of each participant's maximum bonus is subject to the participant's divisional performance (the year-on-year growth in operating profit of that division ("divisional performance measure")); in the case of participants who do not work in a profit generating unit, the divisional performance measure is the weighted average divisional performance measure of all profit generating units; in the case of directors, the divisional performance measure is the same as the group performance measure ("the divisional bonus");

- The group bonus and divisional bonus of each participant are each multiplied by the following factors and then aggregated to determine a “financial performance bonus”:
  - 100% where the group performance measure and divisional performance measure respectively is more than 8% above the rate of inflation;
  - Between 80% and 100% (determined pro rata) where the group performance measure and divisional performance measure respectively is between 5% above the rate of inflation and 8% above the rate of inflation;
  - Between 50% and 80% (determined pro rata) where the group performance measure and divisional performance measure respectively is between the rate of inflation and 5% above the rate of inflation;
  - 0% where the group performance measure and divisional performance measure respectively is less than the rate of inflation; and
  - Where the rate of inflation is the headline consumer price index (CPI) inflation rate, as published by Statistics South Africa, comparing prices in June of the year being measured relative to June of the previous year.
- Each participant’s financial performance bonus is then multiplied by the following factors to determine their “actual bonus payment”:
  - 100% where the participant achieves an individual performance rating in excess of 85%;
  - 80% where the participant achieves an individual performance rating of between 70% and 85%;
  - 50% where the participant achieves an individual performance rating of between 50% and 70%;
  - 0% where the participant achieves an individual performance rating of less that 50%; and
  - Where the individual performance rating is determined by the participant’s line manager in accordance with the group’s standard employee performance appraisal system, subject to the moderation of the group chief executive officer.

In the event that the above calculations indicate that no actual bonus payment is due to a participant, the remuneration committee may nevertheless exercise its discretion to pay a bonus of up to 20% of the maximum bonus based on the participant’s individual performance.

Share–linked retention scheme

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

The number of rights to be allocated may be reduced depending on the financial performance of the group relative to inflation, but may not be increased above 1 500 000 per tranche. The 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. In terms of the rules of the scheme, the group’s upside exposure to the share price and its impact on the liability arising from these share appreciation rights shall 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 group chief executive officer 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.

A total of 3 000 000 rights are currently “in issue”. Following the first tranche of 1 500 000 rights granted in December 2010, a second tranche of 1 500 000 rights was granted in December 2011. Upon the recommendation of the remuneration committee, the board has approved a further allocation of 1 500 000 rights to be issued before 30 December 2012. The terms of these rights will be determined, in accordance with the rules of the scheme, subject to the conclusion of the related hedge (refer below).

The group has entered into a hedge to mitigate the liquidity risk relating to upside movement in the share price as detailed in note 15 on page 113 of this report.

The charge to profit or loss of the value of the rights for the year under review is R3.965 million (2011: R0.555 million) and the credit to profit or loss in respect of the hedge for the year under review is R7.479 million (2011: charge of R2.627 million) (refer notes 15 and 21 on pages 113 and 116 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 39.2 on page 136.

In respect of the 2004 incentive scheme, the last remaining 660 911 share options vested and were exercised during the year, details of which are disclosed in note 26.1 on page 119 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. In addition, the scheme serves largely as a retention scheme (as opposed to a pure incentive scheme). 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 and Mark Farrelly have three month notice periods and Ronel van Dijk has a one month notice period. With the exception of 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 Allen Ambor does not have a specific restraint 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 R250 000 in 2011 to R350 000 in 2012 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.

Keith Getz is a director of two of the group's international subsidiaries. A related entity is paid a fee of €2 500 and €1 500 per meeting for the services of Mr Getz in chairing the meetings of Steak Ranches International BV and Spur International Ltd BVI respectively. 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 of €2 500 per meeting for the services of Mr Madders in attending meetings of that company's board.

Non-executive directors' fees for current year and next year	2013	2012
Member of board Member of audit committee Chairman of audit committee Member of remuneration committee Chairman of remuneration committee Member of the social and ethics committee Chairman of the social and ethics committee Member of nominations committee Chairman of nominations committee	**R350 000 in total for each non-executive director**	R350 000 in total for each non-executive director

At a general meeting of shareholders on 26 April 2012, shareholders approved (by way of special resolution) the remuneration of directors for services as directors for the financial years ended 30 June 2012 and ending 30 June 2013 as per the above table. Consequently, no similar resolution is to be tabled for shareholders' approval at the annual general meeting of 6 December 2012.

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, 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 have specific service contracts or notice periods. The group has entered into a contract with a company for Keith Madders' services. The contract provides for a three month notice period and services being rendered at an agreed hourly rate, 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 34 and 38 on pages 126 and 129 of this report respectively.

Dean Hyde
REMUNERATION COMMITTEE CHAIRMAN

SOCIAL AND ETHICS COMMITTEE REPORT

The committee was constituted by the board on 29 February 2012 pursuant to the requirements of the Companies Act 2008 ("the Act"). The board adopted the committee charter on the same date.

Role of Committee

The role, duties and responsibilities of the committee are governed by section 72 of the Act, read with Regulation 43 of the Act. These include monitoring the company's activities having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - the 10 principles set out in the United Global Compact Principles;
  - the Organisation for Economic Co-operation and Development recommendations regarding corruption;
  - the Employment Equity Act 55 of 1998, as amended; and
  - the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended;
- good corporate citizenship, including the company's:
  - promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving;
- the environment, health and public safety, including the impact of the company's activities and of its products or services;
- consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- labour and employment, including:
  - the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - the company's employment relationships, and its contribution towards the educational development of its employees.

Composition

Two executive directors:

- Pierre van Tonder
- Ronel van Dijk

One non-executive director

- Keith Getz (Chairman)

Invitees: The group finance executive, financial manager, group human resources executive, legal and compliance officer and sustainability committee chairlady.

King III recommends that the committee should be chaired by an independent non-executive director and should comprise a majority of non-executive directors, the majority of whom should be independent. The committee is currently chaired by a non-executive director who is not independent as defined by King III and comprises a majority of executive directors. The composition of the committee complies with Regulation 43 and section 72 of the Companies Act 2008. The board is satisfied that the chairman of the committee is capable of acting independently and objectively. The board is furthermore satisfied that the committee comprises the necessary skills to fulfil its statutory responsibilities in terms of the Companies Act and its charter.

Functioning of the Committee

Meetings: One meeting was held during the year under review. Two meetings are scheduled annually.

The attendance at committee meetings for the period 1 July 2011 to 30 June 2012 was as follows:

Director	24 May 2012
Keith Getz	P
Pierre van Tonder	P
Ronel van Dijk	P

P - Present; A - Absent

The inaugural meeting of the committee was held on 24 May 2012. At the meeting, the committee members and invitees were apprised of the charter and statutory and other duties and obligations of the committee. A work plan was formulated for the year ahead to address the action plans required for the committee to discharge its statutory and other responsibilities.

Keith Getz
SOCIAL AND ETHICS COMMITTEE CHAIRMAN

GROUP FINANCIAL STATEMENTS

ABOUT THESE FINANCIAL STATEMENTS

The financial statements on pages 82 to 151 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 chief financial officer, Ronel van Dijk CA(SA).

Contents

AUDIT COMMITTEE REPORT

Role of Committee

The committee is an independent statutory committee appointed by the company's shareholders. Further duties are delegated to the audit committee by the board.

Statutory duties in terms of the Companies Act 2008 ("the Act")

- Nominate the appointment of the external auditor for approval by shareholders at the annual general meeting;
- Assess the independence of the external auditor;
- Determine the fees paid to the external auditor;
- Determine the nature and extent of any non-audit services that the external auditor may provide and pre-approve any proposed engagement for such services;
- Ensure that the provisions of the Act are complied with in terms of the external auditor's appointment;
- Prepare a report, to be included in the annual financial statements of the company for the relevant financial year, that addresses the items listed in the Act;
- Receive and deal appropriately with any concerns or complaints in relation to matters as set out in the Act; and
- Make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.

Other duties

- Review the independence, objectivity and effectiveness of the external auditor;
- Discuss with the external auditor before the audit commences the nature and scope of the audit (including key audit risks) and ensure co-ordination with other group entity auditors;
- Review and comment on all financial reporting, including the interim and annual financial statements, provisional results announcements, trading statements, circulars and the release of price sensitive information before submission to the board for approval;
- Discuss any problems or issues arising from the audit and any matters incidental thereto with the external auditor;
- Review the external auditor's management letter and management's response;
- Review the company's statement on internal control prior to endorsement by the board;
- Approve the appointment of the outsourced internal audit service provider;
- Annually review the performance and objectivity of the internal auditor;
- Approve the internal audit charter, audit plan, fees and resource allocation;
- Review the functioning of the internal audit function;
- Receive and review all internal audit reports and management's response;
- Oversee integrated reporting and recommend the approval of the integrated report to the board for approval; and
- Annually review the expertise, resources and experience of the group chief financial officer and finance function.

Composition

Three non-executive directors:

- Keith Madders* (chairman) (12 years' service on the committee)
- Dean Hyde* (resigned during the year)
- Muzi Kuzwayo** (3 years' service on the committee)
- Mntungwa Morojele** (2 years' service on the committee)

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

** Independent non-executive director (in terms of King III)

Qualifications of members are listed on page 20.

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

As noted on page 50, at a meeting of the board on 29 February 2012, the board, through its nominations committee, resolved to propose to shareholders that the audit committee be restructured as detailed above. Shareholders approved the composition of the restructured committee at a general meeting on 26 April 2012.

King III requires that the committee comprises of at least three independent non-executive directors. The independence requirements of King III are more onerous than those of the Companies Act 71 of 2008 ("the Act"). The JSE Listings Requirements require the company to comply with King III's recommendations in this regard. Prior to 29 February 2012, the committee comprised four members: two of whom were independent (in accordance with King III's requirements) and two of whom acted independently (in accordance with section 94(4) of the Act). Subsequent to 29 February 2012, the committee comprises three non-executive directors: two of whom are independent (in accordance with King III's requirements) and one of whom acts independently (in accordance with section 94(4) of the Act). The requirements of the Act have therefore been complied with for the duration of the year under review. The committee currently comprises a majority of independent non-executive directors. As only two independent non-executive directors currently serve on the board, it is not currently possible to comply with King III's recommendations and the JSE Listings Requirements in this regard. The board, through its nominations committee, will address the chairmanship and the composition of the committee in the year ahead.

Whilst Dean Hyde and Keith Madders are not considered independent (in accordance with King III) the board notes that the experience and knowledge of the business of Keith Madders and Dean Hyde added significant value to the functioning of the committee. Furthermore, the board is satisfied that Keith Madders and Dean Hyde acted with sufficient integrity, objectivity and independence such that the interests of stakeholders were not prejudiced.

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. However, King III permits the composition of the committee to be considered in the context of the company's size and circumstances. 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. The committee has a collective understanding of accounting, regulatory and sustainability matters which is appropriate given the nature, size and complexity of the group. In particularly complex matters independent experts will be consulted by the committee if required. Whilst the board believes that the committee functions adequately, its nominations committee is considering possible candidates to be appointed to the board and the committee to enhance the expertise of the committee.

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.

The board has resolved to nominate the existing committee members to the committee, which nomination will be tabled for approval by shareholders at the annual general meeting of 6 December 2012.

Functioning of the Committee

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

The attendance at committee meetings for the period 1 July 2011 to 30 June 2012 was as indicated:

Director	1 September 2011	29 February 2012
Keith Madders	P	P
Dean Hyde	P	P
Muzi Kuzwayo	A	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 and deal with other matters falling within its terms of reference. 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 the subsidiaries within the group.

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

The committee is responsible for overseeing the internal audit function. Refer to the Internal Audit section on page 73 of this report for more detail.

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.

External auditor appointment and independence

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

The committee ensured that the appointment of the auditor complied with the Act and any other legislation relating to the appointment of auditors. The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year ended 30 June 2012.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. Minimal non-audit services were provided by the auditor for the year under review, which were expressly approved by the audit committee.

The committee has nominated, for election at the annual general meeting, KPMG Inc as the external audit firm and Mr Ivan Engels as the designated auditor responsible for performing the functions of auditor, for the year ending 30 June 2013. The audit committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Financial statements and accounting practices

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

An audit committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. The committee is satisfied that all such matters have been drawn to its attention and will deal with the matters as it deems fit.

Internal financial controls

In considering the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relies on the work performed by internal audit, representations by management and the external auditor's management report. In this regard, the appointment of the outsourced independent internal audit service provider will provide additional assurance in respect of the adequacy of the internal control systems. The committee acknowledges that it is not the external auditor's responsibility to identify control deficiencies, but considers the content of the external auditor's report to be a key indicator of the effectiveness of the general financial control environment.

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

The audit committee receives and deals with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters.

Integrated reporting and combined assurance

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.

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

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

Going concern

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

Governance of risk

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

Internal audit

Following the recommendations of the audit committee, the board has appointed an outsourced independent service provider to provide internal audit services with effect from 1 July 2012.

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

The audit committee considered and recommended the internal audit charter for approval by the board, which the board duly approved. The internal audit function's annual audit plan was approved by the audit committee.

The chief audit executive is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the audit committee on a regular basis.

The chief audit executive has direct access to the audit committee, primarily through its chairman.

During the year, the committee met with the external auditors and with the chief audit executive without management being present.

Evaluation of the expertise and experience of financial director and finance function

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

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.

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

Internal Audit

With effect from 1 July 2012, the board has appointed an outsourced independent internal audit service provider. Accordingly, for the year under review, the internal audit function did not evaluate the company's governance processes or assess the effectiveness of risk managment; however, the audit committee has commissioned the outsourced independent internal audit service provider to perform these functions in future years. The board has adopted a formal internal audit charter which governs the authority and responsibilities of the various role players. The engagement partner of the outsourced service provider has been appointed as the chief audit executive in terms of the charter and reports directly to the audit committee.

The audit committee has approved a five year risk-based audit program in terms of which the outsourced service provider will address those risks and controls identified by the committee as being key to financial reporting, sustainability and stakeholder reporting, where such audit program is subject to review from time to time, as considered appropriate by the committee. Deliverables will include written reports to the committee on the respective audit areas.

Prior to 1 July 2012, the company did not have an internal audit function that complied with the recommendations of King III in all respects. The board previously considered the internal audit function in place during the financial year under review to be appropriate in the context of the size, nature and complexity of the group. In light of the inclusion of additional non-executive directors on the board and enhanced accountability of the directors prescribed by the Companies Act 2008, the board resolved to address this shortcoming as referred to above.

King III recommends that internal audit fulfils inter alia the functions of evaluating the company's governance processes and performing an objective assessment of the effectiveness of risk management. At this time, the board has excluded this from the scope of the outsourced service provider's function, but will reassess this decision from time to time. Management and the board make use of external service providers, including its legal counsel and JSE sponsor, and the legal and compliance officer to provide input and guidance relating to governance matters. 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. With effect from 1 July 2012, the external service provider is to provide an objective assessment to the board on the procedures and process around the risk management functions of the company.

Keith Madders
AUDIT COMMITTEE CHAIRMAN

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 2012, 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, 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. In addition, the directors are responsible for preparing the directors' report.

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

Based on the results of reviews of the design, implementation and effectiveness of the internal financial controls conducted by the internal audit function during the 2012 financial year and considering information and explanations given by management and discussions with the external auditor on the results of the audit, assessed by the audit committee, nothing has come to the attention of the board that caused it to believe that the company's system of internal controls and risk management, to the extent this has any impact on this integrated report, is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the audit committee.

The directors have made an assessment of the ability of the company and its 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 5 October 2012 and are signed on its behalf by

Allen Ambor **EXECUTIVE CHAIRMAN**

Pierre van Tonder **GROUP CHIEF EXECUTIVE OFFICER**

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**

5 October 2012

DIRECTORS' REPORT

The directors present their thirteenth annual report for the year ended 30 June 2012.

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 and quick service restaurant markets. Through subsidiaries, Spur Advertising (Pty) Ltd, Panarottis Advertising (Pty) Ltd, John Dory's Advertising (Pty) Ltd, The Ad Workshop (Pty) Ltd (trading as DoRego's Advertising), 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

The group's statement of comprehensive income is presented on page 82 and reflects the group's financial results.

Spur Corporation increased consolidated revenue by 24.8% to R503.4 million in the financial year ended June 2012. An aggressive promotions strategy to drive foot traffic and attract cash strapped consumers across its local and international operations proved successful. Revenue also benefited from the inclusion of the DoRego's brand which was acquired by the group with effect from 1 March 2012.

Turnover in Spur Steak Ranch outlets increased by 14.2%. The Spur Family Card membership has grown to over 1.1 million and accounts for 27% of the brand's local restaurant turnover. The loyalty programme has been successful in increasing average spend per head and creating a greater affinity with the Spur brand, with card holders spending on average 20% more than non-members.

Panarottis Pizza Pasta lifted restaurant turnover by 14.7%, as the brand benefited from ongoing weekday specials and the refurbishment of existing outlets. The brand has increased its focus on the family offering while the menu has been refocused on the brand's core products of pizza and pasta.

John Dory's Fish Grill Sushi, under the stewardship of new management, grew restaurant turnover by 14.2% through refocused marketing and targeting quieter trading periods.

DoRego's is a quick service value brand offering chicken, seafood and burgers through 74 franchised outlets. Retention of key management facilitated a seamless integration into the group and strong expansion of the brand is anticipated in the year ahead.

The group expanded its restaurant base to 456, including the 74 DoRego's outlets. In South Africa the group opened 12 new franchised Spur Steak Ranches as well as three Panarottis Pizza Pasta, one John Dory's Fish Grill Sushi and two DoRego's franchised outlets. A further eight restaurants were relocated to improved trading nodes and 65 outlets were refurbished.

Turnover and profitability in the group's international operations has shown an improvement. International expansion has focused on Africa with the opening of five Spur and two Panarottis franchised outlets across the continent (outside of South Africa). Spur openings included Zambia, Malawi, Botswana, Namibia and Nigeria and Panarottis openings included Botswana and Zimbabwe. The group has a growing brand presence in Mauritius where two Spur and four Panarottis restaurants were opened during the year.

Franchise revenue in Spur increased by 13.5% to R155.4 million, Panarottis by 12.4% to R13.0 million and John Dory's by 13.4% to R11.1 million. Franchise revenue in DoRego's amounted to R2.5 million for the four months to June 2012.

Manufacturing and distribution revenue rose by 31.0% to R142.8 million, which includes the addition of the revenue from the DoRego's distribution centre for the four months to June 2012 of R23.5 million. The group continues to focus on creating efficiencies following the consolidation of its manufacturing operations into one facility in Cape Town in the previous year.

International revenue, comprising franchise revenue and company-owned restaurant turnover, reflects the improving trading performance in Africa, Mauritius and the United Kingdom, and increased by 23.9% to R144.0 million.

Consolidated profit before income tax for the financial year increased by 49.9% to R175.1 million. Comparable profit before income tax, excluding exceptional and one-off items and the contribution of DoRego's from March 2012, grew by 21.0%. These exceptional and one-off items relate mainly to the restaurant impairments and start-up costs in new international company-owned restaurants in the prior year, a bargain purchase gain on the acquisition of DoRego's in the current year and the movement in foreign exchange gains/losses and share-based payment and related hedge fair value adjustments relative to the prior year.

The group increased headline earnings by 30.4% to R111.8 million, with diluted headline earnings per share growing by 31.4% to 127.95 cents per share.

AUDIT AND RISK COMMITTEES

Pages 70 to 73 and 58 to 60 of this report set out the responsibilities of the audit and risk committees 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 2012.

During the year, a wholly-owned subsidiary of the group, Share Buy-back (Pty) Ltd, purchased 958 000 (2011: 652 000) shares at an average cost of R16.46 (2011: R13.85) per share, totalling R15.770 million (2011: R9.031 million) taking the total number of treasury shares held by the group to 4 688 628 (2011: 3 730 628). In addition, 6 688 698 (2011: 6 688 698) shares are held by The Spur Management Share Trust (as detailed on page 115 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 2012 was 86 255 507 (2011: 87 213 507).

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
- The Ad Workshop (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		100
- 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		100
- 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:

	2012 R'000	2011 R'000
Profits	**132 737**	109 416
Losses	**(16 605)**	(39 072)

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 Listings Requirements.

CASH DIVIDEND

A final cash dividend in respect of the 2011 financial year of 33.0 cents per share was paid to shareholders on 10 October 2011. An interim cash dividend in respect of the 2012 financial year of 40.0 cents per share was paid to shareholders on 26 March 2012.

The directors declared a final cash dividend of 47.0 cents per share, funded by income reserves, on 5 September 2012, to be paid on 8 October 2012 to those shareholders of the company who are recorded in the company's register on 5 October 2012. As this dividend was declared after the reporting date, it will only be accounted for in the 2013 financial year. The company has available Secondary Tax on Companies ("STC") credits in the amount of R2.6 million, which equates to 2.71 cents per share. Consequently, of the dividend declared, 2.71 cents per share will not be subject to dividend tax and 44.29 cents per share may be subject to local dividend tax at a rate of 15%. The net dividend, after applying the STC credits, is 40.3565 cents per share for shareholders liable to pay dividend tax. This is the first dividend declared by the company which is subject to the dividend tax in South Africa in terms of the Income Tax Act (Act No. 58 of 1962 amended). Previously, dividends were subject to STC at a rate of 10%.

SPECIAL RESOLUTIONS

On 2 December 2011, 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 subisidiaries, to acquire shares in the company issued by it, should the company comply with the relevant statutes and authorities applicable thereto. At the same meeting, a special resolution was passed in terms of which the directors were granted the authority to cause the company to provide financial assistance to any entity which is related or inter-related to the company.

On 26 April 2012, at a general meeting of shareholders, a special resolution was passed in terms of which the remuneration for non-executive directors, in their capacity as directors (including services rendered on any board committee), as contemplated in section 66(9) of the Companies Act 2008, for the financial year commencing on 1 July 2011 (until the expiry of a period of 24 months from 26 April 2012, or until amended by special resolution of shareholders prior to the expiry of such period), of R350 000 per annum per director was approved. The remuneration paid to non-executive directors for the year ended 30 June 2011 of R250 000 per annum per director was ratified by shareholders as part of the same resolution.

Full details of the special resolutions 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 18 to 20 and 157. During the year and with effect from 29 February 2012, Messrs Kevin Robertson and Phillip Joffe resigned and retired as directors of the company respectively.

The secretary, Ronel van Dijk, has certified that the company has lodged with the Companies and Intellectual Property Commission ("CIPC") 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, Messrs Allen Ambor, Muzi Kuzwayo and Mntungwa Morojele 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:

	2012			2011		
	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	-
Keith Getz	**2 491**	**-**	**820**	2 491	-	820
Total	**3 162 420**	**1 576 631**	**820**	3 162 420	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 of the group financial statements on page 119 of this report for more details) i.e. Share Buy-back (Pty) Ltd.

There have been no changes in directors' interests in share capital from 30 June 2012 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 2012:

	No. of shares	%*
Allan Gray	15 795 810	17.0
Sanlam	10 169 004	10.9
Investec	8 277 190	8.9
Spur Management Share Trust **	6 688 698	7.2
Eskom Pension & Provident Fund	4 530 972	4.9
Coronation Fund Managers	4 041 490	4.3

* 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 of the group financial statements on page 119 of this report 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 of the group financial statements on page 120 of this report

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	4 688 628	4.8
Major shareholders	2	25 964 814	26.5
Public shareholders	2 110	55 550 822	56.9
Total	**2 121**	**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	1 703	80.3	3 933 619	4.0
10 001 - 25 000 shares	177	8.2	2 828 264	2.9
25 001 - 50 000 shares	80	3.8	2 924 100	3.0
50 001 - 100 000 shares	59	2.8	4 285 737	4.4
100 001 - 500 000 shares	69	3.3	15 685 916	16.1
500 001 - 1 000 000 shares	14	0.7	9 629 827	9.9
1 000 001 shares and over	19	0.9	58 345 370	59.7
	2 121	**100.0**	**97 632 833**	**100.0**

	No. of shareholders	%	No. of shares	%
Distribution of shareholders				
Banks and nominees	298	14.0	8 247 384	8.4
Endowment funds	16	0.8	824 407	0.8
Individuals	1 562	73.7	11 565 115	11.8
Insurance companies	19	0.9	4 842 996	5.0
Investment companies	3	0.1	3 090 211	3.2
Medical funds	9	0.4	671 159	0.7
Mutual funds	64	3.0	42 351 477	43.4
Own holdings	1	0.0	4 688 628	4.8
Pension and retirement funds	69	3.3	13 147 988	13.5
Spur Management Share Trust	1	0.0	6 688 698	6.9
Other corporate bodies	79	3.8	1 514 770	1.5
	2 121	**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 increased from R21.2 million to R25.2 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, consider that the presentation of the financial statements on this basis is appropriate.

There are no pending or threatened legal or arbitration proceedings which have had or may have a material effect on the financial position of the company or group, save for those disclosed in note 41 to the group financial statements on page 140 of this report.

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 40 to the group financial statements on page 140 of this report.

COMPANY INFORMATION

The company's registration number and registered address are presented on page 157. 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 **GROUP CHIEF EXECUTIVE OFFICER**

5 October 2012

INDEPENDENT AUDITOR'S REPORT

To the shareholders 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 2012, 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, as set out on pages 82 to 151.

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 2012, 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

Per I Engels
Chartered Accountant (SA), Registered Auditor
Cape Town, 5 October 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R'000	2011 R'000
Revenue	3	**503 444**	403 396
Cost of sales		**(135 299)**	(90 670)
Gross profit		**368 145**	312 726
Other operating income	4	**23 907**	11 434
Administration expenses		**(87 296)**	(72 263)
Core operations expenses		**(36 593)**	(35 382)
Distribution expenses		**(9 219)**	(5 602)
Loss on impaired outlets	5	**(1 564)**	(18 482)
Retail operating expenses		**(88 444)**	(80 462)
Operating profit before finance income	5	**168 936**	111 969
Net finance income	6	**6 164**	4 861
Interest income	6	**6 819**	5 783
Interest expense	6	**(655)**	(922)
Profit before income tax		**175 100**	116 830
Income tax expense	7	**(60 718)**	(48 742)
Profit for the year		**114 382**	**68 088**
Other comprehensive income:		**3 679**	860
Foreign currency translation differences for foreign operations		**(3 603)**	2 406
Foreign exchange gain/(loss) on net investments in foreign subsidiaries		**9 774**	(2 075)
Tax on foreign exchange (gain)/loss on net investments in foreign subsidiaries		**(2 492)**	529
Total comprehensive income for the year		**118 061**	**68 948**
Profit attributable to:			
Owners of the company		**113 884**	70 789
Non-controlling interest		**498**	(2 701)
Profit for the year		**114 382**	**68 088**
Total comprehensive income attributable to:			
Owners of the company		**118 208**	71 648
Non-controlling interest		**(147)**	(2 700)
Total comprehensive income for the year		118 061	**68 948**
Earnings per share (cents)			
Basic earnings	8	**130.71**	80.65
Diluted earnings	8	**130.34**	80.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Note	2012 R'000	2011 R'000
ASSETS			
Non-current assets		**417 552**	371 486
Property, plant and equipment	9	**73 492**	70 387
Intangible assets and goodwill	10	**320 986**	281 477
Interest in equity-accounted investees	11	**3 010**	2 590
Loans receivable	12	**5 808**	3 267
Deferred tax	13	**7 776**	11 967
Leasing rights	14	**1 826**	1 798
Derivative financial asset	15	**4 654**	-
Current assets		**186 462**	184 477
Inventories	16	**10 304**	5 621
Tax receivable		**5 488**	4 410
Trade and other receivables	17	**69 635**	56 567
Loans receivable	12	**2 231**	1 913
Cash and cash equivalents	18	**98 804**	115 966
TOTAL ASSETS		**604 014**	**555 963**
EQUITY AND LIABILITIES			
Total equity		**425 606**	408 236
Ordinary share capital	19.1	**1**	1
Share premium		**6**	6
Shares repurchased by subsidiaries	19.2	**(60 510)**	(38 941)
Foreign currency translation reserve	19.3	**54**	(4 270)
Retained earnings		**490 815**	450 507
Total equity attributable to equity holders of the parent		**430 366**	407 303
Non-controlling interest		**(4 760)**	933
LIABILITIES			
Non-current liabilities		**80 578**	73 090
Long-term loans payable	20	**446**	2 923
Employee benefits	21	**4 520**	555
Derivative financial liability	15	**-**	2 627
Operating lease liability	22	**6 564**	6 531
Deferred tax	13	**69 048**	60 454
Current liabilities		**97 830**	74 637
Bank overdrafts	18	**1 854**	2 256
Tax payable		**6 052**	6 622
Trade and other payables	23	**64 239**	46 874
Loans payable	24	**24 765**	18 273
Shareholders for dividend		**920**	612
TOTAL EQUITY AND LIABILITIES		**604 014**	**555 963**

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 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 loss 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	19.2	(652)	-	-
Changes in ownership interests in subsidiaries that do not result in a loss of control		**-**	**-**	**-**
Acquisition of non-controlling interest in subsidiary	31.5	-	-	-
Total transactions with owners		**(652)**	**-**	**-**
Balance at 1 July 2011		**87 214**	**1**	**6**
Total comprehensive income for the year				
Profit		**-**	**-**	**-**
Other comprehensive income		**-**	**-**	**-**
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		**(958)**	**-**	**-**
Distributions to equity holders	25	-	-	-
Distributions to participants of incentive scheme including tax	26.1	-	-	-
Own shares acquired	19.2	(958)	-	-
Changes in ownership interests in subsidiaries that do not result in a loss of control		**-**	**-**	**-**
Acquisitions of non-controlling interests in subsidiaries	31.2 & 31.3	-	-	-
Total transactions with owners		**(958)**	**-**	**-**
Balance as at 30 June 2012		**86 256**	**1**	**6**

FOR THE YEAR ENDED 30 JUNE 2012

Shares repurchased by subsidiaries R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
(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**
-	**-**	**113 884**	**113 884**	**498**	**114 382**
-	**4 324**	**-**	**4 324**	**(645)**	**3 679**
-	(3 603)	-	(3 603)	-	(3 603)
-	9 774	-	9 774	-	9 774
-	(2 492)	-	(2 492)	-	(2 492)
-	645	-	645	(645)	-
-	**4 324**	**113 884**	**118 208**	**(147)**	**118 061**
(21 569)	**-**	**(63 666)**	**(85 235)**	**(1 750)**	**(86 985)**
-	-	(63 666)	(63 666)	(1 750)	(65 416)
(5 799)	-	-	(5 799)	-	(5 799)
(15 770)	-	-	(15 770)	-	(15 770)
-	**-**	**(9 910)**	**(9 910)**	**(3 796)**	**(13 706)**
-	-	(9 910)	(9 910)	(3 796)	(13 706)
(21 569)	**-**	**(73 576)**	**(95 145)**	**(5 546)**	**(100 691)**
(60 510)	**54**	**490 815**	**430 366**	**(4 760)**	**425 606**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R'000	2011 R'000
Cash flow from operating activities			
Operating profit before working capital changes	27	**171 060**	144 655
Working capital changes	28	**6 378**	2 631
Cash generated from operations		**177 438**	147 286
Interest income received		**6 819**	5 783
Interest expense paid		**(655)**	(922)
Tax paid	29	**(58 578)**	(41 149)
Distributions paid	30	**(65 108)**	(54 785)
Net cash flow from operating activities		**59 916**	**56 213**
Cash flow from investing activities			
Acquisitions of subsidiaries, non-controlling interests and business combinations	31	**(41 413)**	(253)
Acquisition of treasury shares	19.2	**(21 569)**	(9 031)
Additions of property, plant and equipment	9	**(6 204)**	(31 089)
Cash inflow from share-based payment hedge	15	**198**	-
Decrease in loans receivable	12	**1 528**	1 063
Loans advanced to equity-accounted investees	11	**(4)**	(222)
Loans advanced to franchisees	12	**(4 791)**	-
Loan advanced to operating partner	12	**-**	(738)
Proceeds from disposal of property, plant and equipment		**133**	16 703
Net cash flow from investing activities		**(72 122)**	**(23 567)**
Cash flow from financing activities			
Decrease in interest-bearing loans payable	20	**(4 787)**	(4 761)
Landlord contributions received		**683**	1 676
Loans received from non-controlling shareholders	24	**-**	3 561
Loans repaid to non-controlling shareholders	24	**(548)**	(428)
Net cash flow from financing activities		**(4 652)**	**48**
Net movement in cash and cash equivalents		**(16 858)**	32 694
Effect of foreign exchange fluctuations		**98**	(16)
Net cash and cash equivalents at beginning of year		**113 710**	81 032
Net cash and cash equivalents at end of year	18	**96 950**	**113 710**

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Spur Corporation Limited is a company domiciled in South Africa. The consolidated financial statements of the company as at and for the year ended 30 June 2012 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 5 October 2012.

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

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

- Derivative financial instruments are measured at fair value; and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.

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

The company and 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 accounting 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 profit or loss and other comprehensive income 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 Functional and presentation currency
All items in the financial statements of the group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The group's consolidated financial statements are presented in Rands, which is the company's functional currency and the group's presentation currency.

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

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

1.2.7 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.

1.2.8 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 measured 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 was measured at the proportionate share of the acquiree's identifiable net assets;

Business combinations achieved in stages were accounted for as separate transactions. Any additional shares acquired do not affect previously recognised goodwill; 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.

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

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 fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties less the costs of disposal. For an asset or cash-generating unit that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

1.7 INVENTORIES

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

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

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.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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. Deferred tax is not recognised 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 on the company 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.

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

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.

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.

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

1.14 ADMINISTRATION FEE INCOME

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. 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.

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

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 in the period during which related services are rendered by employees.

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. The unwinding of the discount is recognised as a finance cost.

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: Operating Segments reporting purposes) for performance assessments and resource allocations. In accordance with IFRS 8: Operating Segments, no segment assets have been disclosed as such information is not regularly provided to the CODM.

The group identified seven 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
- South Africa Franchise – DoRego's
- United Kingdom
- Australia

The group's South African business comprises largely the franchise businesses of its four trading brands, Spur Steak Ranches, Panarottis Pizza Pasta, John Dory's Fish Grill Sushi and DoRego's, and its sauce manufacturing, warehousing 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 business unit, 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: Operating Segments, 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	Manufacturing & distribution	Franchise Spur	Franchise Panarottis	Franchise John Dory's	Franchise DoRego's	Other segments	Total segments
	SOUTH AFRICA						
2012							
Total revenues	**142 821**	**155 433**	**12 952**	**11 092**	**2 498**	**39 751**	**364 547**
Inter-segment revenues	-	-	-	-	-	5 356	5 356
External revenues	**142 821**	**155 433**	**12 952**	**11 092**	**2 498**	**34 395**	**359 191**
Profit/(loss) before income tax	**55 662**	**136 447**	**7 866**	**5 818**	**928**	**1 427**	**208 148**
Exclude:							
Interest income	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Depreciation and amortisation	(567)	-	-	-	(22)	(123)	(712)
EBITDA*	**56 229**	**136 447**	**7 866**	**5 818**	**950**	**1 550**	**208 860**
Other material disclosable items:							
Bargain purchase gain	-	-	-	-	-	-	-
Fair value gain on realisation of collateral	-	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-	-
Profit/(loss) on disposal of property, plant and equipment	-	-	-	-	-	-	-
Share-based payments expense net of fair value adjustment in respect of hedge	-	-	-	-	-	-	-
Foreign exhange loss	-	-	-	-	-	-	-
EBITDA* before other material disclosable items	**56 229**	**136 447**	**7 866**	**5 818**	**950**	**1 550**	**208 860**
Capital expenditure	697	-	-	-	-	-	697
2011							
Total revenues	**109 043**	**137 004**	**11 526**	**9 782**	**-**	**24 152**	**291 507**
Inter-segment revenues	-	-	-	-	-	4 442	4 442
External revenues	**109 043**	**137 004**	**11 526**	**9 782**	**-**	**19 710**	**287 065**
Profit/(loss) before income tax	**49 633**	**118 712**	**6 837**	**4 543**	**-**	**(896)**	**178 829**
Exclude:							
Interest income	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Depreciation and amortisation	(443)	-	-	-	-	(105)	(548)
EBITDA*	**50 076**	**118 712**	**6 837**	**4 543**	**-**	**(791)**	**179 377**
Other material disclosable items:							
Impairment of goodwill	-	-	-	-	-	-	-
Impairment of property, plant and equipment	-	-	-	-	-	-	-
Profit on disposal of property, plant and equipment	-	-	-	-	-	-	-
Share-based payments expense net of fair value adjustment in respect of hedge	-	-	-	-	-	-	-
Foreign exchange loss	-	-	-	-	-	-	-
EBITDA* before other material disclosable items	**50 076**	**118 712**	**6 837**	**4 543**	**-**	**(791)**	**179 377**
Capital expenditure	3 317	-	-	-	-	-	3 317

In the current year, South Africa - Unallocated includes R3.171 million in respect of legal costs relating to the dispute with the former non-controlling shareholder of John Dory's Franchise (Pty) Ltd (refer note 31.2) and R0.745 million in respect of due dilligence and other costs related to the acquisition of DoRego's and an investigation into another potential acquisition which was not progressed.

* 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						
Un-allocated	Total South Africa	United Kingdom	Australia	Other segments	Total segments	Un-allocated	Total international	TOTAL GROUP
205	**364 752**	**81 631**	**53 140**	**9 277**	**144 048**	**-**	**144 048**	**508 800**
-	5 356	-	-	-	-	-	-	5 356
205	**359 396**	**81 631**	**53 140**	**9 277**	**144 048**	**-**	**144 048**	**503 444**
(36 445)#	**171 703**	**694**	**(682)**	**5 305**	**5 317**	**(1 920)**	**3 397**	**175 100**
6 573	6 573	47	103	-	150	96	246	6 819
(392)	(392)	(150)	(113)	-	(263)	-	(263)	(655)
(2 149)	(2 861)	(5 054)	(2 039)	-	(7 093)	(5)	(7 098)	(9 959)
(40 477)#	**168 383**	**5 851**	**1 367**	**5 305**	**12 523**	**(2 011)**	**10 512**	**178 895**
3 694	3 694	-	-	-	-	-	-	3 694
-	-	843	-	-	843	-	843	843
-	-	-	(1 564)	-	(1 564)	-	(1 564)	(1 564)
81	81	(138)	-	-	(138)	-	(138)	(57)
3 514	3 514	-	-	-	-	-	-	3 514
-	-	72	(8)	-	64	2 224	2 288	2 288
(47 766)#	**161 094**	**5 074**	**2 939**	**5 305**	**13 318**	**(4 235)**	**9 083**	**170 177**
3 815	4 512	1 393	287	-	1 680	12	1 692	6 204
39	**291 546**	**65 936**	**43 464**	**6 892**	**116 292**	**-**	**116 292**	**407 838**
-	4 442	-	-	-	-	-	-	4 442
39	**287 104**	**65 936**	**43 464**	**6 892**	**116 292**	**-**	**116 292**	**403 396**
(34 022)	**144 807**	**(27 688)**	**(1 279)**	**5 226**	**(23 741)**	**(4 236)**	**(27 977)**	**116 830**
5 518	5 518	75	89	-	164	101	265	5 783
(657)	(657)	(171)	(94)	-	(265)	-	(265)	(922)
(2 068)	(2 616)	(5 914)	(2 123)	-	(8 037)	-	(8 037)	(10 653)
(36 815)	**142 562**	**(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	1 215	-	-	-	-	-	-	1 215
(3 182)	(3 182)	-	-	-	-	-	-	(3 182)
(88)	(88)	(60)	(38)	-	(98)	(608)	(706)	(794)
(34 760)	**144 617**	**(3 136)**	**887**	**5 226**	**2 977**	**(3 729)**	**(752)**	**143 865**
12 301	15 618	12 531	3 873	-	16 404	-	16 404	32 022

3. REVENUE

	2012 R'000	2011 R'000
Manufacturing and distribution sales and rebates	**142 821**	109 043
Franchise related fee income	**194 477**	168 661
Retail restaurants' turnover	**131 546**	105 943
Other sundry sales	**28 129**	12 414
Other sundry services rendered	**6 346**	7 296
Rental income	**125**	39
	503 444	**403 396**

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

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

4. OTHER OPERATING INCOME

	2012 R'000	2011 R'000
Advertising administration fees	**11 891**	11 434
Bargain purchase gain (refer note 31.1)	**3 694**	-
Fair value gain on realisation of collateral	**843**	-
Fair value gain on derivative financial instruments (refer note 15)	**7 479**	-
	23 907	**11 434**

Advertising administration fees relate to administrative support services rendered by the group in respect of marketing funds (refer note 36).

The fair value gain on realisation of collateral arose when the group executed its pledge over the 10% shares in Larkspur One Ltd previously owned by a non-controlling shareholder, which served as security for a loan which the group had previously advanced to that shareholder. The shareholder absconded during the year and subsequently defaulted on the loan (refer note 12.5).

5. OPERATING PROFIT BEFORE FINANCE INCOME

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

	2012 R'000	2011 R'000
Amortisation - intangible assets (refer note 10)	**128**	116
Bad debts	**371**	560
Depreciation (refer note 9)	**9 831**	10 537
- Buildings	**288**	350
- Leasehold improvements	**4 593**	5 016
- Furniture and fittings	**1 138**	1 232
- Plant, equipment and vehicles	**2 733**	2 945
- Computer equipment	**1 079**	994
Fair value (gain)/loss on deriative financial instruments at fair value through profit or loss (refer note 15)	**(7 479)**	2 627
Fair value gain on realisation of collateral (refer note 4)	**(843)**	-
Foreign exchange (gain)/loss	**(2 288)**	794
Impairment allowance - trade receivables	**60**	(401)
Loss on impaired outlets (refer note 5.1)	**1 564**	18 482
- Impairment of property, plant and equipment (refer note 9)	**-**	13 534
- Impairment of goodwill (refer note 10.2)	**1 564**	4 948
Loss/(profit) on disposal of property, plant and equipment (refer note 9)	**57**	(1 215)
Operating lease charges	**15 845**	14 311
- Lease charges	**16 563**	13 186
- Straight-line lease (credit)/charge (refer note 22)	**(1 000)**	869
- Amortisation of leasing rights (refer note 14)	**282**	256
Provident fund expense - defined contribution plan (refer note 35)	**6 742**	5 983
Share-based payments expense - cash settled (refer note 21)	**3 965**	555
Staff costs (excluding directors' emoluments and items disclosed separately above)	**96 509**	86 884

Directors' emoluments are detailed in note 34.

5.1 Loss on impaired outlets

Panarottis Tuggerah, Australia
Refer note 10.2 regarding goodwill impairment.

Mohawk 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. Persistent accounting and cash flow losses incurred by the restaurant indicated a potential impairment of the cash-generating unit 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 £500 511, the equivalent of R5.489 million, and goodwill was impaired to the extent of R4.948 million.

Golden Gate spur, 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. Persistent accounting and cash flow losses incurred by the restaurant indicated a potential impairment of the cash-generating unit 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 £733 716, the equivalent of R8.045 million.

All three outlets continue to trade.

6. NET FINANCE INCOME

	2012 R'000	2011 R'000
Finance income and expense recognised in profit or loss		
Interest income on bank deposits	**6 275**	5 384
Interest income on financial assets measured at amortised cost	**544**	399
Interest income	**6 819**	5 783
Interest expense on financial liabilities measured at amortised cost	**(655)**	(922)
Interest expense	**(655)**	(922)
Net interest income recognised in profit or loss	**6 164**	**4 861**

7. INCOME TAX EXPENSE

7.1 Income tax expense

		2012 R'000	2011 R'000
South African normal tax			
Current	- current year	**49 250**	36 325
	- prior year	**104**	(12)
Deferred	- current year	**685**	6 438
	- prior year	**(68)**	-
		49 971	42 751
South African Secondary Tax on Companies		**7 248**	5 833
Dutch normal tax			
Current	- current year	**204**	164
Deferred	- current year	**2 957**	597
	- prior year	**469**	394
		3 630	1 155
United Kingdom normal tax			
Current	- current year	**508**	296
	- prior year	**9**	(6)
Deferred	- current year	**(1 125)**	(1 485)
	- rate change	**75**	-
	- prior year	**501**	367
		(32)	(828)
Australian normal tax			
Current	- current year	**125**	-
	- prior year	**100**	11
Deferred	- current year	**(138)**	-
	- prior year	**(186)**	(180)
		(99)	(169)
Income tax expense		**60 718**	**48 742**

Refer to contigent liability note 41.1.

7.2 Reconciliation of rate of tax

	2012 %	2011 %
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	**2.4**	7.5
Non-taxable income	**(0.8)**	(0.2)
Prior year under provision	**0.6**	0.6
Secondary Tax on Companies	**4.1**	5.0
Tax losses on which deferred tax not provided	**1.4**	1.5
Tax losses utilised on which no deferred tax previously provided	**(0.5)**	(0.2)
Tax on imputed expense not included in profit	**(0.5)**	(0.4)
Withholding tax	**0.1**	0.1
Effective rate	**34.7**	**41.7**

The statutory rates of tax applicable to the group entities in the Netherlands, the United Kingdom and Australia are 25% (2011: 25.5%), 25% (2011: 28%) and 30% (2011: 30%) respectively. The tax rate in the Netherlands operates on a sliding scale.

	2012 R'000	2011 R'000
Estimated group tax losses available for set-off against future taxable income	**80 728**	80 832

A deferred tax asset has not been recognised in respect of tax losses amounting to R66.035 million (2011: R60.807 million). A deferred tax asset amounting to R3.621 million (2011: R4.929 million) has been recognised in respect of the balance of the tax losses. R44.072 million and R13.497 million of the tax losses for which no deferred tax asset was recognised are subject to restrictions on the periods for which the losses can be rolled forward of five years and nine years respectively (refer note 13).

7.3 Tax charged to other comprehensive income and directly to equity

	2012 R'000	2011 R'000
Tax charged directly to equity		
Secondary Tax on Companies on distribution to participants of Management Incentive Scheme (refer note 26.1)	**-**	64
Tax charged to other comprehensive income		
Deferred tax on foreign exchange gain/(loss) on net investments in foreign subsidiaries (refer note 13)	**2 492**	(529)
Total tax charged to other comprehensive income and directly to equity	**2 492**	**(465)**

8. EARNINGS PER SHARE

8.1 Statistics

	2012	2011
Basic earnings per share (cents)	**130.71**	80.65
Diluted earnings per share (cents)	**130.34**	80.37
Headline earnings per share (cents)	**128.32**	97.70
Diluted headline earnings per share (cents)	**127.95**	97.36

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

	2012 000's	2011 000's
Shares in issue at beginning of year	**97 633**	97 633
Shares repurchased at beginning of year	**(10 419)**	(9 768)
Shares repurchased during the year weighted for period not held by the group (refer note 19.2)	**(90)**	(88)
Weighted average number of ordinary shares	**87 124**	**87 777**

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

	2012 000's	2011 000's
Weighted average number of shares	**87 124**	87 777
Dilutive effect of options outstanding (refer note 26.1)	**253**	307
Weighted average diluted number of shares	**87 377**	**88 084**

8.4 Reconciliation of headline earnings

	2012 R'000	2011 R'000
Profit attributable to owners of the company	**113 884**	70 789
Bargain purchase gain (refer note 4)	**(3 694)**	-
Impairment of goodwill (refer note 5.1)	**1 564**	4 948
Impairment of property, plant and equipment (refer note 5.1)	**-**	11 169
Loss/(profit) on disposal of property, plant and equipment	**41**	(1 147)
Headline earnings	**111 795**	**85 759**

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

	2012 R'000	2011 R'000
Impairment of property, plant and equipment		
Gross	**-**	13 534
Non-controlling interest	**-**	(2 365)
Attributable to owners of the company	**-**	**11 169**
Loss/(profit on) disposal of property, plant and equipment		
Gross	**57**	(1 215)
Tax	**(16)**	68
Attributable to owners of the company	**41**	**(1 147)**

9. PROPERTY, PLANT AND EQUIPMENT

2012

	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 2011	34 359	65 235	11 771	23 750	10 394	145 509
Acquisitions through business combinations (refer note 31)		-	-	1 881	26	1 907
Additions	652	178	1 878	1 703	1 793	6 204
Disposals	-	(16)	(1 152)	(962)	(2 959)	(5 089)
Effect of foreign exchange fluctuations	-	8 483	1 109	2 134	420	12 146
Balance at 30 June 2012	35 011	73 880	13 606	28 506	9 674	160 677
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2011	(1 149)	(38 296)	(8 881)	(17 817)	(8 979)	(75 122)
Disposals	-	1	1 130	824	2 944	4 899
Depreciation	(288)	(4 593)	(1 138)	(2 733)	(1 079)	(9 831)
Effect of foreign exchange fluctuations	-	(4 218)	(868)	(1 692)	(353)	(7 131)
Balance at 30 June 2012	(1 437)	(47 106)	(9 757)	(21 418)	(7 467)	(87 185)
CARRYING VALUE						
Balance at 1 July 2011	33 210	26 939	2 890	5 933	1 415	70 387
Acquisitions through business combinations (refer note 31)	-	-	-	1 881	26	1 907
Additions	652	178	1 878	1 703	1 793	6 204
Disposals	-	(15)	(22)	(138)	(15)	(190)
Depreciation	(288)	(4 593)	(1 138)	(2 733)	(1 079)	(9 831)
Effect of foreign exchange fluctuations	-	4 265	241	442	67	5 015
Balance at 30 June 2012	**33 574**	**26 774**	**3 849**	**7 088**	**2 207**	**73 492**

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

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
Acquisitions through business combinations (refer note 31)	-	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)
Acquisitions through business combinations (refer note 31)	-	(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
Acquisitions through business combinations (refer note 31)	-	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**

10. INTANGIBLE ASSETS AND GOODWILL

2012

	Trademarks and intellectual property R'000	Goodwill R'000	Franchise rights R'000	Total R'000
COST				
Balance at 1 July 2011	**271 865**	**13 010**	**1 919**	**286 794**
Acquisitions through business combinations (refer note 31)	**39 652**	**-**	**-**	**39 652**
Effect of foreign exchange fluctuations	**-**	**1 275**	**346**	**1 621**
Balance at 30 June 2012	**311 517**	**14 285**	**2 265**	**328 067**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2011	**-**	**(4 948)**	**(369)**	**(5 317)**
Amortisation	**-**	**-**	**(128)**	**(128)**
Impairment (refer note 10.2)	**-**	**(1 564)**	**-**	**(1 564)**
Effect of foreign exchange fluctuations	**-**	**-**	**(72)**	**(72)**
Balance at 30 June 2012	**-**	**(6 512)**	**(569)**	**(7 081)**
CARRYING VALUE				
Balance at 1 July 2011	**271 865**	**8 062**	**1 550**	**281 477**
Acquisitions through business combinations (refer note 31)	**39 652**	**-**	**-**	**39 652**
Amortisation	**-**	**-**	**(128)**	**(128)**
Impairment (refer note 10.2)	**-**	**(1 564)**	**-**	**(1 564)**
Effect of foreign exchange fluctuations	**-**	**1 275**	**274**	**1 549**
Balance at 30 June 2012	**311 517**	**7 773**	**1 696**	**320 986**

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
Acquisitions through business combinations (refer note 31)	-	4 960	-	4 960
Additions (refer note 32.1)	-	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
Acquisitions through business combinations (refer note 31)	-	4 960	-	4 960
Additions (refer note 32.1)	-	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**

10.1 Trademarks and intellectual property

Additions to trademarks and intellectual property during the year relate to the acquisition of the DoRego's franchise and distribution centre businesses as more fully described in note 31.1.

Trademarks and intellectual property consists of the Spur, Panarottis, John Dory's and DoRego'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 prior 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 notes 31.4 and 31.5 respectively. In addition, goodwill arose on the capitalisation of the Panarottis Tuggerah partnership in the prior year as more fully described in note 32.1.

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

	2012 R'000	2011 R'000
John Dory’s Franchise operations	**178**	178
Silver Lake Spur (United Kingdom)	**298**	253
Panarottis Penrith (Australia)	**905**	779
Panarottis Tuggerah (Australia)	**-**	1 348
Silver Spur (Australia)	**6 392**	5 504
	7 773	**8 062**

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 Panarottis Tuggerah.

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.

Silver Lake Spur (United Kingdom)

- Cash inflows, comprising mainly restaurant turnovers, for the 2013 financial year were conservatively estimated based on historic trends. Turnovers were estimated to grow by 2.5% per annum for the 2014 to 2017 financial years in line with inflation expectations;
- Cash outflows for the 2013 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% throughout the forecast horizon (based on the Bank of England's expected 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%;
- Pre-tax cash flows were discounted at a pre-tax rate of 10%, being the risk-free rate of 0.5% (the Bank of England base rate) adjusted for risk factors; and
- The present value of the cash flows was translated to the reporting currency at the exchange rate prevailing at the reporting date.

10.2 Goodwill (continued) ...

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

- Cash inflows, comprising mainly restaurant turnovers, for the 2013 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 2014 to 2017 financial years;
- Cash outflows for the 2013 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%;
- Pre-tax cash flows were discounted at a pre-tax rate of 12.5%, being the risk-free rate of 3.5% (the Australian Reserve Bank cash 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.

Panarottis Tuggerah, a restaurant in which a wholly-owned subsidiary of the group, Panatug Pty Ltd, is an 80% partner, commenced trading in Australia in November 2010. Lower than expected restaurant turnovers and related cash flows generated by the outlet resulted in the above impairment calculation indicating that the goodwill attributed to the related cash-generating unit of R1.564 million was impaired at the reporting date. The restaurant continues to generate positive cash flows and management intends continuing to trade the restaurant.

10.3 Franchise rights

These rights were acquired as part of the acquisition of the non-controlling interest in Mohawk Spur Ltd, a subsidiary 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

	2012 R'000	2011 R'000
Balance at beginning of year	**547**	495
Effect of foreign exchange fluctuations	**88**	52
Balance at end of year	**635**	547
Loans to equity-accounted investees	**2 375**	2 043
Total interest in equity-accounted investees	**3 010**	**2 590**

A loss of R0.007 million and a profit of R0.051 million (2011: loss of R0.417 million and a profit of R0.131 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 R6.022 million (2011: R5.232 million) at the reporting date translated at rates of exchange ruling at that date.

11.2 Analysis of interest in equity-accounted investees

	Effective holdings %*	Carrying value of investment at beginning of year R'000	Effect of foreign exchange fluctuations R'000	Carrying value of investment at end of year R'000
2012				
Bathspur Pty Ltd (Australia)	**33.3**	-	-	-
Pan Pen Pty Ltd (Australia)	**50.0**	**547**	**88**	**635**
Pangara Pty Ltd (Australia)	**23.3**	-	-	-
		547	**88**	**635**
2011				
Bathspur Pty Ltd (Australia)	33.3	-	-	-
Pan Pen Pty Ltd (Australia)	50.0	495	52	547
Pangara Pty Ltd (Australia)	23.3	-	-	-
		495	**52**	**547**

	Effective holdings %*	Loans in foreign currency 2012 '000	Foreign currency	Loans in Rands 2012 R'000	Loans in Rands 2011 R'000	Share in post acquisition reserves 2012 R'000	Share in post acquisition reserves 2011 R'000
Bathspur Pty Ltd (Australia)	33.3	**20**	AU$	**166**	137	**-**	-
Pen Pen Pty Ltd (Australia)	50.0	**208**	AU$	**1 754**	1 511	**(1 263)**	(1 263)
Pangara Pty Ltd (Australia)	23.3	**54**	AU$	**455**	395	**-**	-
				2 375	**2 043**	**(1 263)**	**(1 263)**

* Indirect interest.

Loans to equity-accounted investees are unsecured, interest-free, with no fixed repayment terms. The group has no intention to recall the loan 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 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 2012 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 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	Profit/ Losses R'000
2012	**7 862**	**15 958**	**(8 096)**	**16 606**	**92**
2011	6 625	13 682	(7 057)	16 931	(1 477)

12. LOANS RECEIVABLE

	2012 R'000	2011 R'000
Total gross loans receivable at end of year	**8 039**	6 196
Impairment allowance	**-**	(1 016)
Current portion included in current assets	**(2 231)**	(1 913)
Total non-current loans receivable	**5 808**	**3 267**

These loans comprise:

12.1 Trinity Leisure Ltd

	2012 R'000	2011 R'000
Gross loan receivable at end of year	**3 268**	3 621
Current portion included in current assets	**(932)**	(1 437)
Non-current portion	**2 336**	2 184

The loan is denominated in Pound Sterling and at the reporting date amounted to £251 480 (2011: £329 974).

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 United Kingdom base rate plus 2 percentage points and is repayable in monthly instalments of at least £6 000 plus interest, payable on the last day of each month.

12.2 Loans to franchisees

	2012 R'000	2011 R'000
Gross loans receivable at end of year	**4 006**	-
Current portion included in current assets	**(981)**	-
Non-current portion	**3 025**	-

The loans are advanced to local franchisees. The loans bear interest at between the prime rate of interest and 2 percentage points above the prime rate of interest. Repayment terms are between 1 and 5 years. The loans are secured by way of personal suretyships from the owners of the respective franchisees.

12.3 Marketing funds

	2012 R'000	2011 R'000
Gross loan receivable at end of year (refer note 36)	**191**	97
Current portion included in current assets	**(191)**	(97)
Non-current portion	**-**	-

The loans owing by marketing funds represent the net assets and cumulative over-spend of the marketing funds as at the reporting date. The amounts are recovered through controlled under-spending of marketing funds in subsequent years. Refer note 36 for more details.

12.4 Signature Restaurants Ltd (Arizona Spur, Newry)

	2012 R'000	2011 R'000
Gross loan receivable at end of year	**-**	1 016
Impairment	**-**	(1 016)
Non-current portion	**-**	-

This loan was advanced to a former franchisee, secured by the shares in the franchisee entity. The loan was impaired in the financial year ended 30 June 2010. The outlet ceased trading in May 2011 and the security consequently has no value. The directors have not been able to recover the loan.

	2012 R'000	2011 R'000
12.5 Loan to operating partner (United Kingdom)		
Gross loan receivable at end of year	-	724
Current portion included in current assets	-	(135)
Non-current portion	-	589

This loan was denominated in Pound Sterling and at the prior year reporting date amounted to £66 030. The loan was subject to interest at 6.5% per annum and was 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 was secured by the operating partner's shares in the restaurant.

During the year, the operating partner in question absconded and subsequently defaulted on the loan. Consequently, the group exercised its pledge over the shares. Immediately prior to this, the remaining balance on the loan was £44 952 or R0.582 million. The fair value of the shares was internally determined to amount to £110 060 or R1.425 million. The transaction resulted in a fair value gain on the realisation of the collateral of R0.843 million recognised in profit or loss (refer note 4).

	2012 R'000	2011 R'000
12.6 Loan to operating partner (Australia)		
Gross loan receivable at end of year	**574**	738
Current portion included in current assets	**(127)**	(244)
Non-current portion	**447**	494

This loan is denominated in Australian Dollars and at the reporting date amounted to AU$68 201 (2011: AU$101 774). The loan bears interest at 7.5% per annum and is repayable over 5 years in equal monthly instalments which commenced 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

	2012 R'000	2011 R'000
Balance at beginning of year	**48 487**	42 932
Total charged to profit or loss	**3 170**	6 131
Current year deferred tax charge	**3 095**	6 131
Change in tax rate	**75**	-
Charged/(credited) to other comprehensive income	**1 414**	(918)
Tax on foreign exchange gain/(loss) on net investments in foreign subsidiaries	**2 492**	(529)
Effect of foreign exchange fluctuations	**(1 078)**	(389)
Acquisitions through business combinations (refer note 31.1)	**7 865**	-
Transferred to tax payable (UK group tax relief benefit) (refer note 29)	**336**	342
Balance at end of year	**61 272**	**48 487**

	2012 R'000	2011 R'000
The deferred tax asset comprises deductible temporary differences relating to:		
Accruals	**246**	72
Financial instruments	**(2 890)**	-
Intellectual property - International	**3 570**	4 848
Leave pay	**-**	45
Property, plant and equipment	**3 229**	2 073
Tax losses	**3 621**	4 929
- The Netherlands (at 25% (2011: 25.5%))	**3 088**	4 284
- United Kingdom (at 25% (2011: 28%))	**533**	645
	7 776	**11 967**

13. Deferred tax (continued) ...

The deferred tax liability comprises taxable temporary differences relating to:

	2012 R'000	2011 R'000
Accruals	**(1 349)**	(187)
Derivative financial asset/(liability)	**1 303**	(736)
Intangible assets	**70 265**	62 864
Leave pay	**(615)**	(534)
Long-term employee benefits	**(1 266)**	(155)
Operating lease liability	**(63)**	-
Prepayments	**153**	-
Property, plant and equipment	**620**	171
Share-based payments	**-**	(969)
	69 048	**60 454**

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 Larkspur Four Ltd of Rnil (2011: R0.290 million), Larkspur Five Ltd of R0.533 million (2011: Rnil), Larkspur Six Ltd of Rnil (2011: R0.318 million) and Mohawk Spur Ltd of Rnil (2011: R0.037 million). The tax losses in Larkspur Five Ltd arose primarily as a result of accelerated capital allowances and trading losses. An asset has only been recognised for the losses in the company to the extent that other UK group companies are able to utilise these losses in terms of UK group tax relief provisions. It is estimated that other UK group companies will be able to utilise the tax loss (in respect of which a deferred tax asset was recognised) to offset against tax payable in respect of the current year.

During the prior year, 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 which could have resulted in the group not being able to benefit from the deductible temporary differences and cumulative tax losses on which deferred tax assets have been recognised. The board of SRIBV successfully defended the assessment during the year and reached an agreement with the Dutch Tax Authorities in the group's favour.

14. LEASING RIGHTS

	2012 R'000	2011 R'000
Balance at beginning of year	**1 798**	2 155
Recognised in profit or loss	**(282)**	(256)
Effect of foreign exchange fluctuations	**310**	(101)
Balance at end of year	**1 826**	**1 798**

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. DERIVATIVE FINANCIAL ASSET/(LIABILITY)

	2012 R'000	2011 R'000
Hedge forward contracts		
- tranche 1 of share appreciation rights	**2 335**	(2 627)
- tranche 2 of share appreciation rights	**2 319**	-
	4 654	**(2 627)**

The movement in the asset/(liability) during the year was as follows:

	2012 R'000	2011 R'000
Balance at beginning of the year	**(2 627)**	-
Recognised in profit or loss	**7 479**	(2 627)
Refund of difference in guaranteed dividend from counterparty	**(198)**	-
Balance at end of year	**4 654**	**(2 627)**

The contracts were concluded 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 21. The hedge forward contracts for the first and second tranches of the share appreciation rights were concluded on 15 December 2010 and 30 December 2011 respectively.

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

The terms of each of the contracts are as follows:

	Tranche 1	Tranche 2
Hedge trade date	15 December 2010	30 December 2011
Number of shares	1 500 000	1 500 000
Forward price per share	R17.10	R17.76
Settlement date	13 December 2013	15 December 2014
Settlement price	50 day VWAP at 13 December 2013	50 day VWAP at 15 December 2014

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

The fair values of the hedge forward contracts are determined by an independent external professional financial instruments specialist on the following assumptions:

Hedge forward - tranche 1 of share appreciation rights	2012	2011
Method of valuation	**Black Scholes**	Black Scholes
Dividend	**Refer below**	Refer Below
Expected volatility	**31.60%**	27.29%
Interest rate (nominal annual compounded quarterly)	**5.37%**	6.64%
Credit spread (basis points)	**220**	160
Hedge forward - tranche 2 of share appreciation rights		
Method of valuation	**Black Scholes**	-
Dividend	**Refer below**	-
Expected volatility	**31.60%**	-
Interest rate (nominal annual compounded quarterly)	**5.37%**	-
Credit spread (basis points)	**220**	-

15. Derivative financial asset/(liability) (continued) ...

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

	Tranche 1	Tranche 2
October 2012 (cents per share)	32.66	35.00
March 2013 (cents per share)	38.49	36.00
October 2013 (cents per share)	35.76	37.00
March 2014 (cents per share)	-	38.00
October 2014 (cents per share)	-	39.00

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

16. INVENTORIES

	2012 R'000	2011 R'000
Raw materials	**811**	1 226
Packaging	**1**	11
Finished goods	**9 492**	4 384
	10 304	**5 621**

17. TRADE AND OTHER RECEIVABLES

	2012 R'000	2011 R'000
Trade receivables	**59 730**	44 375
Impairment allowance	**(127)**	(67)
Net trade receivables	**59 603**	44 308
Prepayments	**6 145**	6 110
Deposits	**3 146**	4 164
Staff loans	**406**	286
VAT and other indirect taxes receivable	**223**	1 660
Other	**112**	39
	69 635	**56 567**

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.

18. CASH AND CASH EQUIVALENTS

	2012 R'000	2011 R'000
Current, call and short-term deposit accounts	**98 804**	115 966
Bank overdrafts	**(1 854)**	(2 256)
	96 950	**113 710**

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

19. CAPITAL AND RESERVES

19.1 Ordinary share capital

	Number of shares			
	2012 '000	2011 '000	2012 R'000	2011 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	**(4 688)**	(3 730)	**-**	-
Shares held by share incentive special purpose entity (refer note 26.2)	**(6 689)**	(6 689)	**-**	-
	86 256	**87 214**	**1**	**1**

19.2 Shares repurchased by subsidiaries

During the year, a wholly-owned subsidiary of the company, Share Buy-back (Pty) Ltd, acquired 958 000 (2011: 652 000) Spur Corporation Ltd shares at an average cost of R16.46 (2011: R13.85) per share, totalling R15.770 million (2011: R9.031 million). The group owns 4 688 628 (2011: 3 730 628) Spur Corporation Ltd treasury shares, held by Share Buy-back (Pty) Ltd, at a total cost of R53.332 million (2011: R37.562 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 entities in question held 11 377 326 (2011: 10 419 326) of the company's shares in aggregate.

Options in respect of the Spur Management Incentive Scheme 2004 were exercised during the year (as detailed in note 26.1). In terms of these options, Share Buy-back (Pty) Ltd sold 660 911 Spur Corporation Ltd shares to the option holders for R7.25 per share (or R4.792 million in aggregate) and reacquired these shares on the same date at a cost of R16.02 per share (or R10.591 million in aggregate).

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.

19.3 Foreign currency translation reserve

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

20. LONG-TERM LOANS PAYABLE

	2012 R'000	2011 R'000
Total gross amounts payable at end of year	**3 002**	7 903
Current portion included in current liabilities (refer note 24)	**(2 556)**	(4 980)
Total non-current loans payable	**446**	**2 923**

These loans comprise:

20.1 Term loan: Nedbank

	2012 R'000	2011 R'000
Gross amount payable at end of year	**2 428**	7 056
Current portion included in current liabilities	**(2 428)**	(4 628)
Non-current portion	**-**	2 428

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.

20.2 Loan from operating partner

	2012 R'000	2011 R'000
Gross amount payable at end of year	**574**	738
Current portion included in current liabilities	**(128)**	(243)
Non-current portion	**446**	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.

20.3 Penrith Panthers Rugby Club

	2012 R'000	2011 R'000
Gross amount payable at end of year	**-**	109
Current portion included in current liabilities	**-**	(109)
Non-current portion	**-**	-

The loan was unsecured, interest-free, and repayable from July 2010 in 15 equal monthly instalments. The loan was denominated in Australian Dollars which at the reporting date amounted to AU$nil (2011: AU$15 000).

21. EMPLOYEE BENEFITS

	2012 R'000	2011 R'000
Long-term retention share appreciation rights		
- tranche 1	**3 313**	555
- tranche 2	**1 207**	-
	4 520	**555**

The movement in the liability during the year was as follows:

	2012 R'000	2011 R'000
Balance at beginning of year	**555**	-
Recognised in profit or loss	**3 965**	555
Balance at end of year	**4 520**	**555**

The board approved the first and second tranches of share appreciation rights to executives and managers of the company on 15 December 2010 and 30 December 2011 respectively. 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 obligations in respect of the rights in issue are to be hedged economically (refer note 15). Refer remuneration committee report on page 61 of this report for more details regarding the scheme.

The fair values of the rights are determined at each reporting date and recognised in profit or loss over the vesting period of the rights.

The terms of each tranche of rights are as follows:

Share appreciation rights	Tranche 1	Tranche 2
Grant date	15 December 2010	30 December 2011
Number of rights granted	1 500 000	1 500 000
Strike price per right	R14.62	R14.80
Exercise date	13 December 2013	15 December 2014
Exercise price	50 day VWAP at 13 December 2013	50 day VWAP at 15 December 2014

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 15. 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 obligations in respect of the share appreciation rights have 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:

Share appreciation rights - tranche 1	2012	2011
Method of valuation	**Black Scholes**	Black Scholes
Expected dividend yield	**4.08%**	4.77%
Expected volatility	**31.60%**	27.29%
Interest rate (nominal annual compounded quarterly)	**5.41%**	6.70%
Spot price on valuation date	**R17.89**	R13.85
Vesting period	**3 years**	3 years
Forfeiture rate	**0%**	0%
Share appreciation rights - tranche 2		
Method of valuation	**Black Scholes**	-
Expected dividend yield	**4.08%**	-
Expected volatility	**31.60%**	-
Interest rate (nominal annual compounded quarterly)	**5.58%**	-
Spot price on valuation date	**R17.89**	-
Vesting period	**3 years**	-
Forfeiture rate	**0%**	-

22. OPERATING LEASE LIABILITY

	2012 R'000	2011 R'000
Balance at beginning of year	**6 531**	3 328
Recognised in profit or loss	**(1 000)**	869
Landlord contributions	**-**	2 233
Effect of foreign exchange fluctuations	**1 033**	101
Balance at end of year	**6 564**	**6 531**

Certain rental agreements concluded by the group during the current and previous 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 prior year were 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

	2012 R'000	2011 R'000
Trade payables	**31 340**	22 842
Accruals	**11 046**	7 312
Employee benefits	**11 388**	9 168
Short-term profit share incentive scheme (refer note 26.2)	**4 800**	3 793
Leave pay and other employee benefits	**6 588**	5 375
VAT and other indirect taxes payable	**8 538**	6 491
Other sundry payables	**1 927**	1 061
	64 239	**46 874**

Other sundry payables comprise predominantly the group's liability in respect of unredeemed corporate gift vouchers.

24. LOANS PAYABLE

	2012 R'000	2011 R'000
Contingent consideration in respect of business combination (refer note 31.1)	**5 092**	-
Equipment finance	**-**	37
Loans owing to non-controlling shareholders	**5 362**	4 928
Marketing funds (refer note 36)	**11 755**	7 945
Trinity Leisure Ltd	**-**	383
Current portion of long-term loans payable (refer note 20)	**2 556**	4 980
	24 765	**18 273**

The contingent consideration is in respect of the DoRego's business combination as detailed in note 31.1. The contingent consideration is determined with reference to certain performance criteria of the DoRego's Franchise and Depot businesses to December 2012, but limited to R5 million, and is payable on 28 February 2013. The directors have assessed that the performance criteria are likely to be met. The contingent consideration is subject to interest from the effective date of the business combination to payment date at the rate of interest that the group realises on local short-term cash deposits.

The loans owing to non-controlling shareholders are unsecured and have no fixed repayment terms. Of the total, R0.281 million (2011: R0.241 million) is interest free, Rnil (2011: R0.244 million) bears interest at a fixed rate of 6.5% per annum and R5.081 million (2011: R4.443 million) bears interest at the UK base rate plus 2 percentage points.

The loans owing to the marketing funds represent the net assets and cumulative under-spend of the marketing funds as at the reporting date. The cumulative under-spend amounts are carried forward to the next financial year and are utilised for future marketing spend. Refer note 36 for more details.

The loan owing to Trinity Leisure Ltd was unsecured, interest-free and repayable on demand.

25. DISTRIBUTIONS

	2012 R'000	2011 R'000
Final 2010 - dividend of 28.0 cents per share	**-**	27 337
Interim 2011 - dividend of 33.0 cents per share	**-**	32 219
Final 2011 - dividend of 33.0 cents per share	**32 219**	-
Interim 2012 - dividend of 40.0 cents per share	**39 053**	-
Total distributions to equity holders	**71 272**	**59 556**

	2012 R'000	2011 R'000
Distributions external to the group are reconciled as follows:		
Gross dividends declared	**71 272**	59 556
Dividends received on shares held by the group	**(7 606)**	(5 958)
Net dividends distributed external to the group	**63 666**	53 598
Dividends distributed to non-controlling shareholder of subsidiary	**1 750**	700
Total distributions external to the group	**65 416**	**54 298**

The directors have approved a final dividend of 47.0 cents per share, funded by income reserves, to be paid in cash on 8 October 2012. The company has available Secondary Tax on Companies ("STC") credits in the amount of R2.6 million, which equates to 2.71 cents per share. Consequently, of the dividend declared, 2.71 cents per share will not be subject to dividend tax and 44.29 cents per share may be subject to local dividend tax at a rate of 15%. The net dividend, after applying the STC credits, is 40.3565 cents per share for shareholders liable to pay dividend tax. This is the first dividend declared by the company which is subject to the dividend tax in South Africa in terms of the Income Tax Act (Act No. 58 of 1962 amended). Previously, dividends were subject to STC at a rate of 10%.

26. SHARE INCENTIVE SCHEME

26.1 Spur Management Incentive Scheme ("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 financial year ended 30 June 2010. 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 prior year.

Option scheme:

Of the 1 475 957 share options available, 815 045 share options were settled in cash in the financial year ended 30 June 2010. The remaining 660 911 options were allocated subsequent to December 2004 at a strike price of R7.25 per share. Whilst the initial vesting date of these options was 24 February 2012, the board resolved during the current year to extend the vesting date to 12 March 2012. The options were all exercised on the vesting date at a price of R16.02 per share and the company elected to settle the options in cash.

Payments made to directors in terms of the scheme are detailed in note 34.

	2012 000's	2011 000's
Options available for allocation to employees	-	661
Total outstanding options at the beginning of the year	**661**	661
Options vested during the year, settled in cash	**(661)**	-
Total outstanding options at the end of the year	**-**	**661**
Comprising:		
Number of options vesting on 24 February 2012 - strike price of R7.25 per share	-	661

No directors held any of the options outstanding at 30 June 2011.

26.1 Spur Management Incentive Scheme (“MIS”) (continued) ...

	2012 R'000	2011 R'000
Charge to equity		
Payments to participants of Maxshell scheme charged directly to equity	-	(635)
Secondary Tax on Companies on distribution to Maxshell participants charged directly to equity	-	(64)
Total cost of Maxshell scheme charged directly to equity	-	(699)
Proceeds from disposal of shares to Option scheme participants	**4 792**	-
Reacquisition of shares from Option scheme participants	**(10 591)**	-
Loss on sale and reacquisition of treasury shares charged directly to equity	**(5 799)**	-
Total cost of Option scheme charged directly to equity	**(5 799)**	-
Total cost of winding up of MIS charged directly to equity	**(5 799)**	**(699)**

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 2004 Scheme 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 presented in the remuneration committee report on page 61 of this report.

The impact on profit or loss of the short-term profit share incentive scheme is as follows:

	2012 R'000	2011 R'000
Dividends related to the financial year ended 30 June 2010 distributed to participants	-	3 513
Accrual in respect of dividends related to the year ended 30 June 2011 distributable to participants	**(3 793)**	3 793
Dividends related to the financial year ended 30 June 2011 distributed to participants	**3 401**	-
Accrual in respect of dividends related to the year ended 30 June 2012 distributable to participants	**4 800**	-
Recognised in profit or loss	**4 408**	**7 306**

27. OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	2012 R'000	2011 R'000
Profit before income tax	**175 100**	116 830
Adjusted for:		
Amortisation - intangible assets	**128**	116
Amortisation - leasing rights	**282**	256
Bad debts	**371**	560
Bargain purchase gain	**(3 694)**	-
Depreciation	**9 831**	10 537
Fair value (gain)/loss on derivative financial asset/liability at fair value through profit or loss	**(7 479)**	2 627
Fair value gain on realisation of collateral	**(843)**	-
Foreign exchange (gain)/loss (excluding gains/losses on intercompany accounts)	**(16)**	794
Foreign currency translations not disclosed elsewhere	**(1 102)**	(494)
Impairment of goodwill	**1 564**	4 948
Impairment of property, plant and equipment	**-**	13 534
Interest expense	**655**	922
Interest income	**(6 819)**	(5 783)
Loss/(profit) on disposal of property, plant and equipment	**57**	(1 215)
Movement in operating lease liability	**(1 000)**	869
Movement in trade receivable impairment allowance	**60**	(401)
Share-based payments expense - cash settled	**3 965**	555
	171 060	**144 655**

28. WORKING CAPITAL CHANGES

	2012 R'000	2011 R'000
(Increase)/decrease in inventories	**(243)**	982
Increase in trade and other receivables	**(14 265)**	(5 069)
Increase in trade and other payables	**17 287**	6 606
(Increase)/decrease in short-term loans receivable	**(75)**	422
Increase/(decrease) in short-term loans payable	**3 674**	(310)
	6 378	**2 631**

29. TAX PAID

	2012 R'000	2011 R'000
Tax paid is reconciled to the amount recognised in profit or loss as follows:		
Amount payable at beginning of year	**(2 212)**	(1 232)
Current tax charged to profit or loss	**(57 548)**	(42 611)
Current tax charged to equity (refer note 7.3)	**-**	(64)
Effect of foreign exchange fluctuations	**282**	204
Transfer from deferred tax (UK group tax relief benefit) (refer note 13)	**336**	342
Amount payable at end of year	**564**	2 212
	(58 578)	**(41 149)**

30. DISTRIBUTIONS PAID

	2012 R'000	2011 R'000
Distributions paid are reconciled to the amount disclosed as follows:		
Amount payable at beginning of year	**(612)**	(464)
Net dividends distributed external to the group (refer note 25)	**(63 666)**	(53 598)
Distributions to participants of share scheme (refer note 26.1)	**-**	(635)
Dividends paid by subsidiary company to non-controlling shareholder (refer note 25)	**(1 750)**	(700)
Amount payable at end of year	**920**	612
	(65 108)	**(54 785)**

31. ACQUISITIONS OF SUBSIDIARIES, NON-CONTROLLING INTERESTS AND BUSINESS COMBINATIONS

31.1 Acquisition of DoRego's (business combination)

With effect from 1 March 2012, a wholly-owned subsidiary of the group, Spur Group (Pty) Ltd, acquired the DoRego's franchise and distribution centre businesses as going concerns from an unrelated party. DoRego's is a value oriented takeaway chain offering a combination of chicken, seafood and burgers to consumers. The chain had 78 franchised outlets at the date of acquisition with a strong presence in the Free State, Gauteng and Eastern Cape. The acquisition is expected to give the group exposure to growth opportunities in the lower to middle income market, an area of significant expansion in the current quick service restaurant market place. Synergies are expected in terms of applying the group's extensive franchising expertise to the DoRego's brand, vertical integration into the group's manufacturing facilities and improved efficiencies in group shared infrastructure.

	2012 R'000	2011 R'000
The fair values of the identifiable assets and liabilities acquired were as follows:		
Property, plant and equipment	**1 907**	-
Inventory	**4 440**	-
Trademarks and intellectual property	**39 652**	-
Trade and other payables	**(79)**	-
Loan payable (marketing fund)	**(137)**	-
Deferred tax	**(7 865)**	-
Fair value of identifiable net assets acquired	**37 918**	-
Bargain purchase gain	**(3 694)**	-
Purchase consideration	**34 224**	-
Contingent consideration	**(5 092)**	-
Net cash outflow on acquisition	**29 132**	**-**

Property, plant and equipment relates largely to the fleet of delivery vehicles utilised by the DoRego's distribution centre.

The value of inventory, comprising goods for resale held by the distribution centre, was determined by an independent expert, after attending a full stock take as at the acquisition date.

The trademarks and intellectual property acquired relate to the DoRego's brand and related intellectual property. These are assessed as having an indefinite useful life. The fair value of the trademarks and intellectual property was determined by a professional independent valuations expert. A discounted cash flow model was applied to determine this value. The key variables in determining the fair value are as follows:

- Based on the internally conducted operational due diligence, a view was taken on which of the existing outlets were financially feasible; those that were not considered to be sustainable were excluded from the cash flow forecasts;
- In order to estimate the franchise fee income: for those outlets paying franchise fees based on turnover, historic turnovers were projected to increase at 6% per annum and ten new outlets per annum were anticipated for the forecast horizon with turnovers based on the average historic turnovers; for those outlets paying fixed franchise fees, fees were determined in accordance with the respective franchise agreements. In respect of those outlets that are considered financially sustainable, the franchise agreements were assumed to be renewed as appropriate;

- In order to estimate distribution centre sales: the percentage of historic distribution centre sales to franchised restaurant turnover was anticipated to remain consistent and applied to the projected restaurant turnovers. Restaurant turnovers in respect of financially sustainable restaurants were projected to grow at 6%;
- The historic net margin on distribution centre sales was anticipated to remain constant;
- Costs in respect of the franchise business were based on the cost structures existing at the acquisition date, and were assumed to escalate by inflation (adjusted for the growth in the number of outlets);
- Growth in cash flows in perpetuity beyond the forecast horizon was estimated at 6.5%;
- Capital and working capital requirements were based on historic trends; and
- The cash flows were discounted at the group's pre-tax weighted average cost of capital of 21.13%. The cost of equity was based on the risk free rate of 9.13% (the average of the R203 to R209 South African Government bonds), adjusted for risk factors.

Trade and other payables relate largely to the leave pay accrual for DoRego's employees.

The loan payable is in respect of the cumulative marketing under-spend for DoRego's franchisees. In terms of the franchise agreements, contributions by the franchisees to the marketing fund must be utilised for brand marketing (and related administration) purposes only and are not for the benefit of the franchisor.

Deferred tax has been recognised at the capital gains tax rate of 18.67% on trademarks and intellectual property and at 28% for all other temporary differences.

The bargain purchase gain has no tax consequences and is recognised in other operating income in the group's consolidated statement of comprehensive income.

The consideration comprises:

	2012 R'000
Cash for businesses (excluding inventory)	**25 000**
Reduction in consideration for liabilities assumed	**(216)**
Inventory	**4 440**
Contingent consideration	**5 000**
	34 224

The contingent consideration is to be determined as the difference between six times normalised profit after tax for the period 1 January 2012 to 31 December 2012 and R25 million, but limited to R5 million, plus interest at the rate of interest that the group realises on its short-term cash deposits. The contingent consideration is to be settled in cash on 28 February 2013. The directors consider it probable that the contingent consideration will be paid and have accordingly accrued for the full amount including interest at the reporting date (refer note 24).

In the four months to 30 June 2012, the DoRego's franchise and distribution centre businesses contributed revenue of R25.983 million and profit (after tax) of R1.351 million. Management estimates that revenue for the 12 month period to 30 June 2012 for the businesses acquired is R86.9 million and that profit (after tax) for the same period is R6.6 million. Had the acquisition occurred on 1 July 2011, management estimates that consolidated revenue would have been R564.377 million and consolidated profit for the year would have been R119.673 million. In estimating these amounts, no adjustment was made for those outlets which management considers to be unsustainable.

The group incurred acquisition-related costs of R0.455 million in respect of external legal and due diligence costs. These costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

31.2 John Dory's Franchise (Pty) Ltd (acquisition of non-controlling interest)

During the year, certain litigation was instituted by the non-controlling shareholder (Kapsimalis Family Trust) and the former managing director (Stamatis Kapsimalis) of John Dory's Franchise (Pty) Ltd ("John Dory's") against Spur Group (Pty) Ltd, Pierre van Tonder and Ronel van Dijk (who are the group CEO and group CFO respectively) and in addition to Mr Kapsimalis at the time, were the remaining directors of John Dory's. At the time, the group and the Kapsimalis Family Trust owned 65% and 35% of John Dory's respectively. Prior to the conclusion of the relevant arbitration and High Court proceedings, the parties reached agreement on a settlement.

31.2 John Dory's Franchise (Pty) Ltd (acquisition of non-controlling interest) (continued) ...

Pursuant to the settlement agreement, the group acquired the remaining 35% interest in John Dory's with effect from 25 January 2012 for a consideration of R12.250 million which was settled in cash on the effective date. Mr Kapsimalis simultaneously resigned as director of John Dory's. The transaction is considered a small related party transaction in terms of the JSE Listings Requirements. The terms of the acquisition were considered to be fair, as far as the company's shareholders are concerned, by an independent professional valuations expert who was accepted by the JSE.

In addition, Marketable Securities Tax ("MST") of R0.031 million was payable to the South African Revenue Service on the transfer of the shares.

The carrying amount of John Dory's net assets in the consolidated financial statements at the date of the acquisition was R9.976 million. The group recognised a decrease in non-controlling interest of R3.492 million and a decrease in retained earnings of R8.789 million.

The following summarises the effect of changes in the group's (parent) ownership interest in John Dory's:	2012 R'000
Balance at beginning of year	8 291
Effect of increase in parent's ownership interest	3 492
Share of comprehensive income for the year	3 460
Dividends	(3 250)
Balance at end of year	**11 993**

31.3 Larkspur One Ltd (acquisition of non-controlling interest)

During the year, the non-controlling shareholder of a subsidiary of the group, Larkspur One Ltd ("LS1"), absconded and subsequently defaulted on a loan payable to the group (refer note 12.5). LS1, a company incorporated in the United Kingdom, operates Cheyenne Spur in the O_2 Dome in the United Kingdom. The non-controlling shareholder's 10% interest in LS1 had been pledged as security in respect of this loan. As a result of the default, the group exercised its pledge and assumed ownership of the shares in question, increasing its interest in LS1 to 100% with effect from 30 June 2012. The value of the loan at the time of the acquisition was £44 952 or R0.582 million.

The carrying amount of LS1's net assets in the consolidated financial statements at the date of the acquisition was R3.034 million. The group recognised a decrease in non-controlling interest of R0.304 million and a decrease in retained earnings of R1.121 million.

The following summarises the effect of changes in the group's (parent) ownership interest in LS1:	2012 R'000
Balance at beginning of year	2 656
Effect of increase in parent's ownership interest	304
Share of comprehensive loss for the year	(385)
Effect of foreign exchange fluctuations	459
Balance at end of year	**3 034**

31.4 Prior year acquisition of Silver Spur (acquisition of subsidiary)

During the prior year and 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 for R0.333 million in cash. Spur Steak Ranches Unit Trust is 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. The fair value of the net liabilities acquired was R4.606 million. Goodwill of R4.939 million was recognised on the acquisition. As the subsidiary acquired had cash reserves of R0.080 million at the date of acquisition, the net cash outflow on acquisition amounted to R0.253 million.

31.5 Prior year acquisition of Panhold Pty Ltd (acquisition of non-controlling interest) and consequential additional interest in equity-accounted investee, Panpen Pty Ltd

During the prior year and 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 33.3% interest in Panpen Pty Ltd, a company also incorporated and domiciled in Australia and which operates the Panarottis in Penrith (Australia). The acquisition resulted in increasing the group's effective interest in Panpen Pty Ltd from 40% to 50%. 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. OTHER NON-CASH TRANSACTIONS

32.1 Panarottis Tuggerah

During the prior year, Panarottis 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, a wholly-owned subsidiary of the group, 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.

32.2 Nevada Spur

During the prior 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 and 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.

33. CAPITAL COMMITMENTS

At the date of this report, there were no significant capital commitments authorised or contracted for.

34. DIRECTORS', PRESCRIBED OFFICERS', AND SENIOR MANAGEMENT'S EMOLUMENTS

The following emoluments were paid by subsidiary companies:

2012	Cash remuneration R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Subtotal R'000	Equity compensation benefits[1] R'000	Performance bonus[2] R'000	Total remuneration included in profit or loss R'000	Management Incentive Scheme payout[3] R'000
	Guaranteed remuneration					Variable remuneration			
Executive directors									
For services, as employees, to subsidiary companies									
Current directors									
Allen Ambor	2 227	238	436	87	**2 988**	364	256	**3 608**	-
Pierre van Tonder	3 032	238	475	85	**3 830**	1 166	333	**5 329**	-
Mark Farrelly	1 872	238	270	78	**2 458**	802	207	**3 467**	-
Ronel van Dijk	1 748	-	229	9	**1 986**	656	189	**2 831**	-
	8 879	714	1 410	259	**11 262**	2 988	985	**15 235**	-
Previous directors									
Kevin Robertson[4]	1 350	193	196	76	**1 815**	656	151	**2 622**	-
Phillip Joffe[5]	766	-	54	50	**870**	-	81	**951**	-
	2 116	193	250	126	**2 685**	656	232	**3 573**	-
Total executive directors	**10 995**	**907**	**1 660**	**385**	**13 947**	**3 644**	**1 217**	**18 808**	-
Non-executive directors									
For services, as directors, to the company									
Current directors									
Keith Getz[6]	350	-	-	-	**350**	-	-	**350**	-
Keith Madders[7]	350	-	-	-	**350**	-	-	**350**	-
Dean Hyde	350	-	-	-	**350**	-	-	**350**	-
Muzi Kuzwayo	350	-	-	-	**350**	-	-	**350**	-
Mntungwa Morojele	350	-	-	-	**350**	-	-	**350**	-
	1 750	-	-	-	**1 750**	-	-	**1 750**	-
For services, as directors, to subsidiary companies									
Current Directors									
Keith Getz[6]	115	-	-	-	**115**	-	-	**115**	-
Keith Madders[7]	72	-	-	-	**72**	-	-	**72**	-
	187	-	-	-	**187**	-	-	**187**	-
Total non-executive directors	**1 937**	**-**	**-**	**-**	**1 937**	-	-	**1 937**	-
Total remuneration	**12 932**	**907**	**1 660**	**385**	**15 884**	**3 644**	**1 217**	**20 745**	-
Senior Managers[8]									
Senior Manager 1	991	-	146	51	**1 188**	40	139	**1 367**	**2 577**
Senior Manager 2	807	150	161	40	**1 158**	40	112	**1 310**	-
Senior Manager 3	995	-	146	-	**1 141**	40	133	**1 314**	**2 577**

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 or employees. Refer note 21.

2 Includes payments during the financial year (relating to performance criteria in respect of the prior year), but excludes accrual for payments due in the subsequent financial year. 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 Kevin Robertson resigned as a director of the company with effect from 29 February 2012 and was simultaneously appointed to the board of Spur Group (Pty) Ltd. He is the group's only prescribed officer.

5 Phillip Joffe retired as a director of the company with effect from 29 February 2012.

6 In addition to the standard non-executive director's fee of R350 000 (2011: R250 000) approved by shareholders, Keith Getz' fees include payments to a related party of R0.115 million (2011: R0.153 million) for Mr Getz' attendance at three (2011: four) meetings each of the board of directors of Steak Ranches International BV and Spur International Ltd BVI, all of which he chaired.

7 In addition to the standard non-executive director's fee of R350 000 (2011: R250 000) approved by shareholders, Keith Madders' fees include payments to a related party of R0.072 million (2011: R0.072 million) for Mr Madders' attendance at three (2011: three) meetings of the Steak Ranches International BV board.

8 Senior managers are the top three earning employees, who are not directors or prescribed officers of the company, in the respective financial years. The composition of these senior managers varies from year to year.

2011	Guaranteed remuneration					Variable remuneration			
	Cash remuneration R'000	Travel allowance R'000	Provident fund R'000	Medical aid R'000	Subtotal R'000	Equity compensation benefits[1] R'000	Performance bonus[2] R'000	Total remuneration included in profit or loss R'000	Management Incentive Scheme payout[3] R'000
Executive directors									
For services, as employees, to subsidiary companies									
Current directors									
Allen Ambor	1 985	216	390	80	**2 671**	56	307	**3 034**	29
Pierre van Tonder	2 369	216	343	87	**3 015**	177	358	**3 550**	97
Mark Farrelly	1 462	216	215	92	**1 985**	122	222	**2 329**	74
Ronel van Dijk	1 464	-	201	-	**1 665**	100	220	**1 985**	57
	7 280	648	1 149	259	**9 336**	455	1 107	**10 898**	257
Previous directors									
Kevin Robertson[4]	1 165	175	171	70	**1 581**	100	176	**1 857**	59
Phillip Joffe[5]	611	-	120	46	**777**	-	97	**874**	24
	1 776	175	291	116	**2 358**	100	273	**2 731**	83
Total executive directors	**9 056**	**823**	**1 440**	**375**	**11 694**	**555**	**1 380**	**13 629**	**340**
Non-executive directors									
For services, as directors, to the company									
Current Directors									
Keith Getz[6]	250	-	-	-	**250**	-	-	**250**	-
Keith Madders[7]	250	-	-	-	**250**	-	-	**250**	-
Dean Hyde	250	-	-	-	**250**	-	-	**250**	-
Muzi Kuzwayo	250	-	-	-	**250**	-	-	**250**	-
Mntungwa Morojele	250	-	-	-	**250**	-	-	**250**	-
	1 250	-	-	-	**1 250**	-	-	**1 250**	-
For services, as directors, to subsidiary companies									
Current Directors									
Keith Getz[6]	153	-	-	-	**153**	-	-	**153**	-
Keith Madders[7]	72	-	-	-	**72**	-	-	**72**	-
	225	-	-	-	**225**	-	-	**225**	-
Total non-executive directors	**1 475**	**-**	**-**	**-**	**1 475**	**-**	**-**	**1 475**	**-**
Total remuneration	**10 531**	**823**	**1 440**	**375**	**13 169**	**555**	**1 380**	**15 104**	**340**
Senior Managers[8]									
Senior Manager 1	961	175	142	-	**1 278**	-	92	**1 370**	-
Senior Manager 2	902	-	131	47	**1 080**	-	128	**1 208**	2
Senior Manager 3	852	-	128	43	**1 023**	-	121	**1 144**	9

The base fee for non-executive directors increased from R250 000 in 2011 to R350 000 in 2012 which was approved by shareholders on 26 April 2012. The increase was 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.

The board considers there to be no prescribed officers (as defined in section 1 of the Companies Act 2008) with the exception of Kevin Robertson.

34. Directors', prescribed officers', and senior management's emoluments (continued) ...

The following number of share appreciation rights have been allocated to directors, prescribed officers and the top three earners, who are not directors or prescribed officers, in terms of the long-term share-linked retention scheme and were outstanding as at the reporting date (refer note 21):

	Rights - tranche 1	
	2012 000's	2011 000's
Executive		
Allen Ambor	**150**	150
Pierre van Tonder	**480**	480
Mark Farrelly	**330**	330
Ronel van Dijk	**270**	270
Kevin Robertson (prescribed officer/previous director)[4]	**270**	270
Total rights allocated	**1 500**	**1 500**

	Rights - tranche 2	
	2012 000's	2011 000's
Executive		
Allen Ambor	**110**	-
Pierre van Tonder	**352**	-
Mark Farrelly	**242**	-
Ronel van Dijk	**198**	-
Kevin Robertson (prescribed officer/previous director)[4]	**198**	-
	1 100	-
Senior Managers[8]		
Senior Manager 1	**50**	-
Senior Manager 2	**50**	-
Senior Manager 3	**50**	-
	150	-
Total rights allocated	**1 250**	-

The following number of options were allocated to the top three earners, who are not directors or prescribed officers, in terms of the Management Incentive Scheme (refer note 26.1).

	2012 000's	2011 000's
Senior Managers		
Senior Manager 2	**-**	294

35. RETIREMENT BENEFITS

The group has its own defined contribution provident fund in South Africa with 205 members at 30 June 2012 (2011: 182 members). The Spur Group (Pty) Ltd Provident Fund is administered by Liberty Group Limited. Refer note 5 for contributions made to the fund.

36. 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 R140.8 million (2011: R118.0 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 12.3 and 24). These loans also comprise the net asset values of the respective marketing funds to the extent that the assets and liabilities of the funds are recognised in the consolidated statement of financial position.

37. OPERATING LEASES

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

	2012 R'000	2011 R'000
Next year	**17 416**	11 496
Year two through to year five	**56 930**	41 729
More than five years	**76 054**	75 346
	150 400	**128 571**

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.

38. RELATED PARTY DISCLOSURES

38.1 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 10 of the company financial statements on page 151 for guarantees given to subsidiary companies.

38.2 Identity of related parties

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

Director/former director/ prescribed officer	Entity	Relationship with entity
Dean Hyde	African Spirit (Pty) Ltd (note i)[1]	30% Indirect interest
	Jude Way Trading CC	100% Member
Keith Getz	Bernadt Vukic Potash & Getz	Partner
Kevin Robertson (Spouse)	Bravopix 359 CC (trading as Panarottis Lakeside Mall)[2]	25% Member
	Clearpan (Pty) Ltd (trading as Panarottis Clear Water Mall)[2]	20% Shareholder
Keith Madders	Spur Ekwiti Restaurants (Pty) Ltd (note ii)	49% Shareholder
	Gemini Moon Trading 294 (Pty) Ltd (note ix)	49% Shareholder
	Kamplans Limited[3]	100% Indirect
Keith Madders (Son 1)	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[2]	5% Shareholder
Keith Madders (Son 2)	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[2]	5% Shareholder
Mark Farrelly	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[2]	25% Shareholder
	Barleda 293 CC (trading as Cancun Spur)[2]	25% Member
	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[2]	22% Shareholder
	Lexmar Entertainment CC	50% Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[2]	20% Shareholder
Mark Farrelly (Brother)	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[2]	10% Shareholder

* Refer page 132 for footnote descriptions

38.2 Identity of related parties (continued) ...

Key Management	Entity	Relationship with entity
Blaine Freer	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[2]	25% Shareholder
	Evening Star Trading 384 (Pty) Ltd (trading as Maverick Spur)[2]	25% Shareholder
	Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[2]	25% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[2]	22% Shareholder
Derick Koekemoer	Barleda 293 CC (trading as Cancun Spur)[2]	25% Member
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[2]	15% Shareholder
	Ten Cents Investments 16 CC (trading as Sarasota Spur)[2]	50% Member
Duncan Werner	Ambicor 195 CC (trading as Cincinnati Spur)[2,4]	15% Member
Duncan Werner (Spouse)	Design Form	Sole proprietor
Leonard Coetzee	JJ Links CC (trading as John Dory's Wilsons Wharf)[2]	10% Member
	Founad Trading 89 CC (trading as Grand Canyon Spur)[2]	11% Member
	Waterstone Trading 51 (Pty) Ltd (trading as Atlanta Spur)[2]	15% Shareholder
Sacha du Plessis	Meltrade 286 CC (trading as Silver Dollar Spur)[2,4]	20% Member
Tyrone Herdman-Grant	Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur)[2]	10% Shareholder
	Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur)[2]	16.5% Shareholder

38.3 Transactions with related parties

Amarillo Steak Ranch (Pty) Ltd (trading as Amarillo Spur) (Mark Farrelly; Mark Farrelly's brother; Blaine Freer; Tyrone Herdman-Grant)
This outlet serves as a training facility used by the group's training department to train other franchisees. The group paid this outlet R42 400 (2011: Rnil) for the training services provided (refer note iii).

Ambicor 195 CC (trading as Cincinnati Spur) (Duncan Werner)
The group provided marketing assistance (refer note iv) to the outlet in the amount of R28 244 (2011: Rnil).

The group acquired Spur décor products from the franchisee in the amount of R30 000 (2011: Rnil).

The group reimbursed the franchisee for certain store opening costs in the amount of R21 923 (2011: Rnil). In terms of the group's internal policies, a certain percentage of the initial once-off franchise fee may be utilised to assist franchisees with store opening costs. The same policy applies to other franchisees (who are not related parties). Mr Werner was excluded from any decision in this regard.

Autumn Star Trading 738 (Pty) Ltd (trading as John Dory's Canal Walk) (Dean Hyde)
A subsidiary of the group has entered into a rental subsidisation agreement with the franchisee of John Dory's Canal Walk. In terms of the agreement, the group will reimburse the franchisee for the rental expense incurred by the franchisee (excluding utility costs) that exceeds the greater of 8% of its turnover or an amount of R73 466.40 excl VAT (increasing by 8% per annum on 1 October each year) per month. The agreement remains in place for the duration of the lease which will continue until September 2016 (subject to further renewal). The agreement was concluded to secure a franchisee for this high profile location which the board considered critical for the expansion of the John Dory's brand into the Western Cape and nationally. The value of the subsidy provided for the current year amounts to R884 223 (2011: R887 979). The directors consider the terms of the concession to be commercially sound and in the interests of the group's stakeholders. The franchisee paid R592 109 (2011: R481 859) and R473 687 (2011: R385 487) in franchise and marketing fees respectively to the group in respect of the outlet in question for the year under review.

The group paid the franchisee an amount in respect of sales incentives (refer note v) of R38 794 (2011: R7 355).

The group provided marketing assistance (refer note iv) to the outlet in the amount of R18 519 (2011: R14 570).

Bernadt Vukic Potash & Getz (Keith Getz)
Bernadt Vukic Potash & Getz serves as the group's principal legal counsel and has provided legal services (other than services included with directors' emoluments per note 34) on various matters in the ordinary course of business to the value of R2 350 773 in 2012 (R997 325 in 2011). The increase on the prior year relates to the legal dispute between the group and the former non-controlling shareholder of John Dory's Franchise (Pty) Ltd (refer note 31.2). Bernadt Vukic Potash & Getz charges the group hourly rates that are commensurate with the rates charged to its other clients.

Bravopix 359 CC (trading as Panarottis Lakeside Mall) (Kevin Robertson's spouse)
The group has granted this outlet temporary marketing and franchise fee concessions (refer note vi) in the amount of R52 841 (2011: R5 974).

The group provided marketing assistance (refer note iv) to the outlet in the amount of R11 000 (2011: Rnil).

* Refer page 132 for footnote descriptions

Clearpan (Pty) Ltd (trading as Panarottis Clear Water Mall) (Kevin Robertson's spouse)
This outlet serves as a training facility used by the group's training department to train other franchisees. The group paid this outlet R8 514 (2011: R38 044) for the training services provided (refer note iii).

The group provided marketing assistance (refer note iv) to the outlet in the amount of R20 000 (2011: Rnil).

Design Form (Duncan Werner's spouse)
Karen Werner trading as Design Form provided architectural and design services to the group in the amount of R435 271 (2011: R617 117). The services are provided with the consent of franchisees. The costs incurred by the group are recovered, for the most part, from franchisees. The fee charged to the group's franchisees is consistent with the fee that Design Form charges any other party.

Founad Trading 89 CC (trading as Grand Canyon Spur) (Leonard Coetzee)
The group paid the franchisee an amount of R35 701 (2011: R35 459) in respect of outdoor events catering (refer note vii).

Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur) (Mark Farrelly; Blaine Freer; Keith Madders; Keith Madders' sons)
This outlet serves as a training facility used by the group's training department to train other franchisees. The group paid this outlet R6 000 (2011: R3 000) for the training services provided (refer note iii).

JJ Links CC (trading as John Dory's Wilsons Wharf) (Leonard Coetzee)
The group paid the franchisee an amount in respect of sales incentives (refer note v) of R6 169 (2011: R3 365).

Jude Way Trading CC (Dean Hyde)
Jude Way Trading CC provided the consulting services of Dean Hyde to the group (other than services included with directors' emoluments per note 34) in the amount of Rnil (2011: R84 000).

Kamplans Limited (Keith Madders)
Kamplans Limited provided the consulting services of Keith Madders to the group (other than services included with directors' emoluments per note 34). An amount of £20 843, the equivalent of R253 436 (2011: R1 000 000), was in respect of services provided locally from 1 July 2011 to 31 March 2012 and included £3 808, the equivalent of R46 297, as a contribution towards direct and incidental costs. An amount of £6 773, the equivalent of R90 002, was in respect of services provided to international subsidiaries from 1 July 2011 to 30 June 2012 and included £2 013, the equivalent of R24 843, to cover direct and incidental costs.

Kapsimalis Family Trust
The Kapsimalis Family Trust is the former non-controlling shareholder of John Dory's Franchise (Pty) Ltd. The trust's beneficiaries include close family members of Stamatis Kapsimalis, a former director of John Dory's Franchise (Pty) Ltd and a former member of the group's key management personnel. Following the institution of legal and arbitration proceedings (refer note 31.2) and pursuant to a settlement agreement concluded, the group acquired the Kapsimalis Family Trust's 35% in John Dory's Franchise (Pty) Ltd for R12.250 million. The terms of the transaction were considered to be fair, as far as the company's shareholders are concerned, by an independent professional valuations expert. Refer note 31.2 for more details on the transaction.

Lexmar Entertainment CC (Mark Farrelly)
Lexmar Entertainment CC has provided conference facilities to the group amounting to R159 180 (2011: 158 575). The board is satisfied that the cost of the facilities provided is reasonable in relation to competitive quotes obtained.

Mystic Blue Trading 65 (Pty) Ltd (trading as Seven Spur) (Dean Hyde)
The group has reimbursed the franchisee for costs incurred on the group's behalf in respect of Corporate Social Investment projects amounting to R4 500 (2011: R293).

The group provided marketing assistance (refer note iv) to the outlet in the amount of R3 250 (2011: Rnil).

Nungu Trading 442 (Pty) Ltd (trading as Malibu Spur) (Dean Hyde)
The group has granted this outlet temporary marketing and franchise fee concessions (refer note vi) in the amount of R101 802 (2011: R70 731).

The group provided marketing assistance (refer note iv) to the outlet in the amount of Rnil (2011: R12 000).

Sharp Move Trading 186 (Pty) Ltd (trading as Golden River Spur) (Dean Hyde)
The group has reimbursed the franchisee for costs incurred on the group's behalf in respect of Corporate Social Investment projects amounting to R477 (2011: R543)

Stone Eagle Steak Ranch (Pty) Ltd (trading as 7 Eagles Spur) (Mark Farrelly; Derick Koekemoer; Blaine Freer; Tyrone Herdman-Grant)
This outlet serves as a training facility used by the group's training department to train other franchisees. The group paid this outlet R67 117 (2011: R12 455) for the training services provided (refer note iii).

Ten Cents Investments 16 CC (trading as Sarasota Spur) (Derick Koekemoer)
The group has granted this outlet temporary marketing and franchise fee concessions (refer note vi) in the amount of R430 900 (2011: R358 996).

Twin Cities Trading 210 (Pty) Ltd (trading as Little Creek Spur) (Dean Hyde)
The group has reimbursed the franchisee for costs incurred on the group's behalf in respect of Corporate Social Investment projects amounting to R10 190 (2011: R896).

* Refer page 132 for footnote descriptions

38.3 Transactions with related parties (continued) ...

Utah Steak House (Pty) Ltd (trading as Panarottis Bayside, Table View) (Dean Hyde)
The group has granted this outlet temporary marketing and franchise fee concessions (refer note vi) in the amount of R155 583 (2011: R63 669).

The group provided marketing assistance (refer note iv) to the outlet in the amount of R13 553 (2011: Rnil).

Notes:

i) African Spirit (Pty) Ltd holds 100% in the following entities:
   - Autumn Star Trading 738 (Pty) Ltd (trading as John Dory's Canal Walk)[2]
   - Sharp Move Trading 186 (Pty) Ltd (trading as Golden River Spur)[2]
   - Twin Cities Trading 210 (Pty) Ltd (trading as Little Creek Spur)[2]
   - Mystic Blue Trading 65 (Pty) Ltd (trading as Seven Spur)[2]
   - Nungu Trading 442 (Pty) Ltd (trading as Malibu Spur)[2]
   - Blue Route Steakhouse (Pty) Ltd (trading as Silver Mountain Spur)[2,4]
   - Utah Steak House (Pty) Ltd (trading as Panarottis Bayside, Table View)[2]

ii) Spur Ekwiti Restaurants (Pty) Ltd holds a 30% interest in Golden Gate Steak Ranch (Pty) Ltd (trading as Golden Gate Spur)[2].

iii) Training facility fees: Fees to stores who serve as training facilities are determined based on the number of delegates trained and the number of days each delegate is trained. The fee charged is the same fee charged by other training stores (which are not related parties).

iv) Marketing assistance: Marketing assistance is provided to franchisees as the need arises. Typically, this is to compensate a franchisee for piloting a new concept or to assist a franchisee in minimising the negative impact of competing brands in the outlet's proximity. The basis for determining the assistance is the same as for any other franchisee (which is not a related party).

v) Sales incentives: Sales incentives are paid to franchisees based on sales of a particular item which is subject to promotion. The incentives are usually financed in the main by the suppliers whose products are the subject of the promotion. The terms applicable to the incentive payments are the same as for any other franchisee (which is not a related party).

vi) Temporary concession: The concession is a percentage of franchise and/or advertising fee income that would ordinarily be collected by the group in terms of the standard franchise agreement. Franchise and marketing fee concessions are granted to franchisees in the ordinary course of business to provide relief from some temporary external influence (outside of the franchisee's control) which has a negative impact on franchisee's profitability and may threaten the sustainability of the outlet. Examples of such circumstances include increased competitive activity in the proximity of the restaurant, construction or other interference impeding foot traffic and excessive rentals (in the process of being renegotiated). The concession is subject to strict authorisation protocols and is conditional upon the franchisee complying with all of the group's operational requirements. The concession may be withdrawn at the group's option at any time. Any franchisee (including one which is not a related party) is eligible for a concession should the circumstances so dictate and each case is considered on its own merits after careful scrutiny of franchisee financial records and other supporting documentation.

vii) Outdoor events catering: The group has outsourced its outdoor events catering trailers to certain franchisees. The franchisees in question are paid a vending fee for each event depending on the duration of the event and the distance travelled. The terms applied are the same as those applied to any other franchisee (which is not a related party) who manages an outdoor catering trailer.

viii) With reference to notes iii, iv, vi and vii above, in terms of the group's Conflict of Interest Policy, the director, previous director, prescribed officer or member of key management personnel in question is excluded from any decision in these matters.

ix) Gemini Moon Trading 294 (Pty) Ltd holds a 28% interest in Gold Rush Steak Ranch (Pty) Ltd (trading as Gold Rush Spur)[2].

38.4 Key Management[5]

The key management personnel compensations are as follows:	2012 R'000	2011 R'000
Short-term employee benefits	**10 307**	8 566
Other long-term benefits	**1 230**	1 018
Equity compensation benefits (refer note 21)	**282**	-
Total remuneration included in profit	**11 819**	**9 584**
Amount paid to key management in terms of Management Incentive Scheme (refer note 26.1)[6]	**5 154**	77

Key management comprises twelve (2011: nine) employees.

Footnotes
1 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.
2 These entities are franchisees. Franchise fees and advertising fees of 5% and 4% of restaurant turnover respectively are collected by the group in terms of the standard franchise agreement, unless otherwise indicated under the related party transactions described above.
3 These interests are held indirectly through trusts. The directors/key management personnel in question are beneficiaries of these trusts.
4 These interests were acquired during the current year.
5 Key management are listed on page 21 and exclude directors (directors' emoluments are detailed in note 34).
6 The cost of the Management Incentive Scheme and payments relating to the winding up thereof were charged directly to equity.

39. 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 to the extent that these have an impact on this integrated report.

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

	Carrying amount	
	2012 R'000	2011 R'000
Cash and cash equivalents (refer note 18)	**98 804**	115 966
Derivative financial asset (refer note 15)	**4 654**	-
Financial assets included in trade and other receivables (refer note 17)*	**63 267**	48 797
Loans receivable (refer note 12)	**8 039**	6 196
Loans to equity-accounted investees (refer note 11)	**2 375**	2 043
	177 139	**173 002**

* 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 group CEO, group CFO 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 were to fail. Consequently, the group does not consider there to be any significant exposure to credit risk.

Derivative financial asset

The counter party to the derivative financial asset is a reputable and well established financial institution in South Africa. The counter party has acquired a number of shares in Spur Corporation Limited equivalent to the number of share appreciation rights that the instruments hedge. The directors consider the risk of default by the counter party as low.

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.

39.1 Credit risk (continued) ...

In the main, trade and other receivables comprise franchisees that have been transacting with the group for several years, and significant losses have occurred infrequently. In monitoring customer credit risk, customers are grouped together according to their geographic location, ageing profile and existence of previous financial difficulties. There is furthermore one significant wholesale customer. The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. In the event that a risk of default is identified for a particular 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 credit risk has increased relevant to the prior year with the acquisition of the DoRego's franchise and distribution centre businesses. Credit risk in respect of distribution centre debtors can be managed by stopping supply to those customers who are not in compliance with the group's credit policy.

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	
	2012 R'000	2011 R'000
Domestic	**56 627**	41 669
Euro-zone countries	**1 096**	443
United Kingdom	**1 138**	645
Australia	**869**	1 618
	59 730	**44 375**

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

	Carrying amount	
	2012 R'000	2011 R'000
Wholesale customers	**11 635**	11 670
Franchisees (franchise businesses)	**45 011**	32 705
Franchisees (distribution center business)	**3 084**	-
	59 730	**44 375**

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:

	2012 R'000	2011 R'000
Balance at beginning of year	**67**	468
Additional impairment losses recognised	**127**	67
Irrecoverable debts written off	**(67)**	(468)
Balance at end of year	**127**	**67**

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, R0.304 million (2011: R0.092 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 international franchisees to assist their funding in respect of start-up operations have a higher credit risk associated with them due to the uncertainty of the financial success of the operations in question. The loans to local franchisees are advanced only to those franchisees which have an established track record of generating cash sufficient to service the loans. The risk of default on these loans is consequently considered low. 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 2012 no guarantees were outstanding from a group perspective (30 June 2011: Nil).

39.2 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:

	Carrying amount	Contractual cash flows			
		Total	1 - 12 months	1 - 2 years	2 - 5 years
30 June 2012	R'000	R'000	R'000	R'000	R'000
Non-derivative financial liabilities					
Unsecured bank loans (refer note 20)	**2 428**	**2 459**	**2 459**	**-**	**-**
Unsecured loans payable (refer notes 20 and 24)	**22 783**	**23 049**	**22 549**	**167**	**333**
Financial liabilities included in trade and other payables (refer note 23)*	**44 313**	**44 313**	**44 313**	**-**	**-**
Bank overdraft (refer note 18)	**1 854**	**1 854**	**1 854**	**-**	**-**
30 June 2011					
Non-derivative financial liabilities					
Unsecured bank loans (refer note 20)	7 056	7 384	4 923	2 461	-
Unsecured loans payable (refer notes 20 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 18)	2 256	2 256	2 256	-	-
Derivative financial liability					
Derivative financial liability (refer note 15)	2 627	3 720	-	-	3 720

* 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.

39.2 Liquidity risk (continued) ...

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 share-linked retention scheme (refer note 21). To mitigate against this risk, the group has concluded a hedge as detailed in note 15. 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 R8.160 million (2011: R3.720 million). Should the share price be below the strike price of the rights, 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 the event that the share price reduces to 1 cent per share, the maximum additional exposure to the group is R44.130 million (2011: 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 15) 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.

39.3 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 share-linked employee retention scheme (refer note 39.2). Gains and losses on the derivative are recognised immediately in profit or loss, whilst the share appreciation rights liability is charged to profit or loss over the vesting periods of the rights. In the event that the share price appreciates over the vesting 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 drops 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 2012		
Share appreciation rights	**(1 390)**	**1 265**
Derivative hedge forward contracts	**5 186**	**(5 194)**
Net effect on profit or loss before income tax	**3 796**	**(3 929)**
30 June 2011		
Share appreciation rights	(207)	177
Derivative hedge forward contracts	1 926	(1 926)
Net effect on profit or loss before income tax	**1 719**	**(1 749)**

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 and exports merchandise to foreign franchisees. 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 respect of imports and requires upfront payment from export customers (other than group entities) to minimise its exposure to currency risk in respect of exports. 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	NGN '000
2012										
Assets										
Cash and cash equivalents	**677**	**290**	**689**	**19**	**-**	**-**	**-**	**-**	**-**	**-**
Trade and other receivables	**214**	**36**	**162**	**9**	**112**	**265**	**5 030**	**512**	**7**	**515**
Loans receivable	**203**	**-**	**91**	**61**	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**1 094**	**326**	**942**	**89**	**112**	**265**	**5 030**	**512**	**7**	**515**
Liabilities										
Loans payable	**(392)**	**-**	**(101)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**(537)**	**-**	**(398)**	**(40)**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**(929)**	**-**	**(499)**	**(40)**	**-**	**-**	**-**	**-**	**-**	**-**
Total net exposure	**165**	**326**	**443**	**49**	**112**	**265**	**5 030**	**512**	**7**	**515**
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**	**-**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
AUD 1 = R	**8.0343**	6.9409	**8.4217**	7.2537
GBP 1 = R	**12.3389**	11.1761	**12.9438**	10.9659
EURO 1 = R	**10.4141**	9.5644	**10.4643**	9.8363

39.3 Market risk (continued) ...

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 2012		
EURO	**(1 657)**	**(504)**
GBP	**(2 240)**	**(113)**
AUD	**(2 161)**	**29**
30 June 2011		
EURO	(10 852)	(241)
GBP	3 653	2 481
AUD	4 736	178

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 2012 R'000	Carrying amount 2011 R'000
Fixed rate instruments		
Financial assets	**574**	1 462
Financial liabilities	**574**	1 019
Variable rate instruments		
Financial assets	**106 078**	119 587
Financial liabilities	**14 455**	13 755

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 before income tax 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	Profit or loss before income tax 50 bp decrease R'000
30 June 2012		
Variable rate assets	**570**	**(570)**
Variable rate liabilities	**(65)**	**65**
Cash flow sensitivity (net)	**505**	**(505)**
30 June 2011		
Variable rate assets	521	(521)
Variable rate liabilities	(80)	80
Cash flow sensitivity (net)	**441**	**(441)**

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.

39.4 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 derivative instrument (refer note 15) is determined by external, independent valuators using the external valuator's Black Scholes 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.

	2012 R'000	2011 R'000
Financial assets/(liabilities)		
Financial assets/(liabilities) recognised at fair value through profit or loss		
Hedge forward derivative instruments - level 2 (refer note 15)	**4 654**	(2 627)

39.5 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 20.1. 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.

40. SUBSEQUENT EVENTS

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

40.1 Dividends

The board declared a dividend of 47 cents per ordinary share payable on 8 October 2012 as referred to in note 25 and in the directors' report on page 77 of this report.

41. CONTINGENT LIABILITIES

41.1 Income Tax in respect of Controlled Foreign Companies

The South African Revenue Service ("SARS") has forwarded correspondence to a wholly-owned subsidiary of the group, Spur Group (Pty) Ltd, indicating its intention to assess that company for tax relating to income from the group's controlled foreign companies. The correspondence affords the board of that company the opportunity to respond to the conclusions drawn by SARS by 18 October 2012. The board is intent on contesting the basis of the intended assessments and is confident that it can successfully defend the matter.

41.2 Legal dispute with former Zambian franchisee

During the year, Steak Ranches Limited ("SRL") instituted action against a wholly-owned subsidiary of the group, Steak Ranches International BV ("SRIBV"), a company incorporated and domiciled in The Netherlands, for allegedly repudiating a franchise agreement previously concluded between the parties. SRL is an unrelated entity incorporated and domiciled in Zambia. SRIBV previously concluded a franchise agreement with SRL for a franchised outlet in Zambia, but cancelled that agreement after SRL breached the terms of the agreement.

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

SRIBV is defending the action, denying the repudiation of the franchise agreement. SRIBV avers that it validly cancelled the agreement as SRL breached the terms thereof. The board of SRIBV is confident that it will be able to defend the claim successfully.

42. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated and separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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.

Intangible assets

The directors assess the indefinite useful life assertion in respect of certain intangible assets on an annual basis as disclosed in note 10. In respect of intangible assets with a finite useful life, the remaining useful lives and residual values of these assets are reviewed and considered at each reporting date, taking into account the nature of the assets as indicated in note 10.

In addition, the fair value of the trademarks and related intellectual property for DoRego's, which was acquired during the current year, was determined by an independent expert based on assumptions as detailed in note 31.1.

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 if non-financial assets are impaired requires an estimation of the values-in-use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment have been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate that is reflective of the cash-generating unit's risk profile in order to calculate the present value. The variables applied in determining the above have been disclosed in the relevant notes to the financial statements with specific reference to note 5.1 and 10.

Deferred tax
In the group, each entity assesses the recoverability of deferred tax assets and the recognition of deferred tax assets in respect of computed tax losses. The recognition is based on the entities' abilities to utilise these computed tax losses based on expected future taxable income. In note 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 associate companies and external parties and trade receivables. At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that loans or receivables are impaired, the amount of the loss is determined without reference to future irrecoverable debts that have not been incurred. Refer note 17 for the amount of any impairment allowance recognised or reversed against trade receivables.

Derivative financial assets/(liabilities)
Certain assumptions are applied by an independent external valuations expert in determining the value of the derivative financial instruments used to hedge economically the group's exposure arising from share appreciation rights granted in terms of the group's long-term share-linked retention scheme. These assumptions and the key inputs into the pricing model are disclosed in note 15.

Employee benefits
Certain assumptions are applied in determining the liability in respect of the group's long-term share-linked retention scheme by an independent external valuations expert. The key inputs into the pricing model are disclosed in note 21.

Fair value gain on collateral
Various assumptions were made in determining the fair value gain on the realisation of collateral as referred to in notes 4 and 12.5. The fair value of the collateral was determined internally based on management's projections of the cash flows relating to the entity in which the shares served as collateral. These projections were based on budgets for the 2013 financial year, extrapolated to 2017 based on historic turnover trends and expected inflation in the United Kingdom of 2.5%. Growth in perpetuity beyond the forecast horizon was estimated at 2%. A pre-tax discount rate of 10% was applied to the pre-tax cash flows to determine the present value of the future cash flows.

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 2012, 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 standard and interpretations which have no bearing on the group's existing accounting policies, have no impact on the group's assets and liabilities as at the reporting date or their subsequent measurement and no impact on the accounting treatment of transactions that the group is likely to be party to, are not listed below. All standards and interpretations will be adopted at their effective date.

IAS 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 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 (2011)
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.

43. Accounting standards and interpretations not yet effective (continued) ...

IFRS 9: Financial Instruments

IFRS 9 addresses the initial measurement and classification of financial assets and financial liabilities and will replace the relevant sections of IAS 39. The 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 the 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 (as assessed on initial recognition and not subsequently reassessed), 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 2016 financial statements and will be applied retrospectively subject to transitional provisions. 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 if there is a change in the control conclusion between IAS 27/SIC 12 and IFRS 10. The impact on the group has not yet been determined.

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 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 subject to certain transitional provisions. The impact on the group has not yet been determined.

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.

The 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 determined.

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R'000	2011 R'000
Dividend income		**73 842**	51 311
Accounting distribution from subsidiary company	1	**5 799**	-
Interest income		**28**	21
Operating expenses		**(1 769)**	(1 440)
Profit before income tax	2	**77 900**	49 892
Income tax expense	3	**(9)**	(837)
Profit for the year		**77 891**	49 055
Total comprehensive income for the year		**77 891**	**49 055**

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Note	2012 R'000	2011 R'000
ASSETS			
Non-current assets			
Interest in subsidiary companies	4	**14 479**	14 479
Dividends receivable	5	**22 562**	22 562
Total non-current assets		**37 041**	37 041
Current assets			
Tax receivable		**2**	2
Cash and cash equivalents		**995**	660
Total current assets		**997**	662
TOTAL ASSETS		**38 038**	**37 703**
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	6	**1**	1
Share premium		**6**	6
Retained earnings/(accumulated loss)		**141**	(679)
Total equity		**148**	(672)
LIABILITIES			
Non-current liability			
Loans from subsidiary companies	7	**36 935**	37 763
Current liabilities			
Trade and other payables		**35**	-
Shareholders for dividend		**920**	612
Total current liabilities		**955**	612
TOTAL EQUITY AND LIABILITIES		**38 038**	**37 703**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary share capital R'000	Share premium R'000	Retained earnings/ (accumulated loss) R'000	Total equity R'000
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 9)	-	-	(59 556)	(59 556)
Balance at 1 July 2011	**1**	**6**	**(679)**	**(672)**
Total comprehensive income for the year				
Profit for the year	-	-	77 891	77 891
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Accounting distribution from subsidiary company (refer note 1)			(5 799)	(5 799)
Distributions to equity holders (refer note 9)	-	-	(71 272)	(71 272)
Total transactions with owners	**-**	**-**	**(77 071)**	**(77 071)**
Balance at 30 June 2012	**1**	**6**	**141**	**148**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R'000	2011 R'000
Cash flow from operating activities			
Operating expenses		**(1 769)**	(1 440)
Working capital changes		**35**	-
Cash utilised by operations		**(1 734)**	(1 440)
Interest received		**28**	21
Tax paid	8	**(9)**	(816)
Dividends received		**73 842**	51 311
Distributions paid	9	**(70 964)**	(59 408)
Net cash flow from operating activities		**1 163**	(10 332)
Cash flow from financing activities			
(Decrease)/increase in loans from subsidiary companies		**(828)**	10 464
Net cash flow from financing activities		**(828)**	10 464
Net movement in cash and cash equivalents		**335**	132
Cash and cash equivalents at beginning of year		**660**	528
Cash and cash equivalents at end of year		**995**	**660**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING DISTRIBUTION FROM SUBSIDIARY COMPANY

This related to the loss incurred by a wholly-owned subsidiary company, Share Buy-back (Pty) Ltd, during the 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 page 119). 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.

2. PROFIT BEFORE INCOME TAX

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

	2012 R'000	2011 R'000
Consulting fees	**495**	415
JSE Listing fees	**562**	436

3. INCOME TAX EXPENSE

	2012 R'000	2011 R'000
South African normal tax	**9**	5
South African Secondary Tax on Companies	**-**	832
Income tax expense	**9**	**837**

Reconciliation of rate of tax	2012 %	2011 %
South African normal tax rate	**28.0**	28.0
Non-taxable income	**(28.6)**	(28.8)
Non-deductible expenditure	**0.6**	0.8
Secondary Tax on Companies	**-**	1.7
Effective tax rate	**0.0**	**1.7**

The company has Secondary Tax on Companies ("STC") credits of R2 646 032 (2011: R75 901) at the reporting date. These STC credits will be utilised to reduce the value of future dividends declared that may be subject to the local dividend tax of 15% charged in terms of the Income Tax Act (Act No. 58 of 1962 amended). Refer note 9.

4. INTEREST IN SUBSIDIARY COMPANIES

	2012 R'000	2011 R'000
Shares at cost less impairment and amounts written off	**1**	1
Equity-settled share-based payments on behalf of subsidiary	**11 213**	11 213
Loans to subsidiary companies	**3 265**	3 265
	14 479	**14 479**

In terms of the group's accounting policies, equity-settled share-based payments, determined in accordance with IFRS2: Share-based Payments, by a subsidiary of the company in previous financial years are treated as a further investment in the subsidiary in question.

Loans to subsidiary companies are unsecured, interest-free and no fixed dates of repayment have been determined. Refer to directors' report on page 77 for details of subsidiary companies and loans.

5. DIVIDENDS RECEIVABLE

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

6. ORDINARY SHARE CAPITAL

	2012 R'000	2011 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 the shareholders by way of an ordinary resolution passed at a general meeting.
No such authority has been granted.

7. LOANS FROM SUBSIDIARY COMPANIES

	2012 R'000	2011 R'000
Share Buy-back (Pty) Ltd	**8 000**	8 000
Spur Group (Pty) Ltd	**28 935**	29 763
	36 935	**37 763**

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.

8. TAX PAID

	2012 R'000	2011 R'000
Tax paid is reconciled to the amount disclosed in profit or loss as follows:		
Amount receivable at beginnning of year	**2**	23
Current tax charged to profit or loss	**(9)**	(837)
Amount receivable at end of year	**(2)**	(2)
	(9)	**(816)**

9. DISTRIBUTIONS

	2012 R'000	2011 R'000
Distributions declared are as follows:		
Final 2010 - dividend of 28.0 cents per share	-	27 337
Interim 2011 - dividend of 33.0 cents per share	-	32 219
Final 2011 - dividend of 33.0 cents per share	**32 219**	-
Interim 2012 - dividend of 40.0 cents per share	**39 053**	-
Total distributions	**71 272**	**59 556**

The directors have approved a final dividend of 47.0 cents per share, funded by income reserves, to be paid in cash on 8 October 2012. The company has available Secondary Tax on Companies ("STC") credits in the amount of R2.6 million, which equates to 2.71 cents per share. Consequently, of the dividend declared, 2.71 cents per share will not be subject to dividend tax and 44.29 cents per share may be subject to local dividend tax at a rate of 15%. The net dividend, after applying the STC credits, is 40.3565 cents per share for shareholders liable to pay dividend tax. This is the first dividend declared by the company which is subject to the dividend tax in South Africa in terms of the Income Tax Act (Act No. 58 of 1962 amended). Previously, dividends were subject to STC at a rate of 10%.

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

	2012 R'000	2011 R'000
Amount payable at beginning of year	**(612)**	(464)
Dividends declared	**(71 272)**	(59 556)
Amount payable at end of year	**920**	612
Distributions paid	**(70 964)**	**59 408**

10. GUARANTEES

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

11. RELATED PARTY DISCLOSURES

Identity of related parties

The list of subsidiary companies are detailed on page 77 of this report.

Related party transactions

An amount of R663 121 (2011: R553 184) was paid to wholly-owned subsidiary, Spur Advertising (Pty) Ltd, for printing and publishing expenses relating to circulars, interim results and the annual integrated report of the group. This includes a reimbursement of expenses paid to unrelated third party suppliers as well as an hourly rate for desk top publishing services which is the same rate charged by that company to franchisees (who are unrelated parties) for the same services.

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the next annual general meeting of the shareholders of the company will be held at 11:00 on Thursday, 6 December 2012 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 2012, the Report of the Auditor therein and the Directors' Report."

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 Allen Ambor - executive director;
   2.2 Muzi Kuzwayo - independent non-executive director; and
   2.3 Mntungwa Morojele - independent non-executive director."

   Brief biographies of the aforementioned directors are included on pages 18 to 20 of this report.
   The appointments numbered 2.1 to 2.3 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 Muzi Kuzwayo - independent non-executive director; and
   4.3 Mntungwa Morojele - independent non-executive director."

   Brief biographies of the aforementioned directors are included on page 20 of this report.
   The appointments numbered 4.1 to 4.3 constitute separate ordinary resolutions and will be considered by separate votes.

5. **Ordinary resolution number 5: Endorsement of remuneration policy**
   "To endorse, by a non-binding advisory vote, the group's remuneration policy as detailed on pages 61 to 64 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 Listings Requirements when the Company (or a subsidiary or subsidiaries collectively) has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
(v) at any one time, the Company (or any subsidiary) may only appoint one agent to effect any repurchase on behalf of the Company or any subsidiary (as the case may be);
(vi) the repurchase of shares 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.

<u>Disclosures required in terms of the JSE Listings Requirements</u>

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 on page 140 of this report), the directors of the Company, whose names are given on pages 18 to 20 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 18 to 20 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 18 to 21)
Major shareholders of the Company (refer page 79)
Directors' interests in the Company's shares (refer page 78)
Share capital (refer pages 76 and 115)

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

"To authorise the directors in terms of, and subject to, the provisions of sections 44 and/or 45 of the Act to cause the Company to, from time to time, provide any direct and/or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) for a period of two years commencing on the date of this special resolution to any of its present or future subsidiaries and/or any other company or corporation which is or becomes related or 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.

8. **Special Resolution Number 3: The adoption of the amended Memorandum of Incorporation**

"To approve and adopt a new Memorandum of Incorporation ("MOI") of the Company, which has been harmonised with the requirements of the Act and Schedule 10 of the JSE Listings Requirements, which MOI has been initialled by the Company Secretary for identification purposes."

The reason for and effect of this special resolution is to replace the existing MOI (consisting of the Company's original Memorandum of Association and its Articles of Association) with a document which is duly aligned to the requirements of the Act and Schedule 10 of the JSE Listings Requirements and which has been approved by the JSE Limited.

The full text of the MOI, which was approved by the JSE on 17 September 2012, is available for inspection at the Company's registered office and electronically, upon request from the Company Secretary, Ronel van Dijk, at e-mail address ronelv@spur.co.za.

Set out below is a summary of the salient features of the MOI of the Company:

1. Any amendment to the MOI must be approved by a special resolution of shareholders, save where such an amendment is ordered by a court in terms of Sections 16(1)(a) and 16(4) of the Companies Act, Act 71 of 2008 ("the Act") and any amendments to the MOI from time to time shall comply with any applicable provisions of the JSE Listings Requirements.

2. The board of directors of Spur ("Board") shall not have the power to make, amend or appeal rules as contemplated in Section 15(3) of the Act.

3. There are no prohibitions on the Company offering any of its securities to the public and there are no restrictions on the transferability of the Company's securities, subject to the compliance with any applicable provisions of the JSE Listings Requirements and this MOI.

4. Unissued equity securities shall be offered to existing shareholders, pro rata to their shareholdings, unless such securities are to be issued for an acquisition of assets. However, the shareholders, in general meeting, may authorise the Board to issue unissued securities, and/or grant options to subscribe for unissued securities, as the Board in their discretion deem fit, provided that any such corporate actions have been approved by the JSE and are subject to the JSE Listings Requirements.

5. Every holder of an ordinary share in the capital of Spur shall have one vote in respect of each such share that he holds and must be entitled to vote at every Annual General Meeting or General Meeting, whether in person or by proxy.

6. The proposal of any resolution to shareholders in terms of Sections 20(2) and 20(6) of the Act is prohibited in the event that such a resolution would lead to the ratification of an Act that is contrary to the JSE Listings Requirements; unless otherwise agreed with the JSE.

7. Securities in each class for which listing is applied shall rank *pari passu* in respect of all rights. It is recorded for the purposes hereof that the statement "Securities in each class rank *pari passu*" shall be understood to have the meaning attributed thereto in paragraph 3.29 of the JSE Listings Requirements.

8. All shareholder meetings convened in terms of the JSE Listings Requirements must be held "in person" and must not be held by means of a written resolution as is contemplated in Section 60 of the Act.

9. The quorum at a General Meeting shall be at least three shareholders entitled to attend and vote thereat. In addition to the aforegoing, the quorum requirements provided for in Section 64(1) of the Act may not be lower than 25% in respect of any General Meeting. Once a quorum has been established, all the shareholders of the quorum must be present at the meeting to hear any matter that must be considered at such General Meeting.

10. The power of the Company to claim a lien on securities is prohibited.

11. The minimum number of directors of the Company shall be four. The appointment of alternate directors is permitted. The Board has the power to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director, which appointment must be confirmed by shareholders at the next Annual General Meeting, failing which such appointment shall cease at the close of such Annual General Meeting. The quorum necessary for the transaction of the business of the directors shall be three directors. At least one third of non-executive directors must retire at each Annual General Meeting. The non-executive directors so to retire at each Annual General Meeting shall be those who have been longest in office since their last election. These retiring directors may be re-elected, provided they are eligible.

12. Life directorships and directorships for an indefinite period are not permissible.

13. Directors may be employed in any other capacity in the Company or as a Director or employee of a company controlled by, or itself a major subsidiary of, the Company and, in such event, his appointment and remuneration in respect of such other office must be determined by a disinterested quorum of directors.

14. Dividends or any other Distributions (as that term is defined in section 1 of the Act) are declared by the Board in accordance with the Act and are to be payable to shareholders registered as at a date subsequent to the date of declaration or date of confirmation of the Distribution, whichever is the later.

15. The Board is authorised to provide financial assistance to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company subject to 44(3) and 44(4) of the Act and to, inter alia, directors or prescribed officers of the Company, subject to the provisions of Sections 45(3) and 45(4) of the Act, is not restricted or varied by the MOI.

16. A copy of the annual Financial Statements of the Company shall be delivered to all shareholders in accordance with the Listings Requirements and the Act.

17. The Company is authorised to issue 201 000 000 ordinary par value ordinary shares of 0.001 cents each in the capital of the Company, having the preferences, rights, limitations and other terms contemplated in clause 10 of the MOI.

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 Wednesday, 5 December 2012. 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, 30 November 2012, with the last day to trade being Friday, 23 November 2012.

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

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

By order of the board

Ronel van Dijk

SECRETARY

Cape Town 5 October 2012

CORPORATE INFORMATION

DIVIDENDS

Interim dividend	40.0 cents per share
Record date	23 March 2012
Payment date	26 March 2012
Final dividend	47.0 cents per share
Record date	5 October 2012
Payment date	8 October 2012
Reports 2012	Interim for six months ended 31 December 2011 published March 2012
	Preliminary announcement for year ended June 2012 published September 2012
	Annual for year ended 30 June 2012 published November 2012

ADMINISTRATION

Registered office	14 Edison Way, Century Gate Business Park, Century City 7441
Registration number	1998/000828/06
Postal address	P O Box 166, Century City, 7446
Telephone	27-21-555-5100
Fax	27-21-555-5111
E-mail	spur@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 14 Edison Way, Century Gate Business Park, Century City 7441

NOTES

PLEASE RECYCLE THIS DOCUMENT.

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 6 December 2012 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 Wednesday, 5 December 2012.

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 Allen Ambor			
2.2 Muzi Kuzwayo			
2.3 Mntungwa Morojele			
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 Muzi Kuzwayo			
4.3 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 provide financial assistance			
Special resolution number 3 - The adoption of the amended Memorandum of Incorporation			

(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____________2012.

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 Wednesday, 5 December 2012.

   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.