

STORE FORMATS

SUPERSPAR

- Selling areas of 1 300 m² +
- Aggressively priced
- Friendly and professional service
- Full range of groceries and general merchandise
- Extensive service departments such as fresh produce, in-store bakery, butchery, deli and meal solutions

SPAR

- Selling areas of 700 m² +
- Neighbourhood/rural supermarket shopping focus
- Competitively priced
- Friendly and professional service
- Comprehensive range of groceries
- Fresh produce, in-store bakery, butchery, deli and home-meal replacement departments

KWIKSPAR

- Selling areas of 250 m² to 600 m²
- Range of prices offering good value
- Focus on convenience with emphasis on speed
- Friendly and professional service
- Fresh produce, baked goods, meat and take-out foods



- Stand-alone liquor store
- Full range of liquor products
- Located within close proximity of SPAR member's store
- Membership limited – an extension of The SPAR Guild



- Stand-alone building materials outlet
- Basic building and hardware products
- Aimed at home builders/renovators in lower to middle income sectors
- Membership open – controlled by The Build it Guild

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WAYNE HOOK
Chief Executive

MIKE HANKINSON
Chairman

FINANCIAL OVERVIEW

In a difficult and competitive trading environment SPAR produced strong growth in both sales and profitability for the year under review. Turnover of R32 billion increased 19.5%, while trading profit rose 25% on the prior year. Headline earnings per share of 484.8 cents, exclusive of the BBBEE transaction cost, increased 19.5%. The annual dividend declaration increased 26.3%, reflecting a further reduction in the dividend cover. Cash generation remained satisfactory, notwithstanding capital expenditure of R442 million.

Once again, the year was one of two halves. During the first six months food inflation ran at an average of 16% and group turnover during this period increased 24.5%. The second six months saw food inflation decline significantly to an average of 9%, which, with increased pressure on consumer spending, resulted in a sharply reduced turnover increase of 14.9% for the period.

SPAR’s focus on responsible competitive pricing resulted in the gross margin declining to 8.0% (2008: 8.1%). The group benefited from its ongoing distribution facilities upgrade programme, improved warehouse efficiencies and a substantially reduced fuel cost in the second half resulting from lower world oil prices. The group incurred, and has provided for, a higher level of irrecoverable debts as a result of some retailers experiencing cash flow difficulties or problems in accessing bank credit. The group continues to assist cash strapped retailers wherever possible.

Net interest earned of R5.4 million was considerably lower than that earned in 2008 (R26.6 million), and reflected the effects of the capital expenditure programme and of lower interest rates. The group continued to advance or secure loan facilities for retailers in order to enable them to purchase or revamp stores. The group discounts retailer loans with its bankers.

The group continued expanding and upgrading its operating facilities. Expenditure of R145 million was incurred in completing the KwaZulu-Natal perishable facility and R104 million on the final phase of the expansion of the South Rand facility.

Dividend cover was reduced and a final dividend of 200 cents per share was declared. Dividends for the year amounted to 322 cents (2008: 255 cents) per share.

The group has no long-term borrowings and, when necessary, funds its operations from overdraft facilities. The group has overdraft facilities with three major banks to the extent of R1.2 billion and has in place access to overnight funds of a further R350 million. These facilities are comfortably in excess of forecast requirements and are subject to annual review.

For the foreseeable future, the group plans to maintain its dividend cover at a 1.5 multiple to profit and proposes to utilise surplus cash for share buyback purposes.

SPAR Retail

South Africa, in common with much of the rest of the world, experienced a recession which led to a slowdown in trading activity as the year progressed. SPAR stores nevertheless increased turnover by 18.5% and national market share.

The year will be remembered for its extremely competitive and aggressive retail environment which necessitated a courageous trading mentality, both at wholesale and retail. A key priority was driving profitable growth for retailers.

Retail trading space increased to 883 048 m², a growth of 5.8%. Forty seven new stores were opened and ten stores changed to bigger store formats. Of particular satisfaction was the upgrade programme which resulted in 137 stores completing revamps. The rollout of SPAR’s new customised merchandising concepts together with the use of SPAR Exclusive store fixtures and fittings continued apace.

SPAR Retail store numbers					
	2005	2006	2007	2008	2009
SUPERSPAR	123	145	172	218	242
SPAR	475	478	477	457	462
KWIKSPAR	185	176	161	150	142
Total	783	799	810	825	846



SPAR branded products had another exceptional year achieving wholesale sales in excess of R3.6 billion and a growth of 16% despite deflation in major commodity categories. Extensive product development took place with 240 products being introduced or repackaged. In many instances packaging now includes detailed information on product ingredients and guidelines on recommended daily consumption, the objective being to help consumers to live a balanced and healthy lifestyle.

The SAVEMOR “price fighting” brand also showed good growth at 17,3% with sales in excess of R400 million.

In spite of deflation in certain bakery and fresh produce categories, the FRESHLINE brand enjoyed excellent acceptance and achieved wholesale sales growth of 36%. This growth was driven by a continued strategic focus on the brand’s cornerstones of quality, availability and innovation.

The group recognises its housebrand products as an opportunity to build customer loyalty through a quality, value for money offering.

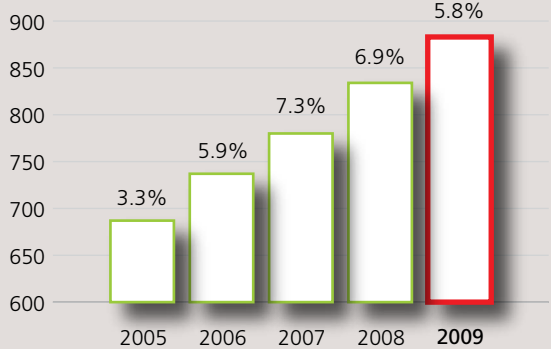
Innovative advertising and promotions have been key in a competitive environment. Media campaigns focused on both brand image, product and pricing. “Savings Make Sense” and “One Stop Savings” were examples of value themes driven during the year.

SPAR’s strategy to feature prominently in all major daily newspapers remained unchanged, with impactful product and price advertisements forming the backbone of the press advertising campaign. Leaflets continued to be the dominant advertising medium. Research confirmed that leaflets remain the most effective form of driving SPAR’s message and to this end approximately nine million leaflets were distributed to consumers on a monthly basis. The group’s website and online newsletter provide customers with information regarding health issues, advice and support as well as great recipe ideas.

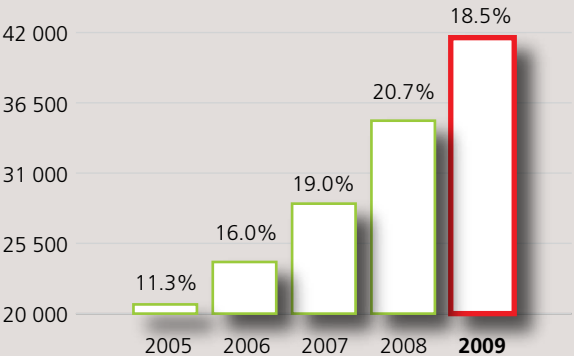
It is anticipated that 30 new stores will open during 2010, which, together with store revamps, will add 3% to retail trading space.

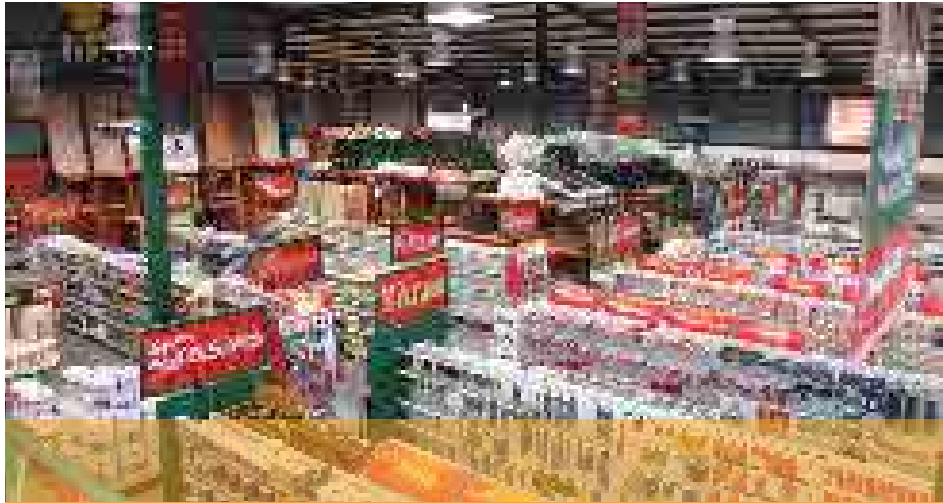
Geographic spread of stores			
Served by	SUPERSPAR	SPAR	KWIKSPAR
South Rand DC	46	143	43
North Rand DC	57	91	14
KwaZulu-Natal DC	57	77	28
Western Cape DC	40	87	30
Eastern Cape DC	25	47	24
Lowveld DC	17	17	3
Total	242	462	142

SPAR Retail selling area m² (’000) & growth %



SPAR Retail sales (Rmillion) & growth %





Build it

The dramatic slowdown in building activity affected Build it who experienced an extremely tough trading year. Although 25 new stores were brought into the group, a number of stores closed. The challenge for the group remains the profitability and cash flow of retailers trading within the context of the tough economic times. Retail initiatives in place focus on driving sales, expense control and stock management.

Build it sales for the year at R2.8 billion increased 13.4% on prior year. When compared to the general building market, which recorded negative growth in the period under review, Build it's performance was considered satisfactory.

Aggressive media advertising, coupled with consumer competitions and improved category management, have been positive contributors to growth. Bank funded consumer credit facilities at retail has had a positive effect on sales and cash flows. Housebrand products continue to play an important part in assisting retailer profitability and grew 23% during the year.

An exciting development for the year ahead is the planned opening of a Build it warehouse. Plans are at an advanced stage and it is anticipated that the first deliveries of product to retailers will be made in the third quarter of 2010. The project initially involves the importing of a limited range of product which will be stocked in a rented facility in KwaZulu-Natal. National distribution of product will occur via courier delivery.

Over time the group will extend the range of product supplied which should yield an improved margin at both retail and wholesale.

Approximately 15 new Build it stores are forecast to open in 2010.

TOPS at SPAR

TOPS enjoyed another excellent year with 75 new stores being opened. Retail selling space increased 23.6% to 59 572 m². Wholesale liquor turnover topped R1.7 billion and grew 32.5% year on year.

TOPS' exclusive brands continued to perform well. Specifically the Carnival and Olive Brook wine ranges achieved excellent market penetration. Towards year-end the group noted a slowdown in the rate of sale of some exclusive imported spirits.

TOPS continues to invest heavily in media spend (up 52% on prior year), making extensive use of leaflets, press and to a lesser extent, television.

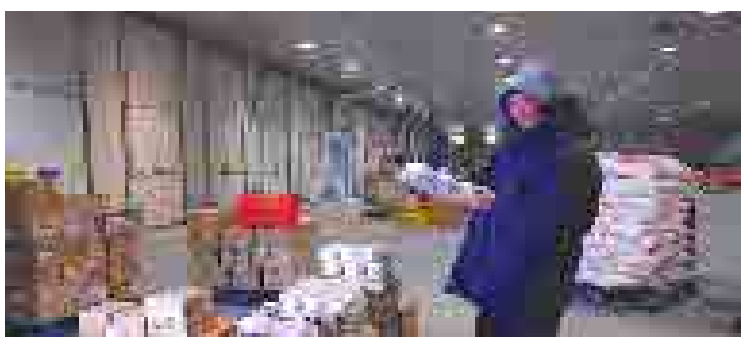
The group anticipates a solid trading performance in the year ahead and expects to open 35 stores, this notwithstanding that the issuing of liquor licences remains erratic in some regions.

**TOPS – growing bigger and bigger
South Africa's biggest national liquor chain**

- Number 1 in store numbers
- Number 1 in turnover
- Number 1 in media spend

Build it store numbers		
	2008	2009
South Rand	50	49
North Rand	44	38
KwaZulu-Natal	67	68
Western Cape	19	29
Eastern Cape	36	38
Lowveld	29	28
Total	245	250

TOPS at SPAR store numbers		
	2008	2009
South Rand	83	100
North Rand	73	81
KwaZulu-Natal	75	84
Western Cape	56	76
Eastern Cape	52	59
Lowveld	13	16
Total	352	416



DISTRIBUTION

Case volumes flowing through the group’s distribution centres increased 7% over 2008.

The Western Cape distribution centre, which opened in April 2008, began to reap the efficiency rewards of operating from a new modern facility. The increased capacity of this facility allowed for the delivery of product to the group’s Namibian retail stores to be transferred from SPAR’s North Rand distribution centre to the Western Cape. Further efficiencies arising from economies of scale are anticipated to accrue.

The dry goods extension at the South Rand distribution centre is fully operational and at 60 000 m² is now the largest warehouse in the greater SPAR International group. The upgrade of the perishable warehouse will be completed by end January 2010 which will bring to an end this two-year expansion project. Fifteen stores currently being serviced from the North Rand distribution centre will in future be serviced from the South Rand distribution centre. In the course of 2010 the supply of liquor to all North Rand TOPS and SPAR stores will also be transferred to the South Rand facility.

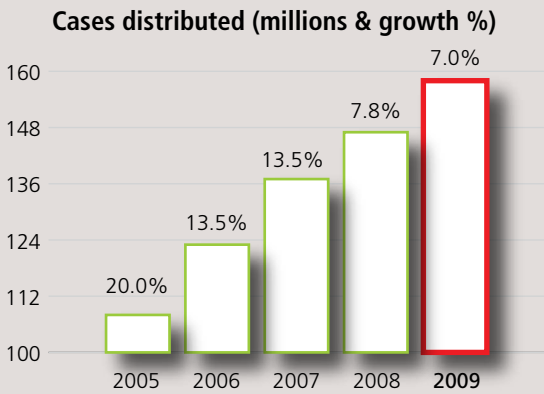
During October 2009, deliveries from the new KwaZulu-Natal perishable facility commenced. This facility has set new standards in distribution centre design in the SPAR group and will enable the group to improve on the maintenance of the cold chain and expand its perishable range.

Construction has commenced on a perishable facility at the Lowveld distribution centre, with completion scheduled for July 2010. The facility will allow for the holding of an extensive range of perishable product. Currently perishable product is supplied to Lowveld retailers either directly by perishable suppliers or supplied to the Lowveld distribution centre for onward delivery to retailers by the South Rand distribution centre. Once supply commences directly from the new facility, Lowveld retailer “in stock” positions will improve and increased sales are forecast.

The year has seen good cost control in the operations with expense increases below sales growth increases. All operations with the exception of the Lowveld facility now operate 24 hours per day, 7 days per week.

Significant operational improvements have been achieved in all distribution centres where radio frequency and voice picking processes have been implemented. Improved inventory control and stock availability, reduced mis-picks and a reduction in the number of credit notes issued being some of the benefits.

Distribution centres	
	m²
South Rand	60 000
North Rand	33 600
KwaZulu-Natal – dry goods	39 500
KwaZulu-Natal – perishables	10 000
Western Cape	33 500
Eastern Cape	24 000
Lowveld	17 000
Total	217 600



CHAIRMAN’S AND CHIEF EXECUTIVE’S REPORT (CONTINUED)

Focus on improving productivity within the operations through the introduction of a labour management system using engineered work standards is being piloted in the Eastern Cape and will be rolled out to all operations over the next few years.

Efficient fleet utilisation remains an area of continual focus. A daily route management system was introduced and piloted at the South Rand distribution centre which has resulted in improved control over the vehicle fleet. The software will be rolled out to all distribution centres during 2010.

Further improvements have been noted in areas of risk management by independent risk consultants who audit all facilities on a bi-annual basis. Risk standards will remain a focus area in 2010.

CAPITAL EXPENDITURE

The expansion of the South Rand’s dry facility was completed during the financial year, with completion of the perishable upgrade scheduled for January 2010. The expected final cost of the project will be, as originally estimated, R265 million.

The estimated final cost of the KwaZulu-Natal perishable facility remains R190 million. With perishable product distribution now being handled from this new facility, the old perishable facility in the existing distribution facility will be de-commissioned and utilised as additional dry storage capacity.

In the 2008 Chairman’s Report it was noted that the company was considering the purchase of land in Port Elizabeth in order to accommodate the future construction of a slow moving product warehouse. To date suitable land has not been identified. In the interim, the group will utilise rented warehouse facilities as and when required.

During the year, the group disposed of its vacated Montague Gardens distribution centre in Cape Town for R93 million, resulting in a profit on disposal of R63 million.

It is anticipated that capital expenditure for 2010 will not exceed R240 million. Allowance has been made for the completion of the South Rand perishable upgrade (R15 million), the construction of a perishable facility at SPAR’s Lowveld operation (R47 million), the purchase of property in Gauteng (to be held for the construction of a third inland facility within the next 5 years) and for vehicle and warehouse equipment requirements of R105 million.

INFORMATION TECHNOLOGY

The group invested in excess of R25 million on the upgrade of its information technology hardware and software. Remaining abreast of information technology advancements is of fundamental importance to efficiencies and a further R22 million is budgeted to be spent on technology in the 2010 financial year.

The group is currently upgrading store replenishment, promotions management and data warehouse software, all of which will be implemented in 2010.

The installation of the new SIGMA backoffice software at retail stores continues, with the system now operating in 400 SPAR and TOPS stores. It is anticipated that the rollout of the software will be completed by the end of 2011.

New point of sale retail software (D store) has been piloted and approved for rollout. An agreement has been concluded with POS Systemhaus for the supply of the software and over the course of the next few years this software will replace existing retail point of sale software.

Electronic shelf edge labelling has to date been installed at 75 retail outlets and SPAR leads the way in the use of this technology. Electronic labelling ensures 100% accuracy between displayed shelf prices and checkout scanned prices. Feedback from customers at stores where electronic labelling is utilised has been overwhelmingly positive. Whilst the installation of electronic labels is expensive it is anticipated that over time more retailers will opt for the system.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSACTION

In line with the group's commitment to transformation, shareholders approved the company's proposed BBBEE transaction on 12 August 2009. The transaction, which has resulted in 10% of SPAR's equity being transferred to two trusts for the benefit of the company's and retailers' employees, is an important component of SPAR's transformation objectives. Details of the transaction are disclosed in note 37 of the financial statements.

COMPETITION COMMISSION

During June 2009, the Competition Commission initiated an investigation into major South African supermarket chains, including SPAR, for possible contraventions of the Competition Act. Issues being investigated by the Commission are the potential abuse of buying power, long-term exclusive leases, category management and the exchange of information.

The group has undertaken to fully co-operate with the Commission in its investigation and is of the opinion that no contraventions of the Competition Act have taken place.

EXECUTIVE MANAGEMENT

No changes to the board or Executive Committee have occurred during the year.

Notwithstanding tough trading conditions, SPAR's senior management continues to be enthusiastic and highly motivated. The group has good depth of management and succession for all key positions in the group.

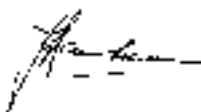
PROSPECTS

Management expects 2010 to be another challenging year but are nevertheless positive about the opportunities for the business. It is anticipated that the current relatively low levels of trading activity will continue for at least the first half of the 2010 financial year, whereafter it is likely volumes will increase. Food inflation is forecast to continue to run at lower levels. The group will aggressively focus on driving new business opportunities, organic growth, stringent cost control and securing operating efficiencies.

Cash generation is expected to improve as capital expenditure reduces and the dividend cover is maintained. Where appropriate, surplus cash will be utilised to buy back shares.

APPRECIATION

It is appropriate after this successful year in tough conditions to pay tribute to those who have made it happen. Our sincere thanks go to the board of directors, to the executive management team and to all staff members for their contribution to this team effort. To our suppliers for their co-operation and assistance and most importantly to our committed retailers for their unfailing support and enthusiasm during a difficult trading year, thank you.



Mike Hankinson
Chairman



Wayne Hook
Chief Executive



Michael Hankinson



David Gibbon



Peter Hughes



Rowan Hutchison



Phinda Madi



Harish Mehta



Phumla Mnganga



Wayne Hook



Rodney Coe



Roelf Venter



Kevin O'Brien

NON-EXECUTIVE DIRECTORS

Michael John Hankinson (60) B.Com, CA(SA)
(Independent non-executive Chairman)

Appointed to the board: September 2004.

A director of Transnet Limited, Sovereign Food Investments Limited, Illovo Sugar Limited and Apollo Tyres Limited (Delhi). A former chief executive of Dunlop Tyres International (Pty) Limited and Romatex Limited.

David Braidwood Gibbon (67) CA(SA)
(Independent non-executive director)

Appointed to the board: October 2004.

A director of and chairman of the audit committee of African Bank Investments Limited. A former partner of Deloitte & Touche.

Peter Kilby Hughes (63) C.I.S.
(Non-executive director)

Appointed to the board: September 1989.

A former CEO of The SPAR Group Limited. A former regional and divisional director within the Barlow Group.

Rowan James Hutchison (62) B.Com (Hons), MBA
(Independent non-executive director)

Appointed to the board: October 2004.

A non-executive director of RMB Asset Management (Pty) Limited and Momentum Group Limited. A member of Momentum remuneration committee. A former CEO of RMB Asset Management.

Mziwakhe Phinda Madi (44) B.Proc (Law)
(Independent non-executive director)

Appointed to the board: October 2004.

Deputy chairman of ALL Care Medical Administrators and a visiting professor of Rhodes University's Business School. A founding member of the Black Economic Empowerment Commission and a director of Illovo Sugar Limited. A former group managing director of Thebe Risks and Benefits Group and chairperson of Madi Sussens and Herdbouys.

Harish Kantilal Mehta (59) B.Sc, MBA
(Independent non-executive director)

Appointed to the board: October 2004.

Group managing director of Universal Print Group (Pty) Limited. Chairman of Clearwater Capital (Pty) Limited and Madison Property Managers Limited.

Phumla Mnganga (41) BA, B.Ed, MBL
(Independent non-executive director)

Appointed to the board: January 2006.

Managing director of Lehuma Women's Investment Company. A director of Tolcon-Lehumo (Pty) Limited, Vice-chairperson of the Council of the University of KwaZulu-Natal and Chairperson of the Siyazisiza Trust.

EXECUTIVE DIRECTORS

Wayne Allan Hook (53) CA(SA)
(Chief Executive)

Appointed to the board: October 2006.

Joined The SPAR Group Limited in 1984.

Served in financial, information technology and logistics management before being appointed Managing Director of SPAR KwaZulu-Natal in 1997. Appointed CEO of SPAR in October 2006.

Rodney Walter Coe (60) CA(SA)
(Group Financial Director)

Appointed to the board: November 1990.

Joined The SPAR Group Limited in 1984.

Served in financial and distribution centre development/management before being appointed Financial Director in 1993.

Roelf Venter (51) B.Com (Hons) MBA
(Group Retail Operations and Marketing Director)

Appointed to the board: February 2007.

Joined The SPAR Group Limited in 1983.

Served in various marketing and buying management positions before being appointed managing director of SPAR West Rand and subsequently SPAR South Rand. Appointed Group Marketing Director in October 1999 and transferred to the position of Retail Operations Director and chairman of The SPAR Guild of Southern Africa in 2006.

COMPANY SECRETARY

Kevin James O'Brien (47) BA LLB B.Soc (Hons)
Joined the SPAR Group Limited in 1993

Served in personnel, human resources and property management positions in various group operations. A former general manager of Capper and Company, a SPAR distribution operation in the United Kingdom. Appointed company secretary in 2006.



Wayne Hook

Rodney Coe

Trevor Currie

Kevin O'Brien

Mike Prentice

Enno Stelma

Thuli Tabudi

Roelf Venter

Brett Botten

Bill Brown

Rob de Vos

Ian Gillespie

Conrad Isaac

Rob Philipson

Ray Whitmore

GROUP SERVICES

Wayne Hook – Chief Executive

Rodney Coe – Financial Director

Trevor Currie – Logistics Executive

Kevin O'Brien – Company Secretary

Mike Prentice – Merchandise Executive

Enno Stelma – Information Technology Executive

Thuli Tabudi – Human Resources Executive

Roelf Venter – Retail Operations Director and Chairman
of The SPAR Guild of Southern Africa
Limited

OPERATIONAL EXECUTIVES

Brett Botten – Divisional MD SPAR North Rand

Bill Brown – Divisional MD SPAR Western Cape

Rob de Vos – Divisional MD SPAR Lowveld

Ian Gillespie – Divisional MD SPAR South Rand

Conrad Isaac – Divisional MD SPAR Eastern Cape

Rob Philipson – Divisional MD SPAR KwaZulu-Natal

Ray Whitmore – Divisional MD Build it



The SPAR Group Limited is committed to the principles of transparency, integrity, accountability and openness in its dealings with all its stakeholders and endorses the Code of Corporate Practices and Conduct as embodied in the King II Report. The board is of the opinion that the group complies in all material respects with the principles embodied in the code as well as the additional requirements for good governance stipulated in the JSE Listings Requirements. The board is further committed to ensuring that compliance with these principles remains an integral part of the manner in which the group conducts its business.

The King III Report on Corporate Governance in South Africa will become effective in 2010. The board will take cognisance of the contents of the report to the extent that they are relevant to the group and its stakeholders. The Companies Act No 71 of 2008, will likewise come into effect during the 2010 financial year and the board will prepare itself for the changes brought about by the new Act.

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing annual financial statements, which fairly present the state of affairs of the group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act. The directors' approval of the annual financial statements appears elsewhere in this report. The directors have no reason to believe that the group's business will not continue as a going concern in the year ahead.

BOARD OF DIRECTORS Composition

The company has a unitary board of directors which comprises six independent non-executive directors, one non-executive director and three executive directors. An independent non-executive director

acts as the chairman of the board. The roles of the chairman and the chief executive are separated and a clear division of authority exists between these roles. The non-executive directors represent a wide range of skills and have financial and commercial experience, and are aware of their duties to ensure that the group maintains a best in class standard of corporate governance. Each director is an individual of high calibre with diverse backgrounds and expertise. The executive directors include a competent financial director. Details and qualifications of the directorate are provided in this report.

There are no service contracts between either the non-executive directors or executive directors and the company or any group company. One third of the non-executive directors retire each year, on a rotation basis, but may offer themselves for re-election in terms of the company's Articles of Association.

BOARD CHARTER AND RESPONSIBILITIES

The general powers of the board and the directors are conferred in the company's Articles of Association. The terms of reference of the board are set out in the board charter which is reviewed on a regular basis. The board charter is modelled on the principles recommended by King II and covers the power and authority of the board. It also provides a clear and concise overview of the roles and responsibilities of the board members. The board charter is available on request from the company secretary.

The board has a fiduciary duty to act in good faith, with due care and diligence, and in the best interests of all stakeholders.

The powers and responsibilities of the board include:

- responsibility for approving the strategic direction of the group and the budget necessary for the implementation of the strategy;
- being the guardian of the ethics and values of the group;
- retaining full and effective control of the group;
- appointing the chief executive officer; and
- monitoring management and the implementation of the group's vision and values.

CORPORATE GOVERNANCE (CONTINUED)

The responsibility for the running of the board and executive responsibility are differentiated in the board charter. The board has put in place various Levels of Authority policies within which executive management operates.

Board Meetings

The board meets formally four times a year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to the group’s business.

Board Evaluation

During the year under review, the chairman held one on one discussions with each of the non-executive directors.

The non-executive directors evaluate the chief executive and the executive directors annually. The assessment is based on objective criteria including performance of the business, accomplishing long-term objectives and management development.

During the financial period under review, the board conducted a formal evaluation of its performance. Each director was requested to complete a questionnaire relating to:

- board self evaluation;
- evaluation of chairman’s performance by directors; and
- self evaluation of individual performance by director.

The results of the individual assessments were consolidated by the company secretary and presented to the chairman of the board. The chairman of the board is responsible for determining the actions required in order to address any areas of improvement to further enhance the effectiveness of the board. The board will again conduct a formal evaluation of its performance during 2010.

Board members are kept appraised of changes in all relevant legislation, including the JSE Listings Requirements. These updates are provided by the company’s sponsor and the company secretary.

DELEGATION OF AUTHORITY

The daily management of the group’s affairs is the responsibility of the chief executive officer, who co-ordinates the implementation of board policy through the Executive Committee which he chairs. The board charter outlines key responsibilities that the board may not delegate.

BOARD SUB-COMMITTEES

The board has powers to establish sub-committees as it deems appropriate. Presently, the board has constituted two committees, the Audit and Risk Committee and the Remuneration and Nominations Committee, to address matters requiring specialised attention. These sub-committees of the board are chaired by independent non-executive directors. The board acknowledges its accountability to the group’s stakeholders for the actions of these committees and is satisfied that they have met their respective responsibilities for the year under review.

Board meeting attendance		
Director	Attended	Held
RW Coe	4	4
DB Gibbon	4	4
MJ Hankinson (Chairman)	4	4
WA Hook	4	4
PK Hughes	4	4
RJ Hutchison	4	4
MP Madi	4	4
HK Mehta	4	4
P Mnganga	4	4
R Venter	4	4

Audit and Risk Committee

The activities and responsibilities of the committee are set out in the Audit and Risk Committee Charter, which has been approved by the committee and noted by the board. In accordance with the Charter, the committee consists of three independent non-executive directors as committee members, one of whom is the chairman of the committee. The chairman of the committee is not the chairman of the board.

Main activities and responsibilities include:

- ensuring that management creates and maintains an effective control and risk management environment throughout the group;
- reviewing the scope and outcome of audits. These address the adequacy and effectiveness of the group’s internal controls and procedures, compliance with King II, the effectiveness of the risk management framework and compliance with other legal, statutory and regulatory matters;
- ensuring compliance with accounting policies and practices. This includes examining and reviewing the group’s interim and annual financial statements, as well as the annual report, with a view to ensuring that disclosure of information is adequate, fairly and timeously presented;

- the identification of operational and financial risks and ensuring that the appropriate measures are put in place by management to address the risks;
- ensuring that a proper business risk assessment is carried out and that a risk profile is compiled by management;
- monitoring the group’s risk management and assurance processes; and
- reporting to the board on the risk management work undertaken and the extent of any action taken by management to address areas identified for improvement.

The committee met three times during the period under review. The chief executive officer, financial director, internal auditor and external auditors are required to attend meetings. The group’s internal auditor and the external auditors have unfettered access to members of the committee and the chief executive officer and attend all formal committee meetings. Members of the group’s executive management team attend meetings as required. The committee reports on its findings to the board after each formal committee meeting.

The group believes it has an independent, objective and effective internal audit department. Internal audit operates within the parameters of an approved Internal Audit Charter. The internal audit function reports to the finance director, and has a direct reporting line to the chairman of the Audit and Risk Committee.

The committee, in accordance with the Listings Requirements of the JSE Limited, evaluated the experience and expertise of the financial director and is satisfied that he has the requisite experience and skills to fulfil his responsibilities.

The Audit and Risk Committee recommends to the board the appointment of the external auditors, approves the auditors terms of engagement and determines the auditor’s fees. The committee also considers the independence of the external auditors, and has established principles for the use of external auditors in providing non-audit services. During the year under review, the committee adopted a policy

Audit and Risk Committee attendance		
Director	Attended	Held
RW Coe (by invitation)	3	3
C Cheesman (internal auditor – by invitation)	3	3
DB Gibbon (Chairman)	3	3
MJ Hankinson	3	3
WA Hook (by invitation)	3	3
HK Mehta	3	3
J Welch (external auditor – by invitation)	3	3

limiting the consultancy work of the external auditors, apart from their work as external auditors, and prior approval by the committee chairman of any such work is now required. Consultation and co-operation between the external and internal auditors is extensive and encouraged by the board.

The Audit and Risk Committee considers and deals with any complaints relating to the accounting practises and internal audit of the group and makes submissions to the board on any matters concerning the group’s accounting policies, financial controls, records and reporting.

The Audit and Risk Committee reviews risk philosophy, risk identification and risk management procedures implemented by management and assesses the effectiveness of compliance with such procedures. Risks reviewed specifically include operational risk, information technology risk, treasury and investment risk, legal risk and insurance risk.

Remuneration and Nominations Committee

The function of the Remuneration and Nominations Committee, as set out in the Remuneration and Nominations Charter, is to review the group’s remuneration strategy and to ensure that executive directors and executive management are appropriately remunerated. The group’s remuneration philosophy is formulated to attract, motivate and retain directors and executives needed to successfully run and manage the business operations of the group.

The committee, consisting of three independent non-executive directors and the chief executive officer

(by invitation), is responsible for recommending to the board, on an annual basis, the remuneration packages of the executive directors and executive management. The chief executive officer appraises the committee of the salary packages of senior managers whose remuneration is not determined by the committee. The committee oversees the operation of the group’s incentive bonus schemes and approves the allocation of share options on the recommendation of the chief executive officer. The committee consults with the chief executive officer in determining certain specific remuneration packages.

Executive directors and executive management are participants of the group’s incentive bonus scheme, which remunerates executives based on the achievement of both financial targets and functional objectives. Objectives are set annually.

Independent external studies and comparisons are undertaken to ensure that remuneration is market related and linked to both individual performance and group performance.

The committee is responsible for making recommendations to the board on all fees payable to non-executive directors for membership of the board and any committee. During the period under review, non-executive directors received a base fee of R160 000 per annum. In addition, non-executive directors who served on the Audit and Risk Committee received a fee of R45 000 per annum whilst committee members on either the Remuneration and Nominations Committee or the Transformation sub-committee received R36 000 per annum. The committee gives consideration to the composition of the board and makes appropriate representations to the board. The board is conscious of its responsibility to ensure proper succession planning for the role of chairman of the board. In this regard the board believes that it consists of competent directors and that the chairman’s successor may come from amongst the board.

COMPANY SECRETARY

The board is served by a company secretary and has created an environment in which the company secretary can carry out his statutory duties.

Director	Remuneration and Nominations Committee attendance	
	Attended	Held
MJ Hankinson (Chairman)	2	2
WA Hook (by invitation)	2	2
RJ Hutchison	2	2
HK Mehta	2	2

All directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with as well as best practice followed. In addition, directors may obtain independent professional advice, regarding any company matters, at the company's expense.

RISK MANAGEMENT

The board is responsible and accountable for ensuring that appropriate procedures and processes are in place to identify, assess, manage and monitor key business risks. Operational and financial risks are managed through a system of internal and financial controls, which are monitored by management and the internal audit department.

The group's assets are insured against loss. Disaster recovery plans are in place to provide business continuity with the least amount of disruption particularly from information technology and operational viewpoints.

During the period under review, the group embarked on a comprehensive review of its risk management processes utilising Enterprise Risk Management (ERM) framework methodology. ERM is a holistic risk management approach which identifies potential risks and analyses such factors across the entire organisation in order to mitigate threats and impacts. The methodology encourages proactive risk management. The fundamental objective is to establish an effective integrated risk management framework where risks are identified, analysed and appropriately managed. A risk review workshop was held during the year with attendance by the group's senior management team. This workshop was aimed at identifying the deficiencies in the existing risk management framework and assessing the strategic risks of the business. Management, being mindful of the board's responsibility for risks and ensuring the implementation of appropriate systems to manage these risks, has in place formal processes to proactively manage and report on risk.

CODE OF ETHICS

The group is committed to a policy of dealing fairly and with integrity in the conduct of its affairs. The board has approved a Code of Ethics which reflects the group's position on ethics and integrity. Compliance with the Code of Ethics is required of all group employees. The code is intended to raise ethical awareness, and as a guide in day-to-day decision making.

The board has no reason to believe that there has been any material non-adherence to the Code of Ethics during the year under review.

FRAUD POLICY

The board has adopted a Fraud Policy to protect the organisation from dishonest or unethical conduct, including financial or other unlawful gains and to regulate its responses to fraudulent activities.

DEALING IN COMPANY SHARES

In terms of the rules of the JSE, no director, officer or employee of the company may deal either directly or indirectly in the group's shares at any time on the basis of having access to price-sensitive information, nor may a director or officer of the company deal in the group's shares during closed periods. Closed periods extend from the end of the group's financial half year and year-end until the publication of the relevant results.

All dealings in shares of The SPAR Group Limited by company directors and the company secretary are reported on the JSE Stock Exchange News Service (SENS) within 48 hours of the trade. All trades must be pre-approved by a duly authorised director of the company.

INVESTOR RELATIONS

The board encourages objective and honest communication with investors in a timely, relevant and balanced manner. It is practice to engage with shareholders on a frequent basis, principally through presentations on the release of the group's half-year and annual results.

The group's investor information is posted timeously on the website, www.spar.co.za.



INTRODUCTION

SPAR is committed to ensuring that the group conducts its activities with due regard to its stakeholders and the environment in which it operates. Sustainable management of its operations will enable the group to prosper as a responsible corporate citizen, safeguarding social and environmental development. The identification and proactive management of issues that may affect the long-term existence of the group and its stakeholders is therefore imperative.

SPAR's future success depends on creating an organisation that is conscious of its impact on the lives of its various stakeholders and on the environment.

A highlight of the period under review was the implementation of the group's Broad-based Black Economic Empowerment share scheme which resulted in ten percent of the group's equity being transferred to employee trusts. The scheme effectively empowers employees of The SPAR Group Limited and employees of the independently owned SPAR retailers by providing them with an opportunity to acquire ordinary shares in the company and to participate in the capital appreciation of such shares through the trusts.

Sustainability responsibilities are reviewed under the following three broad categories: social, transformation and operational. Issues of governance are dealt with earlier in this report.

SOCIAL

Corporate Citizenship

Good corporate citizenship is fundamental to the group's growth strategy and SPAR is committed to behaving and operating in a socially responsible manner. In dealings with staff, retailers, suppliers, shareholders, consumers, local communities and government departments, the highest levels of ethical behaviour, respect and integrity are observed. SPAR understands and appreciates its responsibilities to society and the environment and it plays an active and constructive role in the areas in which it operates.

During the period under review, the group sponsored and hosted the TUNZA African Children's Conference on the environment. The conference provided an opportunity for 110 children, together with their chaperones, from 13 countries to understand and respond to the challenges presented by climate change and to develop an African network of children on environmental and climate change issues.

Employment and Labour Practices

SPAR subscribes to the principle of dignity for all employees. Employment policies are non-discriminatory and sensitive towards the equal treatment of employees. Accordingly, human resource strategies include:

- a strong bias to employment equity transformation;
- fair and appropriate remuneration;
- performance management; and
- attracting and retaining staff.

Freedom of association and the right to bargain collectively is entrenched within the group. Recognition agreements with representative trade unions exist in those distribution centres that have majority union membership. Senior management in unionised distribution centres are responsible for union negotiations. Distribution centres have codes of conduct and disciplinary and grievance procedures in place and these are communicated to all employees during their induction into the group.

Group training initiatives are structured and aimed at aligning training with transformation objectives. During the year under review, the group spent an amount equivalent to 2.3% of its total payroll on skills development.

Specific training initiatives focus on:

- operator training;
- technical skills training;
- supervisory skills training; and
- management development training.



Ongoing organisational development initiatives such as “12 Ladders” and “SPARing for Quality” are aimed at ensuring that work teams operate effectively and that workplace relationships are continuously improved.

External surveys indicate that SPAR’s conditions of employment rank high in the sector, and internal surveys show that the group provides meaningful jobs with a high degree of job satisfaction.

SPAR believes that its reputable employment practices are instrumental in the company’s ability to attract and retain talent. The group aspires to being an employer of choice with market related conditions of service. Succession planning has been implemented and a graduated development process aimed at creating leadership potential is in place. The structured and systematic development of individuals at all levels within the group aims at realising leadership potential.

SPAR is compliant with the Skills Development Act. Developmental focus continues to be placed on technical, supervisory and management competencies which underpin sustainability. The SPAR Academy of Learning, which provides inhouse training to both group and retailer employees, maintained its accreditation with the Wholesale and Retail Sector Education and Training Authority, and its links to the Transport Education and Training Authority.

SPAR’s employment equity achievements are a reflection of the training, development and mentoring of black employees with the objective of preparing them for senior roles in the group. To this end, each of the six distribution centres and central office has its own employment equity committee and employment targets. Monitoring of the group’s progress in terms of the employment equity plans is done by the respective employment equity committees. Employment equity plans are submitted, as required, in terms of the Employment Equity Act.

Representation of black employees within the organisation			
Occupational levels as per the Department of Labour	SPAR categories	2008	2009
Board of directors	Executive and Non-executive directors Paterson Grades EU & F	30.0%	30.0%
Senior management	Group and divisional executives and specialised Group functions Paterson Grade EL	14.5%	11.8%
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL & DU	38.0%	39.4%
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL & CU	67.0%	71.8%
Semi-skilled and discretionary decision-making	Operators and clerical staff Paterson Grade B	92.0%	91.8%
Unskilled and defined decision-making	Defined decision-making positions Paterson Grade A	98.0%	95.5%
Total permanent black employees as a percentage of total employees		77.0%	77.5%



Corporate Social Investment

SPAR's corporate social investment (CSI) programme is aimed at bringing about positive social and economic changes to the previously disadvantaged communities in which the group conducts its business.

CSI remains an important element of alleviating poverty and hardship in communities and remained core to SPAR's upliftment programme. The group's CSI spend of 0.85% (R6.4 million) (2008: R6.9 million) of post tax profits mainly goes towards assisting previously disadvantaged communities and organisations, with the strategy broadly focusing on four areas, namely:

- poverty alleviation;
- healthcare;
- hunger; and
- safety.

All distribution centres and the group's central office have social investment budgets which are utilised for various local projects and causes.

Examples of the group's community participation are:

- the Ubomi Obutsha Centre, located in the KwaZakhele settlement in the Eastern Cape – this weekly soup kitchen and daily educare programme is supported by the group's Eastern Cape distribution centre. The centre focuses on providing education and meals to orphaned and vulnerable children in the community. The centre serves an average of 1 600 meals per month.
- the Arebaokeng child daycare centre, located in Tembisa in Gauteng – this daycare centre and hospice facility is supported by the group's North Rand distribution centre. The centre offers daycare for the children of HIV/Aids sufferers.
- Junior Achievement South Africa. The group's Lowveld distribution centre is involved in providing growth opportunities for entrepreneurs in disadvantaged communities. Learners are instructed in business ethics, product choice, marketing, human resources and business plans. During 2010, these young entrepreneurs will

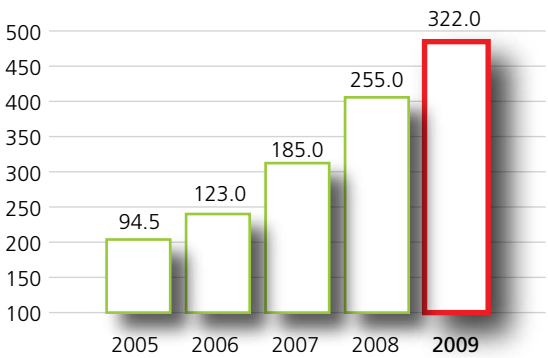
attend a job shadowing week hosted by the Lowveld distribution centre.

- the Stars of Today project supported by the group's Western Cape distribution centre provides assistance to a number of HIV positive children who have been orphaned. The project also supports a school care service for 200 children.
- the group's KwaZulu-Natal distribution centre continues to support the Gozololo daycare centre in KwaMashu outside Durban. This centre caters for orphaned children and other children who are in need of educational, emotional and nutritional support due to extreme poverty in the community. The distribution centre provides a monthly donation of food which is used to provide meals for the daycare centre and food parcels for the children's guardians.
- the Kids Haven orphanage in Kempton Park aims at rehabilitating children living and working on the streets of Kempton Park and reintroducing them into society. The orphanage currently looks after 180 children and is actively supported by the South Rand distribution centre.
- the World Changes Academy runs life skills courses for high school students, the unemployed and juvenile offenders. The academy reaches thousands of young people every year, mostly through intensive life and leadership programmes. The rehabilitation programme is run in conjunction with the Pinetown Magistrates Court and seeks to provide alternative ways to deal with first-time offenders in an attempt to avoid their becoming hardened criminals. The group's central office in Pinetown provides support for this project.

Economic Performance

The year under review was the SPAR brand's 46th year of operation in South Africa and its fifth year as a JSE listed company. Since listing SPAR had been able to report consistent growth in earnings and dividends and its value-added statement is included in this report. The success of SPAR has enabled employees, retailers, suppliers, local communities and government departments to share in the wealth created by the group.

Headline Earnings and Dividends (cents per share)



TRANSFORMATION

SPAR acknowledges and supports the social and economic importance of transformation in South Africa and recognises its needs to be a valuable participant in the South African economy. Sustainable business requires that transformation uplifts and positively influences employment equity and black economic empowerment to create a new business platform. Transformation is a group imperative, and steady progress continued to be made during the financial year.

Broad-based Black Economic Empowerment (BBBEE)

The principles of BBBEE are embraced by the group. The group is a level 5 contributor (2008: level 6) with a 80% recognition level (2008: 60%). Based on current equity plans in place this rating will continue to improve. Empowerdex has been appointed to confirm the group’s latest rating.

Ownership

The group is mindful of the fact that all its employees and the employees of the SPAR retailers have played and will continue to play an important part in the growth and success of the group and therefore proposed an employee share ownership scheme to allow these employee groups an opportunity to share in the growth and capital appreciation of the group.

On 12 August 2009, shareholder approval was given for the introduction of group employees and SPAR retailer employees as BBBEE partners of The SPAR Group Limited. The transaction, which resulted in ten percent of SPAR’s equity being transferred to

two trusts for the benefit of the employee groups, is viewed as an extremely important component of SPAR’s transformation objectives.

In terms of the scheme, 7 564 540 SPAR shares were issued to The SPAR BBBEE Employee Trust for the benefit of the qualifying employees of SPAR. Likewise, 11 346 809 SPAR shares were issued to The SPAR BBBEE Retailer Employee Trust for the benefit of the qualifying employees of the SPAR retailers. Employees will be entitled to share in the capital appreciation of the scheme on maturity in 2016.

Enterprise Development

The creation and nurturing of new enterprises, specifically new independent retail stores, is an objective of the group. The identification and facilitation of new entrants into the economy is one of the primary contributions to BBBEE that the group can make to transformation. The development of black enterprises as retail members of the SPAR voluntary trading organisation under its three existing banners, namely, SPAR, TOPS at SPAR and Build it, provides a powerful access point and meaningful growth opportunity for genuine empowerment.

The induction of new retailers into the group is a key focus areas for the group’s training and development initiatives. The Management Induction Programme which was launched in 2002 has facilitated the training of retailers on every aspect of owning a retail store. The Retail Management Programme was launched in 2008 and the first participants graduated in October 2009. The Retail Management Programme was introduced to ensure future competent managers with retail store operations experience are available. The annual Young Managers Conference continues to be a great success as does the International SPAR Young Managers Conference. SPAR delegates from South Africa continue to receive high praise from the SPAR International organising committee.

The establishment of new stores immediately creates employment which in turn contributes to social sustainability and poverty alleviation. SPAR’s value proposition is attractive to potential retail members. Sustainable and world class services and assistance for successful modern retailing, encompassing functional

and technical requirements, including access to finance, are provided by SPAR.

At September 2009, there were 149 black owned stores (including neighbouring countries), trading under the different banners, up from 132 black owned stores at end September 2008.

Preferential Procurement

The group has a long and successful established practice of sourcing local goods and supporting local industry wherever possible. This practice, however, needs to be balanced with consumer expectations of value, quality and price.

The importance of preferential procurement to BBBEE is acknowledged.

As information on suppliers' BBBEE accreditation has been difficult to obtain, the services of EMEX, a recognised rating agency, have been employed to assist in securing this data. The group currently has BBBEE credentials for all SPAR brand suppliers and for the majority of the biggest non-SPAR brand suppliers. In keeping with the group's commitment to BBBEE, the group aims to improve on these numbers in the next financial year.

OPERATIONAL The Environment

Environmental considerations and resultant operational processes extend across the scope of the organisation. To effectively co-ordinate and manage issues, the group adheres to an environmental policy. This policy focuses on:

- reducing the negative impact of SPAR's operations on the environment; and
- leveraging the competencies of the organisation towards making a positive contribution to preserving the environment.

In an attempt to reduce the negative impact of SPAR's operations on the environment, the following areas of focus at operational level have been identified:

- quantifying and setting reduction targets for fuel and energy usage;
- improving recycling initiatives to further reduce waste;

- providing leadership to SPAR retailers in regard to environmental issues, with the major focus being placed in the areas of energy consumption and waste management; and
- the group is conscious of the negative impact of food packaging on the environment and will work closely with its suppliers in an attempt to reduce the impact of packaging on the environment.

The group commits itself to exposing its staff and SPAR retailers to various interventions from experts in the environmental field. Advertising campaigns to educate consumers and encourage them to consider the environmental impacts of their actions are undertaken.

Senior management is tasked with the responsibility of implementing the elements of the environmental policy and progress is monitored.

Facilities and Fleet Management

Environmental issues are continually taken into account in distribution centre design. Distribution centres have energy management plans in place and new facilities are designed taking into account the need to be environmentally friendly. Advanced lighting technology is utilised and the use of natural lighting maximised. New technology and processes have been used in the design of refrigeration plants and battery charging areas. A project aimed at recycling cardboard and plastic waste generated by the distribution centre and the SPAR retail stores has been introduced by the Western Cape distribution centre.

Resource conservation is a focus area of the fleet management programme, with route determination a priority in reducing costs and emissions. The group has in place a competent transport manager who is tasked with driving operational efficiencies. New vehicles bought into the fleet are expected to meet the minimum Euro 3 emission standards. To further improve efficiencies and reduce the fuel consumption and emissions of vehicles, driver trainers are employed at all distribution centres. Trainers aim to improve driver performance by ensuring an understanding of and the most efficient use of vehicles thereby extending vehicle life and minimising fuel consumption. The use of biodiesel in vehicles is

being tested in a pilot project and used vehicle oil is sold for recycling purposes, with best practice to be implemented throughout the group.

Product Stewardship

The group is committed to ensuring food safety throughout the supply chain.

A cold chain “best practice” has been developed and monitored for compliance. The group strives to attain the highest levels of product safety and engages on a constant basis with manufactures and suppliers. All SPAR brand suppliers are required to undergo regular food safety audits.

Crime

The high levels of crime being experienced at retail stores continue to be a cause for concern. In an effort to minimise the impact of crime on retailers’ stores and customers, programmes continue to be developed to identify, prevent and monitor potential crime incidents. The group continues to work actively with the Consumer Goods Council of South Africa Crime Prevention Programme and Business Against Crime as well as the local police. The work done by managers dedicated to analysing crime incidents and patterns, has greatly assisted in the early detection of potential criminal activity. This, combined with the ongoing vigilance of SPAR retailers, has been critical to containing crime during the year. The group continues to provide a much needed counselling service to the victims of crime.

Safety and Health

SPAR provides a healthy and safe work environment for its employees as a basic right and acknowledges that a healthy and safe workplace improves employee morale and productivity. The group understands that a healthy and safe workplace is essential to the food industry.

Health and safety requirements are monitored and reviewed in terms of the group’s risk management framework and legislative compliance is required as a minimum standard. To this end, a comprehensive risk management programme is in place, which is audited on a regular basis by an external risk management service. The five components of the programme are

emergency planning, health and safety, transport, fire and security.

The required health and safety committees are in place and training in health and safety matters is ongoing. The distribution centre health and safety committees deal with issues as and when required to do so. Unresolved issues are reported to senior management.

SPAR provides a wellness service to its employees through onsite clinics. The group invested in excess of R2 million in the year under review for this service. The clinic services are provided free of charge to all employees, permanent and temporary.

Employees are offered voluntary membership of the Tiger Brands Medical Aid Scheme. Members of the scheme and their dependants have access to comprehensive health cover. Although access to the scheme is open to all employees, affordability of contributions remains a barrier for some employees. Investigations into a low income medical scheme are ongoing.

The group has in place a comprehensive HIV/Aids policy and management framework. HIV positive employees are provided with counselling and support.

Health and safety statistics for 2009

Event	Number of injuries
Disabling injuries	13
Non-disabling injuries	415
Number of staff visits to on-site clinics	15 881

Sector Collaboration

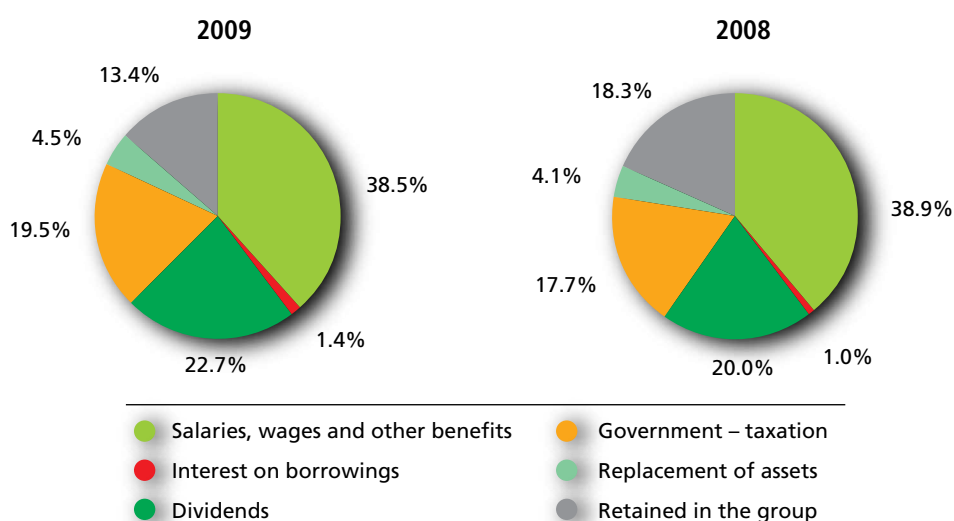
The SPAR group represents its interests and participates at the following forums:

- Consumer Goods Council of South Africa and its various sub-committees;
- Retailers Association, and through their offices to Business Unity South Africa. In this regard SPAR is represented on the directorate of the Commission for Conciliation, Mediation and Arbitration;
- Wholesale and Retail Sector Education and Training Authority and its Standards Generating Body; and
- Transport Education and Training Authority.

VALUE-ADDED STATEMENT

Value added is the measure of the wealth the group has created. The statement shows how wealth has been distributed.

	2009 Rm	% of Revenue	%	2008 Rm	% of Revenue	%
Revenue	32 256			26 993		
Less: Net cost of product and services	30 229			25 253		
Value added	2 027			1 740		
Add: Income from investments and associates	35			46		
Wealth created	2 062	6.4	100.0	1 786	6.6	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	794		38.5	695		38.9
Providers of capital	497		24.1	375		21.0
Interest on borrowings	29		1.4	19		1.0
Dividends to ordinary shareholders	468		22.7	356		20.0
Government - Taxation	402		19.5	317		17.7
Replacement of assets	92		4.5	73		4.1
Retained in the group	277		13.4	326		18.3
Wealth distributed	2 062		100.0	1 786		100.0



FIVE-YEAR REVIEW

Rmillion	2009	2008	2007	2006	2005
GROUP INCOME STATEMENTS					
Revenue	32 256	26 993	21 920	17 177	13 737
Operating profit	1 141	972	775	603	499
Interest received	35	46	32	22	6
Interest paid	(29)	(19)	(10)	(6)	(5)
Share of equity accounted associate			(2)		
Net profit before taxation	1 147	999	795	619	500
Taxation	(402)	(317)	(272)	(211)	(157)
Net profit attributable to ordinary shareholders	745	682	523	408	343
GROUP BALANCE SHEETS					
ASSETS					
Property, plant and equipment	1 426	1 083	736	519	370
Goodwill	246	246	246	246	246
Loans and investments	17	56	118	57	17
Finance lease receivables		20	9		
Operating lease receivables	143	125	115	105	64
Other non-current assets	2	4	4		
Deferred taxation asset	22	16	15		8
Current assets	4 684	4 284	3 815	2 702	2 053
Total assets	6 540	5 834	5 058	3 629	2 758
EQUITY AND LIABILITIES					
Capital and reserves	1 940	1 488	1 110	892	751
Deferred taxation liability				6	
Post retirement medical aid provision	68	61	55	50	46
Long-term borrowings				1	1
Operating lease payables	142	124	115	104	64
Current liabilities	4 390	4 161	3 778	2 576	1 896
Total equity and liabilities	6 540	5 834	5 058	3 629	2 758
GROUP CASH FLOW STATEMENTS					
Cash flows from operating activities	683	(25)	1 171	560	421
Dividends paid	(468)	(355)	(246)	(191)	(51)
Cash flows from investing activities	(268)	(356)	(394)	(237)	(61)
Cash flows from financing activities	23	29	(118)	(94)	(2)
Net (decrease)/increase in cash and cash equivalents	(30)	(707)	413	38	307

RATIOS AND STATISTICS

		2009	2008	2007	2006	2005
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	170.6	168.4	166.4	167.2	169.3
Headline earnings per share	cents	484.8*	405.7	312.3	240.0	203.8
Dividends per share	cents	322	255.0	185.0	123.0	94.5
Dividend cover	multiple	1.5*	1.59	1.69	1.95	2.15
Net asset value per share	cents	1 137.4	883.5	666.9	533.5	443.6
INCOME STATEMENT INFORMATION						
Gross margin	%	8.0	8.1	8.2	8.4	8.8
Trading profit margin	%	3.8	3.6	3.6	3.5	3.7
Headline earnings	Rmillion	822.1*	680.3	521.9	406.7	344.4
SOLVENCY AND LIQUIDITY						
Return on equity	%	43.5	52.5	52.3	49.6	57.7
Return on net assets	%	58.1	84.5	111.4	75.1	67.1
EMPLOYEE STATISTICS						
Number of employees at year-end		2 640	2 570	2 393	2 277	2 221
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	cents	6 470	5 050	5 511	3 635	3 090
– highest	cents	6 595	6 200	5 699	4 020	3 090
– lowest	cents	4 512	4 450	3 551	2 751	1 925
Number of share transactions		81 598	53 673	38 761	26 121	25 867
Number of shares traded	millions	124.1	131.7	120.7	107.8	180.1
Number of shares traded as a percentage of total issued shares	%	72.7	78.2	72.5	64.5	106.4
Value of shares traded	Rmillion	6 807	6 938	5 403	3 717	4 069
Earnings yield at year-end	%	7.5*	8.0	5.7	6.6	6.6
Dividend yield at year-end	%	5.0	5.0	3.4	3.4	3.1
Price earnings ratio at year-end	multiple	13.3*	12.4	17.6	15.1	15.2
Market capitalisation at year-end, net of treasury shares	Rmillion	11 038	8 504	9 170	6 078	5 229
Market capitalisation to shareholders' equity at year-end	multiple	5.7	5.7	8.3	6.8	7.0

* Based on headline earnings excluding BBBEE cost.

DEFINITIONS

SHAREHOLDERS' RATIOS

Basic Earnings per Share

Attributable profit divided by the weighted average ordinary shares (net of treasury shares) in issue during the year.

Basic Earnings per Share – Diluted

Attributable profit divided by the fully diluted weighted average ordinary shares (net of treasury shares).

Headline Earnings per Share

Headline earnings divided by the weighted average ordinary shares (net of treasury shares) in issue during the year.

Headline Earnings per Share – Diluted

Headline earnings divided by the fully diluted weighted average ordinary shares (net of treasury shares) in issue during the year.

Dividend Cover

Headline earnings per share divided by dividends per share for the year, comprising the interim dividend paid and the final dividend declared post year-end.

Net Asset Value per Share

Ordinary shareholders' equity at year-end divided by the ordinary shares in issue at year-end (net of treasury shares).

INCOME STATEMENT INFORMATION

Gross Margin

Gross profit expressed as a percentage of turnover.

Operating Profit Margin

Operating profit expressed as a percentage of turnover.

Headline Earnings

Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.

PROFITABILITY RETURNS

Return on Equity

Attributable profit expressed as a percentage of the average total equity.

Return on Net Assets

Operating profit expressed as a percentage of average net operating assets.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

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DIRECTORS' APPROVAL OF ANNUAL FINANCIAL STATEMENTS

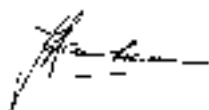
The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act. The group's independent external auditors, Deloitte & Touche, have audited the financial statements and their unmodified report is enclosed.

The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2009 and the results of their operations for the year under review.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company or the group will not remain a going concern for the foreseeable future.

The annual financial statements were approved by the board of directors on 10 November 2009 and are signed on its behalf by:



MJ Hankinson
Chairman



WA Hook
Chief Executive

10 November 2009

CERTIFICATE BY COMPANY SECRETARY

I certify that the company has lodged with the Registrar of Companies all returns that are required of a public company in terms section 268G(d) of the Companies Act in respect of the year ended 30 September 2009 and that all such returns are true, correct and up to date.



KJ O'Brien
Company Secretary

10 November 2009

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SPAR GROUP LIMITED

Report on the Financial Statements

We have audited the annual financial statements and group annual financial statements of The SPAR Group Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 September 2009, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 79.

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 in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

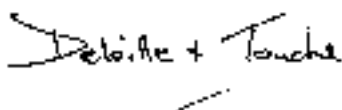
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 the directors, 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 financial position of the company and of the group as at 30 September 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Registered Auditors

Per JAR Welch

Partner – Audit KZN

10 November 2009

2 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban

National Executive: GG Gelink (*Chief Executive*), AE Swiegers (*Chief Operating Officer*), GM Pinnock (*Audit*), DL Kennedy (*Tax*), L Geeringh (*Consulting*), L Bam (*Strategy*), CR Beukman (*Finance*), TJ Brown (*Clients & Markets*), NT Mtoba (*Chairman of the Board*), C Qually (*Deputy Chairman of the Board*)

Regional Leader: GC Brazier

A full list of partners and directors is available on request.

DIRECTORS' STATUTORY REPORT

Principal Activity of the Company

The principal activity of the company is as a wholesaler and distributor of goods and services to SPAR grocery stores, Build it builders' merchandise outlets, and TOPS at SPAR liquor stores. The company operates six modern distribution centres which are strategically located close to the major metropolitan areas. These distribution centres service SPAR stores, Build it outlets and TOPS at SPAR stores across South Africa and neighbouring countries.

Financial Results

The net profit attributable to ordinary shareholders for the year ended 30 September 2009 amounted to R745.2 million (2008: R681.6 million). This translates into headline earnings per share of 404.5 cents (2008: 405.7 cents) based on the weighted average number of shares (net of treasury shares) in issue during the year.

Share Capital

Details of the authorised and issued share capital of the company are set out in note 20.

As a result of the introduction of BBBEE partners, the authorised share capital of the company was increased by the creation of 30 000 000 redeemable convertible preference shares with a par value of 0.06 cents each.

The issued share capital increased by the issue of 7 564 540 and 11 346 809 redeemable convertible preference shares to The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust respectively.

The number of ordinary shares in issue increased by 657 757 shares (2008: Nil) as a result of options exercised in terms of the rules of The SPAR Group Limited Employee Share Trust (2004).

Treasury Shares

During the year, The SPAR Group Limited Employee Share Trust (2004) purchased 719 800 shares (2008: 163 200) in The SPAR Group Limited for R34.9 million (2008: R8.1 million). At year-end, all treasury shares had been utilised to settle obligations to option holders who had exercised their option rights.

At the 2008 annual general meeting, a general authority was granted by shareholders to allow the company to acquire its own shares in terms of the Companies Act. The directors consider it advantageous for the company for this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the company and shareholders to effect such acquisitions having regard to prevailing circumstances and the cash resources of the company at the time. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming annual general meeting.

Share Option Scheme

Details of the un-issued shares of the company subject to option, in terms of The SPAR Group Limited Employee Share Trust (2004), are as follows:

	2009	2008
Shares under option at the beginning of the year	13 358 384	15 021 316
Options granted	1 154 000	781 000
Options exercised and paid in full	(2 914 650)	(2 225 782)
Options lapsed or cancelled	(10 200)	(218 150)
Shares under option as at year-end (refer note 20.2)	11 587 534	13 358 384
Options available for issue	5 135 632	6 289 632

Details of options granted are set out in note 20.2.

Dividends

A final dividend of 155 cents in respect of 2008 was declared on 11 November 2008 and paid on 8 December 2008. An interim dividend of 122 cents per share was declared on 29 May 2009 and paid on 8 June 2009. A final dividend of 200 cents per share was declared on 10 November 2009, payable on 7 December 2009.

The salient dates for the payment of the final dividend are:

Last day to trade cum-dividend	Friday, 27 November 2009
Shares to commence trading ex-dividend	Monday, 30 November 2009
Record date	Friday, 4 December 2009
Payment of dividend	Monday, 7 December 2009

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 30 November 2009 and Friday, 4 December 2009, both days inclusive.

Directorate

Details of the directors of the company at the date of this report are disclosed on pages 12 and 13.

In terms of the company's articles of association, one third of the non-executive directors retire annually by rotation at the annual general meeting ("AGM"). Accordingly, Mr MJ Hankinson and Mr RJ Hutchison retire at the AGM to be held on 9 February 2010, but offer themselves for re-appointment.

At 30 September 2009, the directors beneficially held 104 100 (2008: 64 100) shares in the company and unexercised options to acquire a total of 1 416 500 (2008: 1 346 400) ordinary shares in the company (refer note 30.3 and 31).

Audit and Risk Committee

The Audit and Risk Committee, a sub-committee of the board, addresses matters requiring specialist attention. The committee's responsibility includes, but is not limited to, the examination of internal control processes, reviewing and approving the internal audit plan, assessing the reports of the internal and external auditors and confirming that the company will remain a going concern.

The external and internal auditors have unrestricted access to the audit committee, and attend meetings to report on their findings and to discuss accounting, auditing, internal control and financial reporting matters.

During the year the independence of the auditors was tested and confirmed.

Risk Management

The group has identified risks that may have an effect on the operations of the company.

Regular risk management audits are conducted by the group's risk management consultants, whereby improvement areas are identified and resultant action plans implemented accordingly. Risks are considered to be adequately covered, and self-insurance programmes are in operation covering primary levels of risk. Assets are insured at current replacement values.

The group's practice regarding insurance includes an annual assessment, in conjunction with the group's insurance brokers, of the risk exposure relative to assets and possible liabilities arising from business transactions. In addition, the group's insurance programme is monitored by the Audit and Risk Committee.

Subsidiaries

The interest of the company in the aggregate net profit after taxation of subsidiaries was R12.5 million (2008: R12.1 million). Details of the company's subsidiaries are set out in note 36.

Events Subsequent to Balance Sheet Date

The directors are not aware of any matters or circumstances arising since the end of the financial year which have or may significantly affect the financial position of the group or the results of its operations.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and have been prepared on the historical cost basis except for the revaluation of financial instruments, the valuation of share based payments and the post retirement medical obligation. The principal accounting policies are consistent with those of the previous year. The group has considered all new standards, interpretations, and amendments to existing standards that are effective as at year-end. There has been no material impact of these amendments on the financial statements.

Adoption of New and Revised Standards

At the date of these financial statements, the following Standards, Interpretations and amendments to existing Standards were in issue but not yet effective:

Standard	Effective from annual periods beginning on or after
IFRS 2 Share Based Payments	1 January 2009
IFRS 3 Business Combinations	1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
IFRS 7 Financial Instruments: Disclosures	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements	1 January 2009
IAS 7 Statement of Cash Flows	1 January 2010
IAS 16 Property, Plant and Equipment	1 January 2009
IAS 17 Leases	1 January 2010
IAS 19 Employee Benefits	1 January 2009
IAS 23 Borrowing Costs	1 January 2009
IAS 27 Consolidated and Separate Financial Statements	1 July 2009
IAS 28 Investments in Associates	1 July 2009
IAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 32 Financial Instruments: Presentation	1 January 2009
IAS 36 Impairment of Assets	1 January 2009
IAS 38 Intangible Assets	1 January 2009
IAS 39 Financial Instruments: Recognition and Measurements	1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners	1 July 2009

The directors anticipate that the adoption of the aforementioned Standards and Interpretations and amendments to existing Standards will not have a material impact on the profits on the group.

Basis of Consolidation

The consolidated financial statements incorporate the results and financial position of the company and all its subsidiaries, which are defined as entities over which the group has the ability to exercise control so as to obtain benefits from their activities. The results of subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. All inter-company transactions and balances between group companies are eliminated.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the group.

The company has effective control of The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa and the assets and liabilities of these entities are consolidated with those of the company. As the company acts as an agent of these Guilds, the income and the expenditure of the Guilds has been offset and not consolidated.

Investments acquired with the intention of disposal within twelve months are not consolidated.

Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost and is not depreciated.

Land and buildings are held for use in the supply of goods.

Owner-occupied buildings are depreciated at 2% per annum on a straight-line basis. No revaluations have been made to property since 1984.

The cost less residual values of plant and equipment is depreciated over their estimated useful lives on a straight-line basis. The useful lives and residual values of all assets are reviewed annually and are adjusted should any changes arise. The following depreciation rates apply:

Vehicles	10% to 25% per annum
Plant and equipment	8,3% to 33,3% per annum
Furniture and fittings	20% to 33,3% per annum
Computer equipment	10% to 33,3% per annum

Where assets are identified as being impaired, that is when the recoverable amount has declined below the carrying amount, the carrying amount is reduced to reflect the decline in value.

Profit and loss on disposal of property, plant and equipment is recognised to profit or loss in the year of disposal.

Property, plant and equipment subject to finance lease agreements is capitalised at the cash cost equivalent and the corresponding liabilities raised. Lease finance charges are charged to operating profit as they fall due. These assets are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease.

ACCOUNTING POLICIES (CONTINUED)

Business Combinations

The acquisition of entities is accounted for under the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of the exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any cost directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at acquisition date, except for non-current assets held for sale, which are recognised at fair value less cost to sell. Goodwill arising on acquisition is initially recognised at cost. Negative goodwill is immediately recognised to profit and loss.

Goodwill

Goodwill arising on the acquisition of entities represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the entities recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested annually for impairment or more frequently when there is an indication that the cash-generating unit may be impaired. Any impairment loss is recognised directly to profit and loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of an entity, attributable goodwill is included in the determination of the profit and loss on disposal.

Investments in Subsidiaries

Investments in subsidiaries are stated at cost less amounts written off to provide for diminution in the net asset values of subsidiaries where appropriate.

Investment in Associates

Associates are those companies, which are not subsidiaries, over which the group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these decisions. Associate companies are accounted for using the equity method except where the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Equity accounted income represents the group's proportionate share of the associate's post-acquisition accumulated profit after accounting for dividends declared by those entities.

The carrying value of investments in associates represents the cost of each investment including goodwill, the share of post acquisition retained income or losses and other movements in reserves. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised. Any excess of the cost of acquisition over the group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition, is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When a group company transacts with the associate, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Impairment (excluding goodwill)

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying value. A reversal of an impairment loss is recognised immediately to profit and loss.

Share Based Payments

The group has applied the requirements of IFRS 2 Share Based Payments to all equity instruments issued after 7 November 2002 that had not vested as of 1 January 2005. The group issues equity settled share based payments to certain employees. These share based payments are measured at fair value at the date of the grant and are recognised to profit and loss on a straight-line basis over the vesting period. Fair value is measured at grant date by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate of the effect of non-market vesting conditions.

The group's accounting for the BBBEE transaction complies with the requirements of IFRS 2 Share Based Payments. The fair value of options granted to retailer employees is recognised immediately to profit and loss. The fair value of options granted to SPAR employees is recognised to profit and loss over the vesting period. Fair value is measured at grant date by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate of the effect of non-market vesting conditions.

Taxation

Income taxation expense represents the sum of South African current taxation payable, deferred taxation and Secondary Taxation on Companies. South African current taxation is payable based on taxable profit for the year. Taxable profit will differ from reported profit because it will exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been substantively enacted at the balance sheet date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences.

Deferred taxation is calculated using taxation rates at the balance sheet date and is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is dealt with in equity.

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which future deductible temporary differences can be utilised. The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (other than business combinations) of other assets and liabilities in a transaction which effects neither the taxable profit nor the accounting profit.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Obsolete, redundant and slow moving inventory is identified and written down to estimated economic or realisable values. Net realisable value represents the selling price less all estimated costs to be incurred in marketing, selling and distribution thereof.

When inventory is sold, the carrying amount is recognised to cost of sales. Any writedown of inventory to net realisable value and all losses of inventory or reversals of previous writedowns are recognised in cost of sales.

ACCOUNTING POLICIES (CONTINUED)

Post Retirement Medical Aid Provision

The company provides post retirement health care benefits to certain of its retirees. The entitlement to these benefits is based on qualifying employees remaining in service until retirement age. The projected unit credit method of valuation is used to calculate the post retirement medical aid obligations, which costs are accrued over the period of employment. These benefits are actuarially valued every two years (previously every three years) with the last valuation having taken place on 30 September 2008. Actuarial gains and losses exceeding 10% of the group's post retirement medical aid provision are amortised to profit and loss over the expected remaining working lives of the participating employees. The liability is unfunded.

Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Retirement Benefits

The group contributes to pension and provident funds which are governed by the Pension Funds Act, 1956. The defined contribution funds are reviewed annually by consulting actuaries. Contributions are charged against income as incurred. The defined benefit fund is actuarially valued every three years with the last valuation occurring on 1 March 2008. If the fair value of the plan liabilities exceeds the fair value of the plan assets, the resultant obligation is recognised. If fair value of plan assets exceeds the fair value of the plan liabilities, no profit is recognised. The projected unit credit method of valuation is used to calculate the fair value of the plan assets and liabilities.

Revenue Recognition

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for goods and services provided in the normal course of business, net of rebates, discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Advertising revenue consists of contributions from suppliers towards promotional activities and is recognised when the associated advertising and promotional activity has occurred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at an applicable interest rate.

Dividend income from investments is brought to account as and when the company is entitled to receive such dividend unless the dividend is due from an entity which operates under severe long-term restrictions. The dividends from these entities are accounted for on a cash basis.

Non-current Assets Held For Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as only being met when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification.

Non-current assets held for sale (disposal groups) are measured at the lower of the asset's carrying amounts and the fair value less costs to sell. Any disposal group's income statement effect is reflected as a "discontinued operation" on the face of the income statement with appropriate comparatives.

Foreign Currencies

Transactions in currencies other than in Rands are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the balance sheet date. Exchange differences arising on the settlement of monetary items or on reporting the group's monetary items at rates different from those at which they were initially recorded, are recognised to profit or loss in the period in which they arise.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Rands, which is the functional currency of the company, and the presentation currency for the consolidated financial statements. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Rands using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. In the period that the foreign operation is disposed of, such translation differences are recognised to profit and loss.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheets when the company or group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the instruments are measured as set out below:

- The principal financial assets are cash resources, trade receivables, investments and loans. Trade receivables, loans and cash resources are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. In the company's financial statements, the investments in subsidiaries are stated at cost less amounts written off to provide for the diminution in the net asset values of the subsidiaries.
- Financial liabilities are classified according to the substance of the contractual arrangements. Significant financial liabilities include trade and other payables. Trade and other payables are stated at their nominal value.
- Derivative assets and liabilities are recognised at fair value at each reporting date.
- Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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

Financial Guarantees

Financial guarantee contracts are accounted for as insurance contracts in terms of IFRS 4 Insurance Contracts and are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

ACCOUNTING POLICIES (CONTINUED)

Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

In the capacity of lessor:

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental recoveries received under property head lease agreements are recognised on the straight-line basis over the period of the relevant lease. These are offset against the head lease rental charge in operating expenditure.

In the capacity of lessee:

Assets held under finance leases are recognised as assets of the group at their fair values, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss.

Rental costs incurred under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease.

Foreign Investments in Hyperinflationary Economies

Foreign subsidiaries and associate investments which operate in a hyperinflationary economy are adjusted for hyperinflation using a general price index. This was in particular applicable to the group's investment in its Zimbabwean associate. During the current year, the reporting currency of Zimbabwe changed to United States dollars, thereby negating the hyperinflationary effect.

KEY MANAGEMENT JUDGEMENTS

There are a number of areas where judgement is applied in the application of the accounting policies in the financial statements. Significant areas of judgement have been identified as:

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill relates. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value. Details of the assumptions used in the impairment test are detailed in note 10.

Property, Plant, Equipment and Vehicles

The directors have assessed the useful lives of assets based on historical trends.

Post Employment Benefits

The post employment benefits are valued by actuaries taking into account the assumptions as detailed in note 23.

Share Options

The share options are actuarially valued using the binomial model, with the expected life used in the model being based on management estimates.

Key Sources of Estimation Uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	Notes	GROUP		COMPANY	
		2009	2008	2009	2008
Revenue	1	32 256.2	26 992.5	31 704.5	26 540.3
Trading profit	3	1 214.5	971.9	1 209.2	965.5
Profit on sale of property	19	63.0		63.0	
BBBEE transaction	37	(136.2)		(136.2)	
Operating profit		1 141.3	971.9	1 136.0	965.5
Interest received	4	34.9	45.9	34.9	45.9
Interest paid	4	(29.5)	(19.3)	(29.5)	(19.3)
Profit before taxation		1 146.7	998.5	1 141.4	992.1
Taxation	5	(401.5)	(316.9)	(395.6)	(311.3)
Profit for the year attributable to ordinary shareholders		745.2	681.6	745.8	680.8
Earnings per share (cents)	6				
Basic		439.4	406.5		
Diluted		426.0	390.5		

BALANCE SHEETS

AT 30 SEPTEMBER 2009

		GROUP		COMPANY	
Rmillion	Notes	2009	2008	2009	2008
ASSETS					
Non-current assets		1 856.2	1 549.6	1 813.1	1 505.4
Property, plant and equipment	9	1 425.8	1 083.3	1 380.7	1 037.2
Goodwill	10	245.6	245.6	245.6	245.6
Investment in subsidiaries	36			2.3	2.3
Operating lease receivables	11	143.3	125.2	143.3	125.2
Investment in associate	12	3.5	3.5	3.1	3.1
Finance lease receivables	13		20.4		20.4
Loans	14	13.8	52.6	13.8	52.6
Deferred taxation asset	15	22.0	15.7	22.1	15.7
Other non-current assets		2.2	3.3	2.2	3.3
Current assets		4 683.6	4 284.3	4 509.6	4 222.0
Inventories	16	853.1	795.7	853.0	795.7
Trade and other receivables	17	3 715.7	3 341.4	3 611.0	3 259.9
Prepayments		26.4	24.2	25.7	23.7
Operating lease receivables	11	15.4	13.4	15.4	13.4
Finance lease receivables	13		5.5		5.5
Loans	14	4.5	15.9	4.5	93.5
Bank balances – Guilds	18	68.5	57.9		
		4 683.6	4 254.0	4 509.6	4 191.7
Non-current assets held for sale	19		30.3		30.3
Total assets		6 539.8	5 833.9	6 322.7	5 727.4
EQUITY AND LIABILITIES					
Capital and reserves		1 940.3	1 487.8	1 930.2	1 554.4
Share capital and premium	20	23.3	13.4	23.3	13.4
Treasury shares	21		(77.6)		
Currency translation reserve		(0.3)			
Share based payment reserve	22	231.1	78.4	231.1	78.4
Retained earnings		1 686.2	1 473.6	1 675.8	1 462.6
Non-current liabilities		209.4	184.7	209.4	184.7
Post retirement medical aid provision	23	67.9	60.8	67.9	60.8
Operating lease payables	11	141.5	123.9	141.5	123.9
Current liabilities		4 390.1	4 161.4	4 183.1	3 988.3
Trade and other payables	24	4 015.2	3 707.0	3 791.4	3 517.3
Operating lease payables	11	15.5	14.4	15.5	14.4
Provisions	25	6.1	8.7	5.1	8.2
Taxation	27	2.3	121.3	2.3	121.1
Bank overdrafts	18	351.0	310.0	368.8	327.3
Total equity and liabilities		6 539.8	5 833.9	6 322.7	5 727.4

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	Share capital and premium	Treasury shares	Currency translation reserve	Share based payment reserve	Retained earnings	Attributable to ordinary shareholders
Group						
Capital and reserves at 30 September 2007	13.4	(154.4)		30.2	1 220.5	1 109.7
Profit for 2008					681.6	681.6
Recognition of share based payments				22.3		22.3
Take-up of share options		84.9		(47.2)		37.7
Transfer arising from take-up of share options				73.1	(73.1)	–
Share repurchases		(8.1)				(8.1)
Dividends declared					(355.4)	(355.4)
Capital and reserves at 30 September 2008	13.4	(77.6)		78.4	1 473.6	1 487.8
Profit for 2009					745.2	745.2
Recognition of share based payments				21.1		21.1
Take-up of share options		122.4		(64.9)		57.5
Transfer arising from take-up of share options				64.9	(64.9)	–
Share repurchases		(34.9)				(34.9)
Dividends declared					(467.7)	(467.7)
Issue of shares	9.9	(9.9)				–
Recognition of BBBEE transaction				131.6		131.6
Exchange difference on translation of foreign subsidiaries			(0.3)			(0.3)
Capital and reserves at 30 September 2009	23.3	0.0	(0.3)	231.1	1 686.2	1 940.3
Company						
Capital and reserves at 30 September 2007	13.4			30.2	1 210.3	1 253.9
Profit for 2008					680.8	680.8
Recognition of share based payments				22.3		22.3
Contribution to Employee Share Trust				(47.2)		(47.2)
Transfer arising from take-up of share options				73.1	(73.1)	–
Dividends declared					(355.4)	(355.4)
Capital and reserves at 30 September 2008	13.4	–	–	78.4	1 462.6	1 554.4
Profit for 2009					745.8	745.8
Recognition of share based payments				21.1		21.1
Contribution to Employee Share Trust				(64.9)		(64.9)
Transfer arising from take-up of share options				64.9	(64.9)	–
Dividends declared					(467.7)	(467.7)
Issue of shares	9.9					9.9
Recognition of BBBEE transaction				131.6		131.6
Capital and reserves at 30 September 2009	23.3	–	–	231.1	1 675.8	1 930.2

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	Notes	GROUP		COMPANY	
		2009	2008	2009	2008
Cash flows from operating activities		215.4	(379.7)	204.1	(382.8)
Cash generated from operations	26	1 205.1	217.7	1 187.8	209.1
Interest received		34.3	45.4	34.3	45.4
Interest paid		(29.5)	(19.3)	(29.5)	(19.3)
Taxation paid	27	(526.8)	(268.1)	(520.8)	(262.6)
Dividends paid	8	(467.7)	(355.4)	(467.7)	(355.4)
Cash flows from investing activities		(268.5)	(356.3)	(255.5)	(322.9)
Investment to expand operations		(390.4)	(365.3)	(390.4)	(361.3)
Investment to maintain operations		49.5	(55.6)	49.7	(55.7)
– Replacement of property, plant and equipment		(51.1)	(60.8)	(51.1)	(60.8)
– Proceeds on disposal of property, plant and equipment		100.6	5.2	100.8	5.1
Net movement on loans		72.4	64.6	85.2	94.1
Cash flows from financing activities		22.6	29.2	9.9	(0.4)
Proceeds from issue of share capital		9.9		9.9	
Proceeds from exercise of share options		47.6	37.7		
Share repurchases	21	(34.9)	(8.1)		
Repayment of long-term borrowings			(0.4)		(0.4)
Net decrease in cash and cash equivalents		(30.5)	(706.8)	(41.5)	(706.1)
Net (overdrafts)/cash and cash equivalents at beginning of year		(252.1)	453.5	(327.3)	378.8
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	1.2		
Net overdrafts at end of year	18	(282.5)	(252.1)	(368.8)	(327.3)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
1. REVENUE				
Turnover	31 962.1	26 742.2	31 397.5	26 278.8
Other income	294.1	250.3	307.0	261.5
Marketing revenues	288.1	244.3	288.0	244.2
Other receipts	6.0	6.0	6.0	6.0
Dividends received			13.0	11.3
Total revenue	32 256.2	26 992.5	31 704.5	26 540.3
2. COST OF SALES				
Cost of sales represents the net cost of purchases from suppliers, after discounts, rebates and incentive allowances received from suppliers.				
3. TRADING PROFIT				
Trading profit is arrived at after taking into account:				
Turnover	31 962.1	26 742.2	31 397.5	26 278.8
Cost of sales	(29 393.0)	(24 582.5)	(28 847.1)	(24 133.6)
Gross profit	2 569.1	2 159.7	2 550.4	2 145.2
Other income	294.1	250.3	307.0	261.5
Operating expenses*	(1 648.7)	(1 438.1)	(1 648.2)	(1 441.2)
Warehousing and distribution expenses	(758.5)	(682.6)	(767.2)	(690.8)
Marketing and selling expenses	(425.4)	(378.9)	(416.1)	(372.7)
Administration and information technology expenses	(464.8)	(376.6)	(464.9)	(377.7)
Trading profit	1 214.5	971.9	1 209.2	965.5

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
3. TRADING PROFIT (continued)				
Operating expenses include the following:				
Auditors' remuneration:	4.0	3.6	3.7	3.6
Audit fees	3.9	3.6	3.6	3.6
Other fees	0.1		0.1	
Depreciation:	92.4	73.0	91.2	72.0
Buildings and leasehold improvements	10.6	7.1	9.5	6.1
Plant, equipment and vehicles	81.8	65.9	81.7	65.9
Fair value adjustment	(1.0)	1.5	(1.0)	1.5
Net foreign exchange losses	0.6	0.4	0.6	0.4
Operating lease charges:				
Immovable property	9.2	10.0	8.8	9.7
Lease rentals payable	221.5	167.8	221.1	167.5
Sub-lease recoveries	(212.3)	(157.8)	(212.3)	(157.8)
Plant, equipment and vehicles	8.6	8.7	8.6	8.7
Net profit on disposal of plant and equipment	(0.7)	(1.8)	(0.7)	(1.8)
Post retirement medical aid provision	9.6	6.0	9.6	6.0
Retirement contributions				
Defined contribution plan expenses	54.7	44.0	54.5	43.9
Defined benefit plan expenses	0.4	0.5	0.4	0.5
Share based payments charge	21.1	22.3	21.1	22.3
Staff costs	793.9	695.3	790.2	693.0
Technical and consulting fees	6.2	4.0	6.2	4.0

* During the current year, reclassifications were made between the previously disclosed categories of operating expenditure to better reflect the nature and groupings of the individual expenditure items. Accordingly, the prior year group comparative warehouse and distribution expenses were decreased by R73.5 million (company R65.3 million), with a corresponding increase in administration and information technology expenses. The prior year reclassifications had no effect on net operating expenditure or profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
4. NET INTEREST RECEIVED				
<i>Interest received</i>				
Bank deposits	17.6	17.4	17.6	17.4
Loans	7.8	21.3	7.8	21.3
Overdue debtors	8.5	5.9	8.5	5.9
Other	1.0	1.3	1.0	1.3
Total interest received	34.9	45.9	34.9	45.9
<i>Interest paid</i>				
Fixed asset financing and security deposits	4.0	1.7	4.0	1.7
Bank overdraft	21.7	16.6	21.7	16.6
Other	3.8	1.0	3.8	1.0
Total interest paid	29.5	19.3	29.5	19.3
Net interest received	5.4	26.6	5.4	26.6
5. TAXATION				
Current taxation – current year	343.8	284.2	338.2	278.5
– prior year	17.5	(1.8)	17.5	(1.8)
Deferred taxation – current year	8.8	4.7	8.7	4.7
– prior year	(15.1)	(6.6)	(15.1)	(6.6)
– rate change		0.7		0.7
Secondary Tax on Companies	46.3	35.6	46.3	35.6
Foreign withholding tax	0.2	0.1		0.2
Total taxation	401.5	316.9	395.6	311.3
<i>Reconciliation of effective taxation rate %</i>				
Standard taxation rate	28.0	28.0	28.0	28.0
Disallowable expenses	2.8	0.9	2.4	0.6
Prior year under/(over) provision	0.2	(0.9)	0.2	(0.9)
Secondary Tax on Companies	4.0	3.6	4.1	3.6
Rate change – deferred tax asset		0.1		0.1
Effective rate of taxation	35.0	31.7	34.7	31.4

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
6. EARNINGS PER SHARE				
Earnings per share is calculated using the weighted average number of ordinary shares (net of treasury shares) in issue during the year. In the case of basic earnings per share, the weighted average number of ordinary shares (net of treasury shares) in issue during the year was 169 581 464 (2008: 167 666 960). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 174 928 715 (2008: 174 535 945).				
The calculation of the basic and diluted earnings per share attributable to ordinary shareholders is based on the following data:				
Earnings				
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders)	745.2	681.6	745.8	680.8
Number of shares ('000)				
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	169 582	167 667	169 582	167 667
Effect of diluted potential ordinary shares:				
Share options	5 347	6 869	5 347	6 869
Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	174 929	174 536	174 929	174 536
7. HEADLINE EARNINGS				
Profit for the year attributable to ordinary shareholders	745.2	681.6	745.8	680.8
Adjusted for:				
Profit on sale of property, plant and equipment	(59.3)	(1.3)	(59.3)	(1.3)
– Gross	(63.7)	(1.8)	(63.7)	(1.8)
– Tax effect	4.4	0.5	4.4	0.5
Headline earnings	685.9	680.3	686.5	679.5
Add BBBEE transactions	136.2		136.2	
Headline earnings before BBBEE transactions	822.1	680.3	822.7	679.5
Headline earnings per share (cents)				
Basic	404.5	405.7		
Diluted	392.1	389.8		
Before BBBEE transactions	484.8	405.7		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
8. DIVIDENDS PAID				
2008 Final dividend declared 11 November 2008				
– paid 8 December 2008	260.2	187.3	260.2	187.3
2009 Interim dividend declared 5 May 2009 – paid 8 June 2009	207.5	168.1	207.5	168.1
Total dividends	467.7	355.4	467.7	355.4
2008 Final dividend per share declared 11 November 2008				
– paid 8 December 2008 (cents)	155.0	112.5	155.0	112.5
2009 Interim dividend per share declared 5 May 2009				
– paid 8 June 2009 (cents)	122.0	100.0	122.0	100.0
Total dividends per share (cents)	277.0	212.5	277.0	212.5

The final dividend for the year ended 30 September 2009 of 200 cents per share declared on 10 November 2009 and payable on 7 December 2009 has not been accrued.

Rmillion	Freehold land and buildings		Leasehold buildings		Plant, equipment and vehicles		Total
9. PROPERTY, PLANT AND EQUIPMENT							
GROUP – 2009							
Carrying value at 30 September 2008	661.9	1.0	420.4	1 083.3			
Additions	264.5		177.0	441.5			
Disposals at net book value			(6.6)	(6.6)			
Depreciation	(10.4)	(0.2)	(81.8)	(92.4)			
Category reclassification	0.3	(0.3)					
Carrying value at 30 September 2009	916.3	0.5	509.0	1 425.8			
Analysed as follows:							
Cost	976.5	1.7	882.4	1 860.6			
Accumulated depreciation	(60.2)	(1.2)	(373.4)	(434.8)			
COMPANY – 2009							
Carrying value at 30 September 2008	615.9	1.0	420.3	1 037.2			
Additions	264.4		177.1	441.5			
Disposals at net book value			(6.8)	(6.8)			
Depreciation	(9.3)	(0.2)	(81.7)	(91.2)			
Reclassifications of assets as held for sale	0.3	(0.3)					
Carrying value at 30 September 2009	871.3	0.5	508.9	1 380.7			
Analysed as follows:							
Cost	922.3	1.7	881.7	1 805.7			
Accumulated depreciation	(51.0)	(1.2)	(372.8)	(425.0)			

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT (continued)				
GROUP – 2008				
Carrying value at 30 September 2007	423.5	0.7	312.0	736.2
Additions	247.7	0.5	177.9	426.1
Disposals at net book value	(0.1)		(3.3)	(3.4)
Depreciation	(6.9)	(0.2)	(65.9)	(73.0)
Reclassification of assets as held for sale	(2.3)		(0.3)	(2.6)
Carrying value at 30 September 2008	661.9	1.0	420.4	1 083.3
Analysed as follows:				
Cost	711.7	2.0	727.8	1 441.5
Accumulated depreciation	(49.8)	(1.0)	(307.4)	(358.2)
COMPANY – 2008				
Carrying value at 30 September 2007	380.3	0.7	312.0	693.0
Additions	243.8	0.5	177.8	422.1
Disposals at net book value			(3.3)	(3.3)
Depreciation	(5.9)	(0.2)	(65.9)	(72.0)
Reclassification of assets as held for sale	(2.3)		(0.3)	(2.6)
Carrying value at 30 September 2008	615.9	1.0	420.3	1 037.2
Analysed as follows:				
Cost	657.6	2.0	727.3	1 386.9
Accumulated depreciation	(41.7)	(1.0)	(307.0)	(349.7)

Details of land and buildings are recorded in a register which is available for inspection at the registered office of the company. The directors' valuation of freehold land and buildings at 30 September 2009 is R997.2 million (2008: R661.6 million). The valuation was based on a net yield of 14% (2008: 14%).

As required by IAS 16, the group has reviewed the useful lives and residual values of property, plant and equipment. The review resulted in an adjustment to the residual values and useful lives of the commercial vehicles in the current year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
10. GOODWILL				
At cost	245.6	245.6	245.6	245.6

During the year the group reviewed goodwill for possible impairment. Goodwill is attributable to the Lowveld distribution centre operation. The "value in use" discounted cash flow model was applied in assessing the carrying value of goodwill.

The following assumptions were applied in determining the value in use:

	2009	2008
Discount rate	11.9%	13.5%
Sales growth rate	6–8%	5–6%
Terminal value growth rate	3%	3%

The group prepares ten-year cash flow projections based on the most recent budgets approved by management and extrapolations of cash flows for the remaining periods. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market.

At 30 September 2009, the carrying value of goodwill was not considered to be impaired.

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
11. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	158.7	138.6	158.7	138.6
Less current portion	(15.4)	(13.4)	(15.4)	(13.4)
Non-current operating lease receivables	143.3	125.2	143.3	125.2
Operating lease payables	157.0	138.3	157.0	138.3
Less current portion	(15.5)	(14.4)	(15.5)	(14.4)
Non-current operating lease payables	141.5	123.9	141.5	123.9

The group has entered into various non-cancellable operating lease agreements in respect of rented premises. Other than for those premises occupied by the group, the premises are sub-let to SPAR retailers. Leases are contracted for periods of up to 10 years, some with renewal options. Rentals comprise minimum monthly payments and additional payments based on turnover levels.

Operating leases with fixed escalation charges are recognised in the income statement on the straight-line basis, which is consistent with the prior year.

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
12. INVESTMENT IN ASSOCIATE				
SPAR Harare (Pvt) Limited				
Shares at cost	3.1	3.1	3.1	3.1
Cumulative share of post acquisition profit, net of dividend received	0.4	0.4		
Net investment in associate	3.5	3.5	3.1	3.1
<p>The group has a 35% shareholding in SPAR Harare (Pvt) Limited, which company acts as a wholesaler and distributor of goods and services to SPAR supermarkets in eastern Zimbabwe.</p> <p>SPAR Harare (Pvt) Limited has a 30 June year-end, being the financial reporting date established at incorporation.</p> <p>During the current year the reporting currency of SPAR Harare (Pvt) Limited was changed from Zimbabwe dollars to United States dollars.</p> <p>Due to the economic uncertainty in Zimbabwe, the group has not recognised its share of the associate profits in the current year (2008: Nil).</p> <p>Rates are as follows:</p> <p>Purchase price index (in millions) 1 314 718</p> <p>Rand/Zimbabwe dollar exchange rate (in millions) 5 139</p> <p>Rand/United States dollar exchange rate at year-end 7.43</p> <p>Summarised translated financial statements of SPAR Harare (Pvt) Limited as at 30 June 2009 are as follows:</p>				
			R (millions)	R (millions)
Total assets			12.8	6.2
Total liabilities			4.8	2.8
Capital reserves			8.0	3.4
Revenue			39.4	10.6
Profit/(loss) for the year attributable to ordinary shareholders			1.6	(1.1)
Gain on net monetary position for the year				2.2
Profit for the year			1.6	1.1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
13. FINANCE LEASE RECEIVABLES				
During the current financial year, the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams. The company now stands guarantor for the ceded rental stream. Refer to note 33 regarding the credit risk arising from this guarantee.				
Amounts receivable under finance leases		30.9		30.9
– receivable within one year		7.5		7.5
– receivable in the second to sixth years		23.4		23.4
Less unearned finance income		(5.0)		(5.0)
Present value of minimum lease receivables		25.9		25.9
Less current portion		(5.5)		(5.5)
Non-current finance lease receivables	–	20.4	–	20.4
14. LOANS				
Retailer loans	18.3	68.5	18.3	68.5
Advance to The SPAR Group Limited Employee Share Trust (2004)	–	–	–	77.6
Less current portion	18.3 (4.5)	68.5 (15.9)	18.3 (4.5)	146.1 (93.5)
Non-current loans	13.8	52.6	13.8	52.6
Retailer loans are both secured and unsecured, bear interest at various rates and have set repayment terms.				
As at September 2009, all treasury shares were utilised to settle option holders who had exercised their option rights. As a result, the advance to The SPAR Group Limited Employee Share Trust (2004) was settled.				
15. DEFERRED TAXATION ASSET				
Deferred taxation analysed by major category:				
Accelerated capital allowances	(56.1)	(40.7)	(56.0)	(40.7)
Provisions, claims and prepayments	78.1	56.4	78.1	56.4
Closing balance	22.0	15.7	22.1	15.7
Reconciliation of deferred taxation:				
Opening balance	15.7	14.5	15.7	14.5
Income statement effect	6.3	1.9	6.4	1.9
Rate change		(0.7)		(0.7)
Closing balance	22.0	15.7	22.1	15.7

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
16. INVENTORIES				
Merchandise	879.3	822.5	879.2	822.5
Less provision for obsolescence	(26.2)	(26.8)	(26.2)	(26.8)
Total inventories	853.1	795.7	853.0	795.7
Shrinkages and damages written off	36.1	27.5	36.1	27.5
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	3 446.4	3 120.5	3 376.6	3 062.5
Allowance for doubtful debts	(87.8)	(52.4)	(87.0)	(51.5)
Net trade receivables	3 358.6	3 068.1	3 289.6	3 011.0
Other receivables	357.1	273.3	321.4	248.9
Total trade and other receivables	3 715.7	3 341.4	3 611.0	3 259.9
<i>Movement in the allowance for doubtful debts</i>				
Allowance at 30 September 2008	(52.4)	(33.7)	(51.5)	(32.9)
Currency translation adjustment		(0.1)		
Increase in allowance	(35.4)	(18.6)	(35.5)	(18.6)
Allowance at 30 September 2009	(87.8)	(52.4)	(87.0)	(51.5)
Irrecoverable debts written off net of recoveries	46.0	22.4	45.3	22.4

Trade receivables

The group provides credit facilities to SPAR and Build it members. The recoverability of amounts owing by members to the group is regularly reviewed and assessed on an individual basis. To the extent considered irrecoverable, debts are written off. It is a prerequisite for appropriate security to be obtained from retailers to reduce the level of credit exposure. Standard credit terms granted to members are as follows:

SPAR

- Ex-warehouse supply – 19 days from weekly statement
- Ex-direct supplier delivery – 31 days from weekly statement

Build it

- Ex-direct supplier delivery – 38 days from weekly statement

Included in trade receivables are debtors with a net carrying amount of R59.1 million (2008: R35.3 million) which are past due. The group has not provided for these amounts as there has not been a significant change in credit quality of the debts and the amounts are considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

18. OVERDRAFTS/CASH BALANCES

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

The group separately discloses bank balances between SPAR bank balances and Guild bank balances, with the latter classification comprising retailer funds held in trust and other cash deposits attributable to The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa.

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	GROUP		COMPANY	
Rmillion	2009	2008	2009	2008
Bank balances – Guilds	68.5	57.9		
Bank overdrafts – SPAR	(351.0)	(310.0)	(368.8)	(327.3)
Net overdrafts	(282.5)	(252.1)	(368.8)	(327.3)
19. NON-CURRENT ASSETS HELD FOR SALE				
Property, plant and equipment held for sale		30.3		30.3
The group's Montague Gardens, Cape Town distribution centre together with various plant and equipment was reflected as a non-current asset held for sale in 2008. The distribution centre was disposed of for R93.3 million during the current financial year, at a profit of R63 million.				
20. SHARE CAPITAL AND PREMIUM				
20.1 Authorised				
250 000 000 (2008: 250 000 000) ordinary shares of 0.06 cents (2008: 0.06 cents) each	0.2	0.2	0.2	0.2
30 000 000 (2008: Nil) redeemable convertible preference shares of 0.06 cents each				
Issued				
170 597 792 (2008: 169 940 035) ordinary shares of 0.06 cents (2008: 0.06 cents) each	0.1	0.1	0.1	0.1
18 911 349 (2008: Nil) redeemable convertible preference shares of 0.06 cents each			–	–
Share premium	23.2	13.3	23.2	13.3
Balance at beginning of year	13.3	13.3	13.3	13.3
Issue of shares	9.9		9.9	
Total share capital and premium	23.3	13.4	23.3	13.4

20. SHARE CAPITAL AND PREMIUM (continued)

20.1 Authorised (continued)

All authorised and issued shares of the same class rank pari passu in every respect.

There are no conversion or exchange rights in respect of the ordinary shares and a variation of share rights requires approval by a special resolution from the shareholders at a general meeting in accordance with the Articles of Association.

Certain redeemable convertible preference shares were issued in terms of the company's approved BBBEE scheme, with 7 564 540 shares being issued to The SPAR BBBEE Employee Trust and 11 346 809 shares being issued to The SPAR BBBEE Retailer Employee Trust (details of the transaction are covered in note 37). The preference shares are not listed.

The redeemable convertible preference shares, redeemable in 2016, are treated as treasury shares arising from the consolidation of the BBBEE trusts at year-end.

The unissued shares of the company are under the control of the directors to the extent that such shares may be required to satisfy option holders' requirements. This authority will expire at the forthcoming annual general meeting.

20.2 Share capital subject to option

Details of share options granted in terms of the company's share option scheme are as follows:

Option strike price per share	Option exercisable until	Number of shares under option	
		2009	2008
R7.82552	2 October 2008	—	500
R9.80803	24 June 2009	—	99 200
R7.96901	8 July 2009	—	20 100
R10.80873	8 November 2009	212 500	335 800
R9.6381	13 October 2010	5 000	5 000
R9.9402	14 November 2010	194 400	224 400
R11.61189	1 September 2011	—	5 000
R10.76224	29 January 2012	688 300	830 100
R13.05818	3 February 2013	662 000	791 000
R13.05818	31 March 2013	147 234	213 134
R13.17147	8 August 2013	—	8 400
R15.10867	29 January 2014	772 600	970 000
R21.04	14 December 2014	3 170 500	4 884 450
R29.00	13 November 2015	1 807 000	2 116 300
R30.36	10 January 2016	190 000	190 000
R46.22	8 March 2017	1 815 000	1 890 000
R58.10	3 December 2017	769 000	775 000
R50.23	11 November 2018	1 154 000	—
		11 587 534	13 358 384
Unissued options under the control of the directors		5 135 632	6 289 632

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP	
	2009	2008
21. TREASURY SHARES		
During the year, The SPAR Group Limited Employee Share Trust (2004) purchased 719 800 shares (2008: 163 200) in the company at an average purchase price of R48.59 per share (2008: R49.62). The trust holds these shares for the purpose of satisfying option holder requirements as and when option holders exercise their share option rights. At year-end, all treasury shares had been utilised to settle obligations to option holders who had exercised their option rights.		
Cost of shares		
Opening balance	77.6	154.4
Share repurchases	34.9	8.1
Share issues to trust on exercise of share option rights	9.9	
Shares sold to option holders on exercise of share option rights	(122.4)	(84.9)
Closing balance	–	77.6

	Number of shares held	
Shares held in trust		
Opening balance	1 537 093	3 554 775
Share repurchases	719 800	163 200
Share issues to trust on exercise of share option rights	657 757	
Shares sold to option holders on exercise of share option rights	(2 914 650)	(2 180 882)
Closing balance	–	1 537 093

22. SHARE BASED PAYMENTS

The company has in place a share option scheme which is operated through The SPAR Group Limited Share Employee Trust (2004) ("the Trust"). On election by option holders, one third of the options granted vested after three years, with a further third vesting on the expiry of years four and five respectively. Options issued by the Trust expire 10 years from grant date. Options are forfeited if the employee leaves the group before vesting date.

Share options outstanding at year-end are as follows:

	Number of options	
	2009	2008
Opening balance	13 358 384	15 021 316
New options granted *	1 154 000	781 000
Options taken up **	(2 914 650)	(2 225 782)
Options forfeited	(10 200)	(218 150)
Closing balance	11 587 534	13 358 384
* Weighted average price of options granted during the year	R50.23	R58.10
** Weighted average grant price of options taken up during the year	R21.12	R17.19
** Weighted average selling price of options exercised during the year	R55.40	R55.92

1 154 000 Share options were granted on 11 November 2008. The estimated fair value of the options granted was R18 021 649. The fair value of these options was calculated using a binomial model.

22. SHARE BASED PAYMENTS (continued)

The valuation of options granted was performed by an independent valuator utilising the following principal assumptions:

Grant date	Vesting date	Expected option life time	ASSUMPTION		
			Rolling volatility %	Dividend yield %	Risk-free rate %
2009					
11/11/2008	11/11/2011	4	25.71	3.9	8.42
11/11/2008	11/11/2012	5	25.71	3.9	8.60
11/11/2008	11/11/2013	6	25.71	3.9	8.60
2008					
4/12/2007	4/12/2010	4	25.00	3.25	10.53
4/12/2007	4/12/2011	5	25.00	3.25	10.26
4/12/2007	4/12/2012	6	25.00	3.25	10.04

Broad-based Black Economic Empowerment deal

The company entered into a broad-based black economic empowerment (BBBEE) deal in the current financial year. The participants in this scheme are SPAR group employees and SPAR retailer employees. The scheme operates through The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust respectively.

In terms of the transaction, 7 564 540 redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust and 11 346 809 redeemable convertible preference shares were issued to The SPAR BBBEE Retailer Employee Trust. All BBBEE share options vest and mature seven years from grant date (19 August 2016), at a strike price of R69.97.

The share based payment cost relating to SPAR employees is recognised to profit and loss on a straight-line basis over the vesting period. The cost relating to SPAR retailer employees has been recognised to profit and loss as these beneficiaries are not classified as employees of the SPAR Group.

Grant date	Vesting date	Expected option life time	ASSUMPTION		
			Rolling volatility %	Dividend yield %	Risk-free rate %
19/08/2009	19/08/2016	7	25.65	5	8.11

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
23. POST RETIREMENT MEDICAL AID PROVISION				
Opening balance – actuarial valuation	64.4	65.8	64.4	65.8
Recognised as an expense during the current year:	8.9	6.1	8.9	6.1
Interest cost	6.0	4.4	6.0	4.4
Current service cost	2.9	1.7	2.9	1.7
Employer contributions	(2.5)	(1.9)	(2.5)	(1.9)
Actuarial gain		(5.6)		(5.6)
Actuarial valuation at end of the year	70.8	64.4	70.8	64.4
Unrecognised actuarial loss	(2.9)	(3.6)	(2.9)	(3.6)
Closing balance	67.9	60.8	67.9	60.8
The principal actuarial assumptions applied in the determination of fair values include:				
Discount rate	9.5%	9.5%	9.5%	9.5%
Health care cost inflation	7.5%	7.5%	7.5%	7.5%
Average retirement age	63/65	63/65	63/65	63/65
<p>The obligation of the company to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997. However, there are 333 (2008: 379) pensioners and current employees who remain entitled to this benefit. The company continues to adopt the corridor method of recognising actuarial gains and losses.</p> <p>The last actuarial valuation was performed in September 2008 and the next valuation is expected to be performed during the 2010 financial year.</p> <p>A 1% movement in the health care cost is not expected to yield a material movement in the recognised obligation, in light of the group adopting the corridor method of recognising actuarial gains and losses.</p>				
24. TRADE AND OTHER PAYABLES				
Trade payables	3 099.6	2 873.5	3 043.8	2 831.4
Other	915.6	833.5	747.6	685.9
Trade and other payables	4 015.2	3 707.0	3 791.4	3 517.3

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
25. PROVISIONS				
Supplier claims provision	6.1	8.7	5.1	8.2
Balance at the beginning of the year	8.7	3.5	8.2	3.4
Provisions raised	1.1	5.9	0.5	5.5
Provisions utilised	(3.7)	(0.7)	(3.6)	(0.7)
Balance at the end of the year	6.1	8.7	5.1	8.2
The supplier claim provision represents management's best estimate of the group's liability to suppliers in respect of disputed deliveries and other issues. Claims are considered doubtful based on the age of the claims and specific circumstances.				
26. CASH GENERATED FROM OPERATIONS				
Operating profit	1 141.3	971.9	1 136.0	965.5
Adjusted for:				
Depreciation	92.4	73.0	91.2	72.0
Net profit on disposal of property, plant and equipment	(63.7)	(1.8)	(63.7)	(1.8)
Post retirement medical aid provision	7.1	6.0	7.1	6.0
BBBEE transaction	131.6		131.6	
Share based payments	21.1	22.3	21.1	22.3
Provision against loans and trade receivables	39.1	16.2	39.1	16.2
Amortisation of prepaid cost	1.0	0.8	1.0	0.8
Lease smoothing adjustment	(1.2)	(0.6)	(1.2)	(0.6)
Cash generated from operations before:	1 368.7	1 087.8	1 362.2	1 080.4
Net working capital changes	(163.6)	(870.1)	(174.4)	(871.3)
Increase in inventories	(57.4)	(201.2)	(57.3)	(201.2)
Increase in trade and other receivables	(409.3)	(686.7)	(388.1)	(659.3)
Increase in trade payables and provisions	303.1	17.8	271.0	(10.8)
Cash generated from operations	1 205.1	217.7	1 187.8	209.1
27. TAXATION PAID				
Balance unpaid at the beginning of the year	121.3	71.3	121.1	71.2
Income statement charge	407.8	318.1	402.0	312.5
Balance unpaid at the end of the year	(2.3)	(121.3)	(2.3)	(121.1)
Total taxation paid	526.8	268.1	520.8	262.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
28. CONTINGENT LIABILITIES				
Guarantees issued in respect of the finance obligations of SPAR retailer members	330.5	226.9	330.5	226.9
– Loan guarantees	258.8	201.1	258.8	201.1
– Rental guarantees	27.7	25.8	27.7	25.8
– IT retail computer equipment lease scheme	44.0		44.0	
The board has limited guarantee facilities to R425 million.				
29. COMMITMENTS				
29.1 Operating lease commitments				
Future minimum lease payments due under non-cancellable operating leases:				
<i>Land and buildings</i>				
Payable within one year	265.5	223.8	265.2	223.4
Payable later than one year but not later than five years	1 037.1	862.3	1 037.1	862.2
Payable later than five years	628.0	617.8	628.0	617.8
Total land and buildings operating lease commitments	1 930.6	1 703.9	1 930.3	1 703.4
<i>Other</i>				
Payable within one year	0.8	0.8	0.8	0.8
Payable later than one year but not later than five years	1.5	1.3	1.5	1.3
Total other operating lease commitments	2.3	2.1	2.3	2.1
29.2 Operating lease receivables				
Future minimum sub lease receivables due under non-cancellable property leases:				
Receivable within one year	259.8	213.6	259.8	213.6
Receivable later than one year but not later than five years	1 035.6	852.4	1 035.6	852.4
Receivable later than five years	628.0	617.8	628.0	617.8
Total operating lease receivables	1 923.4	1 683.8	1 923.4	1 683.8
29.3 Capital commitments				
Contracted	48.7	248.7	48.7	248.7
Approved but not contracted	53.0	117.7	53.0	117.7
Total capital commitments	101.7	366.4	101.7	366.4
Capital commitments will be financed from group resources.				

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel allowance and other benefits ¹	Share option gains	Total
30. DIRECTORS' REMUNERATION AND INTERESTS REPORT						
30.1 Emoluments 2009						
<i>Executive directors</i>						
WA Hook	2 080	1 991	274	485	699	5 529
RW Coe	1 560	1 493	207	383	1 422	5 065
R Venter	1 560	1 493	207	251	1 416	4 927
Total emoluments	5 200	4 977	688	1 119	3 537	15 521
Emoluments 2008						
<i>Executive directors</i>						
WA Hook	1 838	1 764	244	289		4 135
RW Coe	1 380	1 325	182	215	571	3 673
R Venter	1 380	1 325	184	358	699	3 946
<i>Non-executive director</i>						
PK Hughes				225		225
Total emoluments	4 598	4 414	610	1 087	1 270	11 979

(1) Other benefits include medical aid contributions, long service awards and a farewell gratuity.

30.2 Fees for services as non-executive directors (R'000)

	2009	2008
MJ Hankinson (chairman) ^{a b}	626	567
DB Gibbon ^a	250	220
PK Hughes	160	135
RJ Hutchison ^b	196	167
MP Madi	160	135
HK Mehta ^{a b}	245	207
P Mnganga	196	167
Total fees	1 833	1598

(a) Member of Audit and Risk Committee.

(b) Member of Remuneration and Nominations Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Shares 2009	Shares 2008
30. DIRECTORS' REMUNERATION AND INTERESTS REPORT (continued)		
30.3 Directors' interests in the share capital of the company		
<i>Executive directors</i>		
WA Hook – direct beneficial holding	4 200	4 200
RW Coe – direct beneficial holding	13 300	13 300
R Venter – direct beneficial holding	1 600	1 600
<i>Non-executive directors</i>		
MJ Hankinson – held by associates	2 800	2 800
PK Hughes – direct beneficial holding	52 000	12 000
RJ Hutchison – indirect beneficial holding	25 000	25 000
HK Mehta – direct beneficial holding	8 000	8 000

As at the date of this report the directors' interests in the share capital of the company was unchanged.

30.4 Declaration of disclosure

Other than that disclosed above and in note 31, no consideration was paid to, or by any third party, or by the company itself, in respect of the services of the company's directors, as directors of the company, during the year ended 30 September 2009.

31. DIRECTORS' SHARE OPTION SCHEME INTERESTS

The group's option scheme provides the right to the option holder to purchase shares in the company at the option price. On election by option holders, one third of the options granted vest after three years, with a further third vesting on each of the expiry of years four and five. Option holders have ten years from date of issue to exercise their option rights.

Options held over shares in The SPAR Group Limited	Date of option issue	Option price Rand	Number of options held 2009	2008
<i>Executive Directors</i>				
WA Hook	24/6/1999	9.80803	–	6 500
	8/11/1999	10.80873	–	8 400
	14/11/2000	9.9402	5 000	5 000
	29/1/2002	10.76224	16 000	16 000
	3/2/2003	13.05818	20 000	20 000
	29/1/2004	15.10867	9 000	9 000
	13/12/2004	21.04	51 000	51 000
	14/11/2005	29.00	70 000	70 000
	9/3/2007	46.22	120 000	120 000
	4/12/2007	58.10	60 000	60 000
	11/11/2008	50.23	100 000	–
			451 000	365 900

Options held over shares in The SPAR Group Limited		Date of option issue	Option price Rand	Number of options held 2009	2008
31. DIRECTORS' SHARE OPTION SCHEME INTERESTS (continued)					
<i>Executive Directors (continued)</i>					
RW Coe		24/6/1999	9.80803	–	8 000
		8/11/1999	10.80873	–	23 000
		14/11/2000	9.9402	5 000	5 000
		29/1/2002	10.76224	17 000	17 000
		3/2/2003	13.05818	23 000	23 000
		29/1/2004	15.10867	14 000	14 000
		13/12/2004	21.04	51 000	51 000
		11/1/2006	30.36	80 000	80 000
		9/3/2007	46.22	80 000	80 000
		4/12/2007	58.10	35 000	35 000
		11/11/2008	50.23	50 000	–
				355 000	336 000
R Venter		24/6/1999	9.80803	–	8 000
		8/11/1999	10.80873	–	23 000
		14/11/2000	9.9402	5 000	5 000
		29/1/2002	10.76224	15 000	15 000
		3/2/2003	13.05818	21 000	21 000
		29/1/2004	15.10867	14 000	14 000
		13/12/2004	21.04	51 000	51 000
		14/11/2005	29.00	70 000	70 000
		9/3/2007	46.22	80 000	80 000
		4/12/2007	58.10	35 000	35 000
		11/11/2008	50.23	50 000	–
				341 000	322 000
<i>Non-executive director</i>					
PK Hughes		14/11/2000	9.9402	–	20 000
		29/1/2002	10.76224	20 000	53 000
		3/2/2003	13.05818	35 000	35 000
		29/1/2004	15.10867	37 000	37 000
		13/12/2004	21.04	66 000	66 000
		11/1/2006	30.36	111 500	111 500
				269 500	322 500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

31. DIRECTORS' SHARE OPTION SCHEME INTERESTS (continued)

Options exercised

Director	Date option exercised	Number of options exercised	Option price Rand	Market price on exercise	Gain
WA Hook	7/5/2009	6 500	9.80803	54.00	287 247
	28/7/2009	8 400	10.80873	59.88	412 199
RW Coe	7/5/2009	8 000	9.80803	54.80	359 896
	26/6/2009	23 000	10.80873	57.00	1 062 434
R Venter	11/5/2009	8 000	9.80803	54.00	353 536
	3/6/2009	23 000	10.80873	57.01	1 062 629
PK Hughes	3/3/2009	20 000	9.9402	53.56	872 396
	26/2/2009	13 000	10.76224	52.80	546 491
	17/8/2009	20 000	10.76224	58.55	955 755

32. RETIREMENT BENEFIT FUNDS

The company contributes towards retirement benefits for substantially all permanent employees who, depending on preference, are members of either the group's defined contribution pension fund, defined contribution staff provident fund, defined contribution management provident fund or defined benefit fund.

All funds are governed by the Pension Funds Act, 1956. The funds are managed by appointed administrators and investment managers, and their assets remain independent of the company.

In terms of their rules, the defined contribution funds have annual financial reviews, which are performed by the funds' consulting actuaries. At the date of their last reviews the funds were judged to be financially sound. Contributions of R54.7 million (2008: R44 million) and R54.5 million (2008: R43.9 million) were expensed for the group and company respectively during the year. Contributions to fund obligations for the payment of retirement benefits are charged against earnings when due.

The SPAR Group Limited Defined Benefit Pension Fund was valued as at 1 March 2008, using the projected unit credit method and the fund was found to be in a sound financial position. At that date the actuarial fair value of the plan assets (R10.3 million) over plan liabilities (R8.2 million) of the defined benefit fund amounted to R2.1 million. The surplus has not been recognised by the company.

The principal actuarial assumptions applied in the determination of fair values include:

Pre-retirement discount rate:	10.83% p.a. net of retirement funds tax
Inflation:	6.52% p.a.
Salary escalation:	8.6% p.a.
Post retirement discount rate:	5% p.a.
Post retirement mortality assumption:	1% p.a.
Marriage rates:	90% of fund membership is married
Spouse age difference	Husbands are four years older than wives

The next actuarial valuation of this fund will take place on 1 March 2011. This fund is closed to further membership. Contributions of R0.4 million (2008: R0.5 million) and R0.4 million (2008: R0.5 million) were expensed for the group and company respectively during the year.

Rmillion	GROUP		COMPANY	
	2009	2008	2009	2008
33. FINANCIAL RISK MANAGEMENT				
Financial Investments				
Net bank overdrafts	(282.5)	(252.1)	(368.8)	(327.3)
Loans*	18.3	68.5	18.3	146.1
Trade and other receivables*	3 715.7	3 341.4	3 611.0	3 259.9
Trade and other payables**	(4 015.2)	(3 707.0)	(3 791.4)	(3 517.3)
Finance lease receivables*		25.9		25.9
FEC liability/(asset)***	(0.5)	0.4	(0.5)	0.4

* Classified under IAS 39 as loans and receivables.

** Classified under IAS 39 as financial liabilities measured at amortised cost.

*** Classified under IAS 39 as financial assets or liabilities at fair value through profit or loss.

The company's and group's financial instruments consist primarily of bank balances and overdraft funding from banks, trade payables, loans and trade receivables. The carrying amount of trade receivables, after accounting for the allowance for doubtful debts and bad debts written off, approximates fair value. Trade receivables represent the estimated future cash to be received in the short term. The book values of the other categories of financial instruments approximate fair value.

In the normal course of its operations the group is inter alia exposed to credit, interest and liquidity risk on its financial instruments. Executive management meets on a regular basis to analyse these risks and to re-evaluate financial management strategies. Other than forward exchange contracts, used to hedge foreign currency liabilities, the group has no financial instruments that are classified as fair value through profit and loss. FECs represent an insignificant portion of the group's financial instruments and amounted to a net liability of R0.5 million in the current year (2008: R0.4 million asset). The group does not speculate in or engage in the trading of derivatives or other financial instruments.

The group does not have any exposure to commodity price movements or other obligations that are index linked.

Currency risk

The group is exposed to currency risks through the import of merchandise and its investments in foreign operations. These risk exposures are not considered significant.

Foreign currency risks that do not influence the group's cash flows (i.e., the risks resulting from the translation of assets and liabilities of foreign operations in the group's reporting currency) are not hedged.

It is the group's policy to cover its material foreign currency exposure, which amounted to R8.2 million at year-end (2008: R8 million), in respect of liabilities and purchase commitments. Forward exchange contracts have been taken out to hedge this currency risk at year-end. There were no speculative positions in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2009

33. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange contracts

All foreign exchange contracts constitute designated hedges of currency risk at year-end.

	GROUP				COMPANY			
	Average contract rate	Commitment (Rm)	Fair value of FEC 2009 (Rm)	Fair value of FEC 2008 (Rm)	Average contract rate	Commitment (Rm)	Fair value of FEC 2009 (Rm)	Fair value of FEC 2008 (Rm)
Imports								
USD	8.3	8.2	(0.5)	0.4	8.3	8.2	(0.5)	0.4

The group has no significant uncovered foreign payables at year-end and consequently no sensitivity analysis has been presented.

Interest rate risk

The group is exposed to interest rate risk on its cash deposits and loan receivables which impact on the cash flows arising from these instruments. In the current year, interest paid on overdrafts net of cash deposits was R4.1 million (2008: R0.8 million received) and interest received from loans was R7.8 million (2008: R21.3 million). The exposure of cash deposits and overdrafts to interest rate risk is managed through the group's cash management system which enables the group to maximise returns while minimising risk. Loan receivables are funded from the group's cash resources.

Changes in market interest rates do not have a material impact on the group's profits and hence no sensitivity analysis has been presented.

Credit risk

Trade receivables and lease receivables, short-term investments and loans to retailers represent the significant categories of the group's financial instruments exposed to credit risk.

Trade receivables consist entirely of SPAR and Build it member debts, comprising 1 096 (2008: 1 070) stores with an average trading exposure of R3.1 million (2008: R2.9 million) per store at year-end.

Overdue receivable balances, representing 4.3% (2008: 2.75%) of the total trade receivables and loans balances, amounted to R146.9 million (2008: R87.7 million) at the reporting date. Allowances for doubtful debts totalling R93.3 million (2008: R52.4 million) have been raised against overdue balances. It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure and at 30 September 2009 security representing 68.5% (2008: 63.9%) of the trade receivables and loans balances was held by the group. Ongoing credit evaluations are performed including regular reviews of security cover held (refer note 17 for additional disclosure).

Loans to retailers may be discounted with approved financial institutions under standard conditions with recourse block discounting agreements. Loans which have been discounted with the financial institutions are disclosed as contingent liabilities due to the group providing guarantees against these discounting agreements. The group has not deemed it necessary to provide for any exposure losses on these guarantees at year-end.

During the financial year, the group sold its investment in retail computer equipment, and ceded the rights to the future rental streams (refer note 13 for additional disclosure). The sale and cession was financed by Nedbank, and the group stands surety for this facility. The exposure of the group at year-end amounted to R44 million.

In relation to the continuing operation of the aforementioned rental scheme, the group is exposed to credit risk in the event of SPAR retail stores defaulting on their payments. At year-end, 965 stores were participants in the rental scheme, with an average debt of R45 000 per store.

33. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The group selectively assists retail members suffering financial stress in order to ensure the continued operation of stores, thereby preserving the recoverability of trade and loan receivable balances (refer note 28 for additional disclosure).

The directors are of the opinion that the credit risk in respect of short-term cash investments is low as funds are only invested with acceptable financial institutions of high credit standing and within specific guidelines laid down by the board of directors.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The group has the following overdraft/call facilities at its disposal:

Rmillion	2009	2008
Unsecured bank overdraft facilities, reviewed annually and at call:		
– Utilised as at year-end	394	321
– Unutilised	1 156	829
Total available overdraft/call facilities	1 550	1 150

The group increased its overdraft facility requirements during the current year.

The majority of the trade payables at year-end will be paid within 30 days of year-end from available facilities or cash received from debtors.

The group has no long-term borrowings giving rise to cash payment obligations. The company has unlimited borrowing powers in terms of its Articles of Association.

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The group's overall capital management strategy remained unchanged in 2009. The strategy entails a philosophy of tight risk management and minimum use of derivative instruments.

The capital structure of the group consists only of equity attributable to shareholders comprising issued capital, reserves and retained earnings as disclosed in notes 20 and 22 respectively.

Treasury shares (refer note 21) are held from time to time for the purpose of settling option holder obligations and these are only acquired on approval from shareholders and where the market presents value in their acquisition.

The strong cash inflow generated by group operations is utilised to fund distribution centre expansions and other capital expenditure, and to settle dividends declared, taxation and trade payable obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2009

34. RELATED PARTY TRANSACTIONS

Related party relationships exist between the company, its subsidiaries, key personnel within the group and its shareholders. These transactions occurred under terms and conditions no more favourable than transactions concluded with independent third parties, unless otherwise stated below:

34.1 Company

During the year, the following related party transactions occurred:

- SPAR P.E. Property (Pty) Limited is a property company owning the SPAR Eastern Cape distribution centre. This property is rented by The SPAR Group Limited. During the year, rentals of R10 896 000 (2008: R10 182 000) were incurred by the company to SPAR P.E. Property (Pty) Limited. Dividends of R6 813 417 (2008: R6 306 452) were paid by SPAR P.E. Property (Pty) Limited to The SPAR Group Limited. The intercompany liability due to The SPAR Group Limited as at 30 September 2009 amounted to R33 559 135 (2008: R34 590 838). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Namibia (Pty) Limited and SPAR Group Botswana (Pty) Limited have accounting services provided to them by The SPAR Group Limited. During the year, dividends of R3 750 000 (2008: R3 300 000) and R2 450 000 (2008: R1 700 000) and management fees of R1 300 000 (2008: R1 210 000) and R1 010 000 (2008: R900 000) were paid to The SPAR Group Limited by SPAR Namibia (Pty) Limited and SPAR Group Botswana (Pty) Limited respectively. The intercompany liability due to The SPAR Group Limited as at 30 September 2009 amounted to R7 101 111 (2008: R12 032 555) and R7 131 781 (2008: R4 159 304) for SPAR Namibia (Pty) Limited and SPAR Botswana (Pty) Limited respectively. These liabilities are interest-free, unsecured and no date has been set for repayment.
- SPAR South Africa (Pty) Limited, Savemor Products (Pty) Limited, Nelspruit Wholesalers (Pty) Limited and SPAR Academy of Learning (Pty) Limited, are all dormant companies.
- The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa are non-profit-making companies set up to co-ordinate and develop SPAR in Southern Africa. The members of the Guild consist of SPAR retailers (who are independent store owners) and SPAR distribution centres. The members pay subscriptions to the Guild, which uses these monies to advertise and promote SPAR.

During the year, subscriptions of R2 221 914 (2008: R2 966 683) were paid to The SPAR Guild of Southern Africa. The intercompany liability due to The SPAR Group Limited as at 30 September 2009 amounted to R3 745 842 (2008: R6 091 152) and R2 632 039 (2008: R3 501 815) for The SPAR Guild and The Build it Guild respectively.

- The SPAR Group Limited Employee Share Trust (2004) purchased shares in the company for the purpose of satisfying option holder obligations. To fund these purchases, the company advances monies to the Trust. At 30 September 2009, no funds had been advanced by the company to the Trust (2008: R77 646 077) (refer notes 14 and 21).

No interest is charged on the intercompany loan balances.

- The SPAR Group Limited donated an amount of R4 539 and R6 808 to The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust respectively. These amounts were used by the trusts to invest in The SPAR Group Limited redeemable convertible preference shares, issued in terms of the broad-based black economic empowerment transaction (refer note 37).

34.2 Investment in associate

Details of the company's investment in its associate are disclosed in note 12.

34.3 Shareholders

Details of major shareholders of the company appear on page 80.

34. RELATED PARTY TRANSACTIONS (continued)

34.4 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group. No key management personnel had a material interest in any contract with any group company during the year under review. Details of directors' emoluments and shareholding in the company are disclosed in notes 30 and 31 as well as in the Directors' Statutory Report.

Key management personnel remuneration comprises:

Rmillion	2009	2008
Directors' fees	1.8	1.6
Remuneration for management services	20.7	18.8
Retirement contributions	2.3	2.1
Medical aid contributions	0.6	0.4
Performance bonuses	15.3	14.0
Fringe and other benefits	4.1	1.0
Gain relating to share options granted	13.3	6.8
Total	58.1	44.7

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of the individual and market trends.

35. SEGMENT REPORTING

The group operates its business from six distribution centres situated throughout South Africa. The distribution centres individually supply goods and services of a similar nature to the group's voluntary trading members. The directors are of the opinion that the operations of the individual distribution centres are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. As a consequence thereof, the business of the group is considered to be a single geographic segment. TOPS at SPAR and Build it, although constituting distinct businesses at retail, do not satisfy the thresholds of significance for disclosure as separate reportable segments of the group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Issued share capital		Effective holding		Cost of investment	
	2009 Rand	2008 Rand	2009 %	2008 %	2009 Rmillion	2008 Rmillion
36. INVESTMENT IN SUBSIDIARIES						
<i>Subsidiary*</i>						
SPAR South Africa (Pty) Limited ⁽²⁾	10 000	10 000	100	100		
SPAR Namibia (Pty) Limited ⁽¹⁾ (registered in Namibia)**	100	100	100	100		
The SPAR Group (Botswana) ** (Pty) Limited ⁽¹⁾ (registered in Botswana) **	136	136	100	100		
SPAR Mozambique Limitada ⁽¹⁾ (registered in Mozambique)**	8 033		97.5			
SPAR P.E. Property (Pty) Limited ⁽³⁾	11 467 875	11 467 875	100	100	2.3	2.3
Savemor Products (Pty) Limited ⁽²⁾	1	1	100	100		
SPAR Academy of Learning (Pty) Limited ⁽²⁾	100	100	100	100		
Nelspruit Wholesalers (Pty) Limited ⁽²⁾	109	109	100	100		
<i>Consolidated entities</i>						
The SPAR Guild of Southern Africa ^{(1)***}						
The Build it Guild of Southern Africa ^{(1)***}						
The SPAR Group Limited Employee Share Trust (2004) ⁽¹⁾						
The SPAR BBBEE Employee Trust ⁽¹⁾						
The SPAR BBBEE Retailer Employee Trust ⁽¹⁾						
Total					2.3	2.3
Directors' valuation					2.3	2.3

* All companies have a 30 September year-end, except for The SPAR Group Limited Employee Share Trust (2004), The SPAR BBBEE Employee Trust, and The SPAR BBBEE Retailer Employee Trust which have 28 February as their year-end.

** All legal entities are incorporated in the Republic of South Africa unless otherwise indicated.

*** Association incorporated under section 21 of the Companies Act over which the company exercises control.

(1) Operating company or entity

(2) Dormant

(3) Property owning company

37. BBBEE TRANSACTION

On 12 August 2009, shareholders approved a broad-based black economic empowerment transaction (BBBEE), the participants to the transaction being:

- (i) all fulltime employees of the company as at 12 August 2009 but excluding Patterson E or F-graded employees; and
- (ii) fulltime employees of SPAR and Build it retail stores, subject however to a minimum employment period pre-condition and the election of the store to participate in the transaction.

In terms of the transaction, 7 564 540 redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust and 11 346 809 redeemable convertible preference shares were issued to The SPAR BBBEE Retailer Employee Trust, (the trusts). Shares were issued to the trusts at a notional value of R59.18 per share.

To fund the transaction, notional loans were advanced by the company to the trusts. Loans will bear notional interest at 80% of prime and will be credited with notional dividends equivalent to the actual dividends declared by the company during the duration of the transaction. At year-end, the notional outstanding redemption amount was R1 119 302 419.

The shares issued to the trusts are subject to restrictions on transferability for a period of seven years from issue date. Thereafter the trusts will be required to settle their notional loans by way of surrendering such number of redeemable, convertible preference shares at the then market value as will be required to extinguish the loan liability. The remaining convertible preference shares held by the trusts will be converted into ordinary SPAR shares and distributed to participants of the relevant trusts.

The cost of the BBBEE scheme including transaction costs amounted to R136.2 million.

Full details of the scheme are set out in the Circular to Shareholders (dated 17 July 2009), copies of which are obtainable from the company.

SHARE OWNERSHIP ANALYSIS

	Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholder spread as at 30 September 2009				
Public shareholders	15 138	99.95	170 490 892	99.94
Non-public shareholders				
– Shares held by directors	7	0.05	106 900	0.06
	15 145	100.00	170 597 792	100.00

Type of shareholders

Pension funds	25.05
Mutual funds	23.96
Private investors	6.78
Insurance companies	8.86
Other	35.35
	100.00

Beneficial owners holding in excess of 5% of the company's equity

GEPI Equity (PIC)	7.41
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Fund managers holding in excess of 5% of the company's equity

PIC	13.78
Coronation Fund Managers	6.70
Old Mutual Asset Managers	5.47

Stock exchange statistics

Market price per share		
– at year-end	cents	6 470
– highest	cents	6 595
– lowest	cents	4 512
Number of share transactions		81 598
Number of shares traded	millions	124.1
Number of shares traded as a percentage of total issued shares	%	72.7
Value of shares traded	Rmillion	6 807
Earnings yield at year-end	%	7.5*
Dividend yield at year-end	%	5.0
Price earnings ratio at year-end	multiple	13.3
Market capitalisation at year-end net of treasury shares	Rmillion	11 038
Market capitalisation to shareholders equity at year-end	multiple	5.7

* Based on headline earnings excluding BBBEE cost.

SHARE PRICE PERFORMANCE

SPAR versus General Retailers Index



SHAREHOLDERS' DIARY

Financial year-end 30 September

Annual general meeting February

Reports and profit statements:

Interim report	May
Annual report	November
Annual financial statements issued	December

Dividends:

Interim	Declaration Payable	May June
Final	Declaration Payable	November December

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual general meeting of shareholders of The SPAR Group Limited will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 9 February 2010 at 09:00 for the purpose of conducting the following:

ORDINARY BUSINESS

1. To receive, consider and approve the annual financial statements for the year ended 30 September 2009.
2. To consider the re-election, as a director of the company, of Mr MJ Hankinson who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election.

Mike Hankinson joined SPAR as a director and its chairman on the company's listing in 2004. He is a former CEO of Romatex Limited and of Dunlop Tyres International (Pty) Limited. Mike is currently a non-executive director of Transnet Limited, Sovereign Food Investments Limited and Illovo Sugar Limited.

3. To consider the re-election, as a director of the company, of Mr RJ Hutchison who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election.

Rowan Hutchison joined the board of SPAR in October 2004. He is a former CEO of RMB Asset Management (Pty) Limited, prior to which he was involved in stockbroking and fund management. Rowan is currently a director of RMB Asset Management (Pty) Limited and Momentum Group Limited.

4. To reappoint Messrs Deloitte & Touche as auditors of the company and to appoint Mr Brian Botes as the designated auditor to hold office until the next annual general meeting.
5. To approve the directors' remuneration for the year ended 30 September 2009 as reflected in note 30.1 of the annual financial statements.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following special resolution, and ordinary resolutions, with or without amendment:

6. Special resolution number 1

"Resolved that in terms of the authority granted in the Articles of Association of the company and/or any subsidiary of the company, the company and/or its subsidiaries and/or The SPAR Group Limited Employee Share Trust (2004) be and are hereby authorised, by way of a general approval, to acquire the company's ordinary shares ('shares'), upon such terms and conditions and in such amounts as the directors of the company (and, in the case of an acquisition by a subsidiary/ies, the directors of the subsidiary/ies) may from time to time decide, but subject to the provisions of the Companies Act, the Listings Requirements of the JSE Limited ("JSE") and the following conditions:

- that this general authority shall be valid until the next annual general meeting of the company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
- that any general repurchases of shares in terms of this authority be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party (reported trades are prohibited);
- that at any point in time, only one agent will be appointed to effect the repurchases on behalf of the company;
- that the repurchase may only be effected if, after the repurchase, the company still complies with the minimum spread requirements stipulated in the JSE Listings Requirements;
- that the acquisitions of shares in any one financial year shall be limited to 5% (five percent) of the issued share capital of the company as at the beginning of the financial year, provided that any subsidiary(ies) may acquire shares to a maximum of 5% (five percent) in the aggregate of the shares of the company;

6. Special resolution number 1 (continued)

- that any acquisition of shares in terms of this authority may not be made at a price greater than 10% (ten per cent) above the weighted average market value of the shares over the 5 (five) business days immediately preceding the date on which the acquisition is effected;
- the repurchase of shares may not be effected during a prohibited period, as defined in the JSE Listings Requirements unless the company or subsidiary has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- that an announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, 3% (three per cent) of the number of shares in issue at the date of the general meeting at which this special resolution is considered and, if approved, passed, and for each 3% (three per cent), in aggregate, of the aforesaid initial number acquired thereafter."

Reasons and effect

The reason for, and the effect of, this special resolution will be to grant the directors of the company the general authority to contract the company and/or any of its subsidiaries or The SPAR Group Limited Employee Share Trust (2004) to acquire shares in the company, should the directors consider it appropriate in the circumstances.

Shares will be acquired for purposes of issuing to option holders as and when such option holders exercise their option rights in terms of The SPAR Group Limited Employee Share Trust (2004) deed, and accumulated for purposes of issuing to The SPAR BBBEE Employee Trust and the SPAR BBBEE Retailer Employee Trust on maturity of the BBBEE scheme in 2016.

After considering the effects of a maximum repurchase, the directors are of the opinion that:

- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the general repurchase;
- the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase;
- the company's and the group's share capital and reserves will be adequate to meet the company and the group's current and foreseeable future requirements for a period of 12 months after the date of the general repurchase; and
- the company and the group's working capital will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase.

The company will ensure that its sponsor provides to the JSE the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement, after the annual general meeting, of any purchase of the company's shares on the open market.

Other disclosures required in terms of Section 11.26 of the JSE Listings Requirements:

The JSE Listings Requirements requires disclosure of the following information which can be found elsewhere in the annual report of which this notice forms part:

Directors and management – pages 12 to 15.

Major shareholders – page 80.

Directors' interests in securities – notes 30.3 and 31

Share capital of the company – note 20

Material change

There has been no material change in the trading or financial position of the company and its subsidiaries since the year-end reporting date and the date of this notice.

NOTICE TO SHAREHOLDERS (CONTINUED)

Litigation statement

There are no legal or arbitration proceedings, including proceedings that are pending or threatened, of which the company is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the company and its subsidiaries.

Directors' responsibility statement

The directors, whose names are set out on page 13 of this annual report, collectively and individually accept full responsibility for the accuracy of the information given in this resolution in relation to the company and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by Law and the JSE Listings Requirements.

7. Ordinary resolution number 1

Pursuant to the granting of share options by The SPAR Group Limited Employee Share Trust (2004), authority is sought to place the issuing of the necessary shares, in the event of an option holder exercising his rights thereto, under the control of the directors.

"Resolved as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of satisfying the obligations of The SPAR Group Limited Share Trust (2004) ("the Trust"), be and are hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to allot and issue those shares in terms of the Trust deed."

The reason for, and the effect of, ordinary resolution number 1 is to grant the directors a general authority to issue shares to share option holders as and when such option holders exercise their option rights.

8. Ordinary resolution number 2

Resolved that, in order to bring The SPAR Group Limited Employee Share Trust (2004) ("the Trust") into line with the requirements of Schedule 14 of the JSE Listings Requirements, the following amendments to the Trust deed be made:

Clause 7.2 which currently reads:

"The directors may appoint another trustee (who may be a non-executive director of the company) to succeed a trustee who has ceased to hold office in terms of clause 6.2."

to be substituted by the following:

"The directors may appoint another trustee – who may be a non-executive director but not an executive director of the company – to succeed a trustee who has ceased to hold office in terms of clause 6.2."

Subclause 8.1.1 which currently reads:

8.1.1 "to acquire for purposes of the option scheme, shares either by original subscription or purchase, and upon such terms as they in their discretion may deem fit";

to be substituted by the following:

8.1.1 to acquire, for the purpose of the option scheme, shares either by original subscription or purchase and upon such terms as they in their discretion may deem fit, provided that:

8.1.1.1 shares may only be so acquired once a person or group of persons to whom they will be allocated has been formally identified; and

8.1.1.2 shares held in trust may only be sold once the employment of such a person has terminated or he dies;"

8. Ordinary resolution number 2 (continued)

Clause 14.1 which currently reads:

- 14.1 *"The aggregate number of fully paid shares which any one employee may acquire in terms of the option scheme shall not exceed 0,75% (nought comma seven five per cent) of the total number of issued shares."*

to be substituted by the following:

- 14.1 *"The aggregate number of fully paid shares which any one employee may acquire in terms of the option scheme shall not exceed one million five hundred thousand shares."*

Clause 14.2 which currently reads:

- 14.2 *"The total number of shares in terms of which options may be given shall not exceed, in the aggregate, 15% (fifteen per cent) of the total issued shares in the company. For purposes of determining the aggregate number of shares for the option scheme, any shares;*

14.2.1 *in respect of which an option has been exercised by a retired or former employee; or*

14.2.2 *which are the subject of an expired or terminated option; shall cease to be counted in that aggregate."*

to be substituted by the following:

- 14.2 *"The total number of shares in respect of which options may be given shall not exceed, in the aggregate, twenty five million five hundred thousand shares, except with the prior approval of the company's shareholders in general meeting passing an ordinary resolution requiring a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy at the meeting. For purposes of determining the aggregate number of shares for the option scheme, any shares which are the subject of an expired or terminated option shall cease to be counted in that aggregate."*

Clause 19.3 which currently reads:

- 19.3 *"No amendments may be made to clauses 1.11, 14.1, 14.2, 15.3, 15.4, 15.8.2, 15.9.2, 15.10 or 15.11.2 without the prior authority of the company in general meeting. The option scheme may be amended from time to time by the directors and the trustees in any other respect, provided that no such amendment shall operate to adversely alter the terms and conditions of any option granted prior thereto to an employee or retired employee without the written consent of that employee or retired employee."*

to be substituted by the following:

- 19.3 *"No amendments may be made to clauses 1.11, 14.1, 14.2, 15.3, 15.4, 15.8.2, 15.9.2, 15.10 or 15.11.2 without the prior approval of the company's shareholders in general meeting passing an ordinary resolution requiring a 75% majority of the votes cast in favour of such resolution by all shareholders present or represented by proxy at the meeting. The option scheme may be amended from time to time by the directors and the trustees in any other respect, provided that no such amendment shall operate to adversely alter the terms and conditions of any option granted prior thereto to an employee or retired employee without the written consent of that employee or retired employee."*

NOTICE TO SHAREHOLDERS (CONTINUED)

VOTING AND PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms must be forwarded to reach the company's transfer secretaries, Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Monday, 8 February 2010. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with "own name" registration.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the board



KJ O'Brien

Company Secretary

10 November 2009
The SPAR Group Limited
(Registration Number 1967/001572/06)

FORM OF PROXY

THE SPAR GROUP LIMITED

Registration number: 1967/001572/06

JSE code: SPP

ISIN: ZAE000058517

("SPAR or "the group")



Only for use by members who have not dematerialised their shares or members who have dematerialised their shares with "own name" registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the meeting.

For use by SPAR ordinary shareholders at the annual general meeting to be held at 22 Chancery Lane, Pinetown on Tuesday, 9 February 2010 at 09:00.

I/We

of (address)

being the holder/s of shares, appoint (see note 1)

1. or failing him/her/it;

2. or failing him/her/it;

3. the chairman of the annual general meeting

as my/our proxy to act for me/us on my/our behalf at the annual general meeting which will be held for the purposes of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

	Number of votes (one vote per share)		
	For	Against	Abstain
ORDINARY BUSINESS			
1. Adoption of 2009 annual financial statements			
2. Re-appointment of Mr MJ Hankinson as a director			
3. Re-appointment of Mr RJ Hutchison as a director			
4. Approval of appointment of auditors			
5. Approval of remuneration payable to directors			
SPECIAL BUSINESS			
1. Special resolution number 1 To approve the acquisition by the company and/or its subsidiaries of shares in the company			
2. Ordinary resolution number 1 To place ordinary shares under the control of the directors for share option purposes			
3. Ordinary resolution number 2 To amend The SPAR Group Limited Employee Share Trust (2004) in terms of Schedule 14 of the JSE Listings Requirements			

Signed at this day of 2010

Signature

Completed forms of proxy must be received at the office of the company's transfer secretaries, Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Monday, 8 February 2010.

NOTES

1. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's vote exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chair of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the member wishes to vote.