The SPAR Group Limited

2010 Annual Report

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FINANCIAL HIGHLIGHTS AND BUSINESS PROFILE

TURNOVER ▲ **9.0%**

TRADING PROFIT ▲ **8.4%**

HEADLINE EARNINGS
per share before BBBEE cost ▲ **12.1%**

ANNUAL DIVIDEND
362 cents per share ▲ **12.4%**

BUSINESS PROFILE

The SPAR Group Limited acts as a wholesaler and distributor of goods and services to SPAR supermarkets, Build it building materials outlets, and TOPS at SPAR liquor stores.

Seven distribution centres provide goods and services to retail stores in South Africa, Swaziland, Botswana, Mozambique, Namibia, Zimbabwe and Zambia.

The relationship between The SPAR Group Limited and its independent retailers is one of a "voluntary trading" partnership. The philosophy being that all parties will benefit by working together in a spirit of close co-operation. The company actively drives and manages its brands and provides a full range of support services to independent retailers

VISION

"To provide world class support to independent retailers in Southern Africa to enable our brands to be number one in the markets we serve."

VALUES

- Loyalty, honesty and integrity
- A passionate commitment to our customers
- Pride in what we do
- Empowerment of our people, respect for each other and individual accountability
- Teamwork and a strong work ethic
- A family culture, where work can be fun.


SPAR
South Rand Distribution Centre
SPAR

STORE FORMATS

South Rand	North Rand	KwaZulu-Natal	Western Cape	Eastern Cape	Lowveld	Total	Format
63	49	62	41	27	14	256	**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
153	75	69	87	49	25	458	**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
39	14	29	27	21	2	132	**KWIKSPAR** • Selling areas of 300 m² to 700 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
114	82	89	89	69	16	459	**tops! at SPAR** • 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
56	32	70	32	38	32	260	**Build it** • 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
		1				1	**Pharmacy at SPAR** • Stand-alone pharmacy store • Full range of pharmaceutical and health products • Located within close proximity of SPAR member's store • Membership limited – an extension of The SPAR Guild


WAYNE HOOK
Chief Executive
MIKE HANKINSON
Chairman

FINANCIAL OVERVIEW

In a year of slow economic recovery, low inflation and an extremely competitive retail environment, the group has produced a satisfactory financial performance. Comparable headline earnings per share of 543.7 cents, which is exclusive of the broad-based black economic empowerment (BBBEE) transaction cost, increased by 12.1%. The annual dividend declaration increased 12.4% as the dividend policy remained unchanged. Cash generation was strong, impacted by a lower level of capital expenditure this year of R206 million and the buy back of company shares amounting to R188 million.

Food inflation was negligible at 1% for most of the year, influenced mainly by deflation on basic commodities. Consumer spending remained under pressure despite reduced interest rates while the increased level of unemployment also impacted on our retail performance, particularly in the rural markets.

The group's continued focus on competitive retail pricing and retailer profitability resulted in the gross margin declining slightly to 7.9% (2009: 8.0%). Warehouse expense ratios were negatively affected by a 6.3% increase in volumes handled by our distribution centres in a low food inflation environment. Increased municipal charges and an increased fuel price adversely affected the second half of the year. Positive highlights were the low increase in administration expenses together with an improved level of irrecoverable debts. Overall, group operating costs at 6.7% up on last year were well controlled.

In order to secure key sites, the group purchased five retail stores during the year. These will be managed by a newly established retail division.

Net interest earned of R3.7 million was lower than that earned in 2009 (R5.4 million) and reflected the effects of the continued capital expenditure programme, the share buybacks and lower interest rates. The group has continued to advance or secure loan facilities for retailers in order to enable them to purchase or revamp stores. The group discounts these retailer loans with its bankers.

The group has no long-term borrowings and, when necessary, funds its operations from overdraft facilities.

These facilities are in excess of forecast requirements and are subject to annual review.

Dividend cover was maintained at 1.5, and a final dividend of 222 cents per share was declared. Dividends for the year amounted to 362 cents (2009: 322 cents) per share.

SPAR RETAIL

Despite a challenging trading environment, SPAR stores increased retail turnover by 8.6% to R44.6 billion.

The retail market place remained extremely competitive over the year, driven by increased advertising exposure and aggressive pricing by the major retailers. Margins remained under pressure, both at wholesale and retail, and the group remains focused on ensuring profitable growth for retailers.

Retail trading space increased to 898 495 m^2, a net growth of 1.75%. Thirty one new stores were opened and thirteen stores changed to larger store formats. Of particular satisfaction was the upgrade programme which resulted in 146 stores completing revamps. The roll out of SPAR's customised merchandising concepts continued.

SPAR branded products had a solid year achieving wholesale sales in excess of R3.9 billion and a growth of 9% despite significant deflation in major commodity categories. Extensive product development took place with 310 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. In addition, work was commenced on aligning the labelling of all SPAR branded products with the new legislation.

The SAVEMOR "price fighting" brand continued to play an important role in our marketing strategy although performance was also impacted by deflationary pricing in most commodities. Sales in excess of R400 million confirm that this brand continues to enjoy support from the price sensitive consumer.


Squillos
Guava
COCKTAILS
Sugar
MUESLI
JASMINE
FILTER
Ice Tea
TOMATO PASTE
Pasta Sauce
Crème Brûlée

The FRESHLINE brand enjoyed excellent support from quality seeking customers, achieving wholesale sales growth of 16%. This growth was once again driven by a continued strategic focus on this brand's cornerstones of uncompromising quality, innovation and availability backed by improved supply chain efficiencies.

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

Innovative and aggressive advertising and promotions have been key in this competitive environment. The group's media campaigns focused on both brand image and product and price under the "Save More, Live More" theme for the year.

It is anticipated that 25 new stores will open during 2011, which, together with store revamps, will add approximately 3% to retail trading space. We will, however, continue to close some stores which fail to meet group store standards.

TOPS AT SPAR

TOPS enjoyed yet another excellent year with 52 new stores being opened. We now have 459 stores operating under the TOPS brand. Retail selling space increased 19.9% to 71 441 m^2. Retail sales topped R3.5 billion while wholesale liquor turnover reached R2.2 billion and grew 25.4% on last year. This strong sales growth was positively influenced by the Soccer World Cup and most retailers reported good turnover increases over this period.

TOPS' exclusive brands continued to perform well and the Carnival and Olive Brook wine ranges again enjoyed excellent market support.

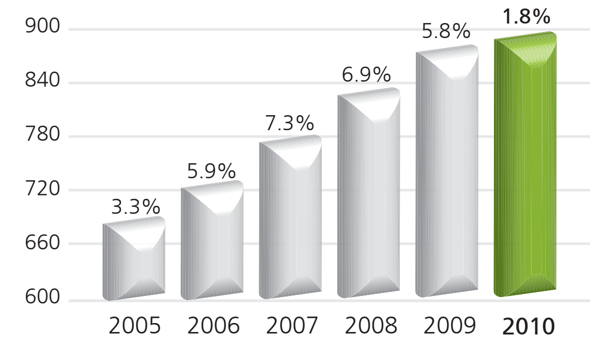
TOPS continues to invest heavily in media spend making extensive use of leaflets, press and television. The witty "shake things up" advertising campaign was well received. The internet driven TOPS Society continues to receive growing support.

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.

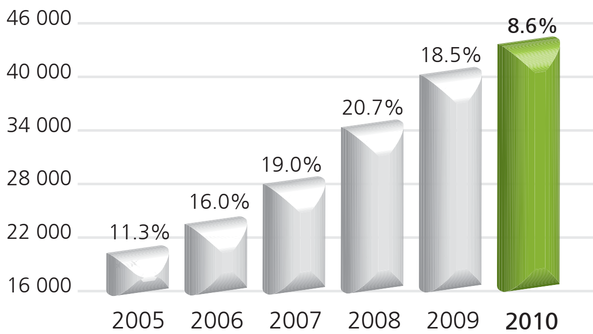
Geographic spread of stores

Serviced by	SUPERSPAR	SPAR	KWIKSPAR	TOTAL
South Rand	63	153	39	**255**
North Rand	49	75	14	**138**
KwaZulu-Natal	62	69	29	**160**
Western Cape	41	87	27	**155**
Eastern Cape	27	49	21	**97**
Lowveld	14	25	2	**41**
Total	**256**	**458**	**132**	**846**

SPAR Retail selling area m^2 ('000) & growth %



SPAR Retail sales (Rmillion) & growth %




party! Invite
tops!
SPAR
FOOD AND WINE CHART
White Wines
Red Wines

Awards

- Best bottle store – Your Choice awards 2009, The Star newspaper
- Favourite liquor retailer – Readers Choice 2009, Die Beeld newspaper
- Retail liquor category – Sunday Times Top Achievement Awards 2009
- Best liquor chain – AVUSA Retail 2009

TOPS at SPAR:
South Africa's biggest national liquor chain

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

TOPS at SPAR store numbers

	2008	2009	**2010**
South Rand	83	100	**114**
North Rand	73	81	**82**
KwaZulu-Natal	75	84	**89**
Western Cape	56	76	**89**
Eastern Cape	52	59	**69**
Lowveld	13	16	**16**
Total	**352**	**416**	**459**

BUILD IT

Build it experienced a very strong trading year. Retail sales of R5.4 billion and wholesale sales at R3.3 billion both increased 19% on the prior year. When compared to the sluggish growth in the general building market, this performance was outstanding.

Housebrand products continue to play an increasingly important role in assisting retailer profitability. Sales of this increased range rose by 23% for the year.

Overall profitability of the divisions increased by 47% as a result of improved margins and a significant improvement in bad debt impairments and related costs.

The 10 000 m² SPAR Group Imports Warehouse opened in the third quarter of 2010, as planned. This facility handles an extensive range of imported hardware for distribution to Build it retailers around the country. Sales are increasing at a satisfactory rate, despite initial setbacks due to delays in inward delivery of imported product.

A further 18 new Build it stores are forecast to open in 2011.

Build it store numbers

	2008	2009	**2010**
South Rand	50	49	**56**
North Rand	44	38	**32**
KwaZulu-Natal	67	68	**70**
Western Cape	19	29	**32**
Eastern Cape	36	38	**38**
Lowveld	29	28	**32**
Total	**245**	**250**	**260**

DISTRIBUTION

Case volumes handled through the group's distribution centres increased 6.3% over 2009 to 171 million cases.

The upgrade of the perishables warehouse at the South Rand distribution centre was completed during the second quarter of 2010, which brought the two year expansion project to an end. We now have a world class 60 000 m² distribution centre at Jet Park. In order to reduce warehouse pressure at North Rand, a significant number of stores, together with all liquor supplies, have been transferred to the larger South Rand facility. This has allowed North Rand to close down the rented warehouse facilities which will improve logistics efficiencies in the Inland region in the new year.

The two-year old Western Cape distribution centre is now beginning to show improved productivity results arising from the introduction of new warehouse concepts and the recently introduced radio frequency and voice picking technologies.

The new KwaZulu-Natal perishables facility which opened in October 2009, has settled down well and we are in the process of introducing a labour management system. This will help to improve productivity in this operation. During the course of the year, the "old" perishables facility at the KwaZulu-Natal distribution centre has been extensively upgraded to handle dry goods.

Major changes were completed at the Lowveld distribution centre with the introduction of a perishables facility and an extension of the dry goods area. This will allow us to extend our offering to retailers and increased sales are forecast.

A second, leased warehouse has been opened in Port Elizabeth which will be used as a slow moving product facility by our Eastern Cape distribution centre. The space made available by moving this product will be used to extend the perishables facility in 2011.

The SPAR Group Imports Warehouse of 10 000 m² was opened during the year in KwaZulu-Natal. This facility also houses the Build it warehousing operation.

The roll out of enhancements to warehouse and transport systems continues. Improved receiving and voice picking systems have now been completed across all distribution centres. The new year focus will be on the roll out to all distribution centres of store replenishment management, labour productivity management and route management enhancements.

Risk management continues to be a key focus area in all of our distribution centres with further improvement noted by our independent risk consultants.

We continue to drive environmental initiatives in our distribution centres in areas such as warehouse design, biodiesel trials, recycling and waste disposal, energy management and vehicle selection to name a few. This issue will receive increasing focus into the future.

CAPITAL EXPENDITURE

The major project expenditure on new and upgraded facilities over the last few years is almost complete. This will result in reduced capital expenditure over the next few years. We expect that normal capital expenditure for 2011 will not exceed R180 million. The group plans to do a relatively small extension to the perishable facility at the Eastern Cape distribution centre in order to cope with the growth in our fresh, chilled and frozen categories in this region. The anticipated cost of this project is R45 million.

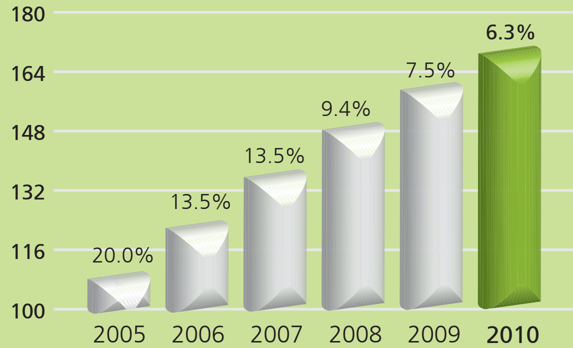
The company will continue its efforts to purchase property in Gauteng for the construction of a third inland facility within the next five years. It is unlikely that any expenditure will occur in 2011.

The group continued to invest in the upgrade of its information technology infrastructure. Remaining

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	30 000
Lowveld	18 000
Imports Warehouse	10 000
Total	**234 600**

Cases distributed (millions) & growth %



abreast of information technology advancements is of fundamental importance to the achievement of efficiencies and a further R29 million is budgeted to be spent on technology capital in the 2011 financial year.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSACTION

The BBBEE transaction announced last year has now been fully implemented and has been well received by both the company's and retailers' employees.

COMPETITION COMMISSION

As reported previously, the Competition Commission initiated an investigation into major South African supermarket chains, including SPAR, for possible contraventions of the Competition Act.

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

EXECUTIVE MANAGEMENT

Two long-serving executives retired during the year.

Rodney Coe, who served the group for 26 years, retired as Group Financial Director on 30 September 2010. Rodney served in financial and distribution centre development roles before being appointed financial director in 1993.

Mark Godfrey was appointed Group Financial Director to succeed Rodney. Mark has been with the group for 14 years, having served as divisional financial director of the Eastern Cape and North Rand distribution centres.

Ian Gillespie, after 26 years with SPAR, retired as Managing Director of SPAR South Rand. Ian had previously served as Managing Director of the North Rand distribution centre after joining the group in a financial position.

Following Ian's retirement, Brett Botten moved from North Rand to South Rand as Managing Director. Mario Santana was appointed Managing Director of the North Rand distribution centre following Brett's move.

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

The group expects 2011 to be another challenging year but are nevertheless positive about the opportunities for our business. We anticipate that consumer spending will remain under some pressure. However, the impact of lower interest rates, improving economic activity and a gradual increase in food inflation are positive signs for an improvement in trading. The group will again focus on aggressively driving new business opportunities, organic growth, stringent cost control and securing operating efficiencies.

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

APPRECIATION

It is appropriate after a solid performance in a challenging trading environment 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 finally and most importantly, a big thank you to our dedicated retailers for their commitment and unwavering support during a tough trading year.

Mike Hankinson
Chairman

Wayne Hook
Chief Executive

Back row left to right: Harish Mehta, Rowan Hutchison, Rodney Coe, Mark Godfrey, Roelf Venter, Phinda Madi, Kevin O'Brien and Peter Hughes

Front row left to right: Phumla Mnganga, Wayne Hook, Michael Hankinson and David Gibbon

NON-EXECUTIVE DIRECTORS

Michael John Hankinson (61) BCom, CA(SA)
(Independent non-executive Chairman)
Appointed to the board: September 2004
A director of Transnet Limited, Grindrod Limited, Illovo Sugar Limited, Apollo Tyres Limited (Delhi) and Chairman of Brandcorp Holdings (Pty) Limited.

David Braidwood Gibbon (68) 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 (64) C.I.S.
(Independent 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 (63) BCom (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 (46) BProc (Unizul), EDP (HEC – Paris), EDP (Northwestern – Chicago, USA)
(Independent non-executive director)
Appointed to the board: October 2004
Chairman of ALLCare Medical Aid Administrators and a former visiting professor of Rhodes University's Business School for five years. A non-executive director of Illovo Sugar Limited, Nampak Group and Sovereign Food Investments Limited. A founding member of the Black Economic Empowerment Commission and has authored three books.

Phumla Mnganga (42) BA, BEd, 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.

Harish Kantilal Mehta (60) BSc, 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) and Joint Chairman and CEO of UHC Communications (Pty) Limited. Director of Redefine Properties Limited

EXECUTIVE DIRECTORS

Wayne Allan Hook (54) 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 (61) CA(SA)
(Group Financial Director)
Appointed to the board: November 1990
Retired: 30 September 2010
Joined The SPAR Group Limited in 1984.
Served in financial and distribution centre development/management before being appointed Financial Director in 1993.

Roelf Venter (52) BCom (Hons), MBA
(Group Retail Operations Director and Chairman of The SPAR Guild of Southern Africa (Pty) Limited)
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 (Pty) Limited in 2006.

Mark Wayne Godfrey (45) CA(SA)
(Group Financial Director)
Appointed to the board: October 2010
Joined The SPAR Group Limited in 1996
Served in financial management positions in various group operations.

COMPANY SECRETARY

Kevin James O'Brien (47) BA, LLB, B.Soc. Sc. (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.

Back row left to right: Mike Prentice, Enno Stelma, Rodney Coe, Conrad Isaac, Rob Philipson, Roelf Venter, Rob de Vos and Kevin O'Brien

Front row left to right: Ray Whitmore, Brett Botten, Wayne Hook, Thuli Tabudi, Bill Brown, Mario Santana and Trevor Currie

Inset: Mark Godfrey

EXECUTIVE MANAGEMENT

- **Chief Executive** – Wayne Hook
  - **SPAR Distribution**
    - Divisional MD, SPAR South Rand – Brett Botten
    - Divisional MD, SPAR North Rand – Mario Santana
    - Divisional MD, SPAR KwaZulu-Natal – Rob Philipson
    - Divisional MD, SPAR Western Cape – Bill Brown
    - Divisional MD, SPAR Eastern Cape – Conrad Isaac
    - Divisional MD, SPAR Lowveld – Rob de Vos
  - **Group Services**
    - Chairman The SPAR Guild & Retail Operations Director – Roelf Venter
    - Financial Director – Rodney Coe*
    - Marketing Executive – Mike Prentice
    - Information Technology Executive – Enno Stelma
    - Human Resources Executive – Thuli Tabudi
    - Logistics Executive – Trevor Currie
    - Company Secretary – Kevin O'Brien
  - **Build It**
    - Divisional MD – Ray Whitmore

**Rodney Coe retired on 30 September 2010 and was replaced by Mark Godfrey as Group Financial Director.*

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 aforementioned 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 is effective for all listed companies with a year-end commencing on or after 1 March 2010. The group currently complies with the majority of the King III principles and recommendations. Where principles are not yet in place, the group has initiated a programme to review the recommendations of King III with a view to applying these recommendations or explaining their non-application. The implementation of the Companies Act 71 of 2008 has been delayed until March 2011 but the group has already considered the effects of the changes brought about by the new Act and will incorporate these changes into the corporate governance framework of the group.

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing annual financial statements in a manner 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 of 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 structure with seven independent non-executive directors and three executive directors. The chairman of the board is an independent non-executive director. 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 directors retire each year, on a rotation basis, but may offer themselves for re-election in terms of the company's Articles of Association.

Three board committees assist the board in fulfilling their objectives. The role and responsibilities of each committee are set out in their respective terms of reference. During the year, changes were made to the board and its committees' terms of reference to adopt new requirements from the JSE and King III. All these changes have been approved by the board. Annual work plans for the board and its committees have been drafted.

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 for 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. As mentioned previously, the board has approved changes to its charter to bring it in line with the new requirements of the JSE and King III. The new charter will be effective as of the beginning of the new financial year. 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;
- monitoring management;
- implementation of the group's vision and values; and
- communicating with shareholders openly throughout the year.

The responsibility for the running of the board and executive responsibility are differentiated in the board charter. The board has a Levels of Authority policy 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 financial period under review, the Board conducted a formal evaluation of its performance. Each director was requested to complete questionnaires relating to the following:

- board self-evaluation;
- evaluation of the chairman's performance;
- self-evaluation of individual performance; and
- evaluation of the performance of the company secretary.

Board meeting attendance

Director	Attended	Held
MJ Hankinson (Chairman)	4	4
RW Coe	4	4
DB Gibbon	4	4
WA Hook	4	4
PK Hughes	4	4
RJ Hutchison	4	4
MP Madi	3	4
HK Mehta	4	4
P Mnganga	3	4
R Venter	4	4

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. On conclusion of the formal evaluation, the chairman held one on one discussions with each of the directors. The board will again conduct a formal evaluation of its performance during 2011.

Board members are kept appraised of changes to 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. During the course of the year, the board took a decision to separate the Audit and Risk Committee into an Audit Committee and a Risk Committee. The board therefore has constituted three committees, the Audit Committee, Risk Committee and the Remuneration and Nominations Committee to address matters requiring specialised attention. These sub-committees of the board are chaired by an independent non-executive director. 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.

Audit Committee

As mentioned previously, during the year under review, the board separated the Audit and Risk Committee into two separate committees, one responsible for audit and the other for risk. The first meeting of the year was conducted as the combined Audit and Risk Committee; and the remaining two meetings were held separately. In the new year, the Audit Committee will function under the new terms of reference approved by the board.

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

Due to the separation of the Audit and Risk Committee into an Audit Committee and a Risk Committee, the following activities were allocated to the Audit Committee in terms of the existing Charter (activities allocated to the Risk Committee are referred to below):

- 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; and
- monitoring the group's risk management and assurance processes.

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 company secretary is secretary to the committee. 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 has a direct reporting line to the chairman of the Audit Committee.

The Audit Committee recommends to the board the appointment of the external auditors, approves the auditors' terms of engagement and determines the auditors' 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 reconfirmed its policy 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 was obtained. Consultation and co-operation between the external and internal auditors is extensive and encouraged by the board.

Audit Committee attendance*

Director	Attended	Held
DB Gibbon (Chairman)	3	3
MJ Hankinson	3	3
HK Mehta	2	3
RW Coe (by invitation)	3	3
WA Hook (by invitation)	3	3
C Cheesman (internal auditor – by invitation)	3	3
B Botes (external auditor – by invitation)	2 (1)	3
J Welch (external auditor – by invitation)	1 (1)	3

* *One of the three meetings was held as the Audit and Risk Committee, the remaining two were held as the Audit Committee.*

(1) *J Welch was replaced by B Botes as the audit partner for the group.*

The Audit Committee considers and deals with any complaints relating to the accounting practices 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.

During the year under review, the Audit Committee reviewed:

- the accounting policies and the financial statements of the group and is satisfied that they comply with IFRS. The committee recommended the 2010 interim and final reports for approval by the board; and
- the going concern status of the group.

In terms of the JSE Listings Requirements, the Audit Committee is satisfied that the financial director has the appropriate experience and expertise to carry out the position of financial director of the group. The committee is also satisfied that the finance department is adequately resourced with staff that have the necessary expertise to carry out their functions.

Risk Committee

In accordance with good governance practice, the board is responsible for governing the risk management process in the group. This is done through the Risk Committee which is a sub-committee of the board. As referred to previously, during the course of the year under review, the board decided to split the Audit and Risk Committee into two committees. The Risk Committee is governed by its own terms of reference which has been approved by the board.

The Risk Committee is, in the interim, being chaired by an independent non-executive director who is also the chairman of the board. The chairmanship of the committee will be reviewed during the course of the next financial year to ensure compliance with King III. The other members of the Risk Committee comprise two independent non-executive directors, two executive directors and the following members of senior management: Logistics, Information Technology, Internal Audit and Secretarial who report to the group executive committee on risk issues.

The Risk Committee is governed by terms of reference which outline the following main focus areas:

- establish a common understanding of risk issues which need to be addressed in order to align with group strategy and to ensure sustainability of the group;
- ensure that a proper business risk assessment is carried out and that a risk profile is compiled by management;
- identify the most significant risks;
- satisfy the corporate governance reporting requirements of the committee;
- monitor the group's risk management activities;

- the identification of operational and financial risks and ensuring that the appropriate measures are put in place by management to address the risks; 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 risk management process comprises a formalised system to identify and assess risk at a strategic and operational level. This process includes the evaluation of mitigating controls.

The risk categories assessed include physical, health and safety, product quality, legislative, reputational, financial, information technology, people and product procurement.

All major risks will be reviewed and updated annually.

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 course of the year, the board through the Risk Committee adopted the group's risk management policy statement which records that the group is committed to developing and maintaining an integrated risk management policy. The group sees risk management as integral to the achievement of the group's strategic objectives.

The group's insurance service provider is invited to attend Risk Committee meetings so as to advise on insurance matters addressed by the committee.

Remuneration and Nominations Committee

The function of the Remuneration and Nominations Committee, as set out in the Remuneration and Nominations Committee terms of reference, is to review the group's remuneration strategy and to ensure that executive directors and executive management are appropriately remunerated. The Remuneration and Nominations Committee's terms of reference were reviewed during the year to ensure compliance with King III. The new terms of reference will be effective as of the new financial year.

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 after considering the recommendations of the chief executive officer.

Risk Committee attendance

Director	Attended	Held
MJ Hankinson (Chairman)	2	2
PC Cheesman (internal audit)	2	2
RW Coe	2	2
TD Currie (logistics)	2	2
DB Gibbon	2	2
WA Hook	2	2
HK Mehta	1	2
KJ O'Brien	2	2
EP Stelma (IT)	2	2

Remuneration and Nominations Committee attendance

Director	Attended	Held
MJ Hankinson (Chairman)	2	2
WA Hook (by invitation)	2	2
RJ Hutchison	2	2
HK Mehta	2	2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Executive directors and executive management are participants in the group's incentive bonus scheme, which remunerates executives based on the achievement of both financial targets and functional objectives which 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 R175 000 per annum. In addition, non-executive directors who served on the Audit and Risk Committees received a fee of R55 000 per annum whilst committee members on the Remuneration and Nominations Committee received R40 000 per annum. The chairperson of the committee reports to the board on the committee's deliberations and decisions.

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.

COMPANY SECRETARY

The board and its committees are served by a company secretary and has created an environment in which the company secretary can carry out his statutory duties. Details of the company secretary are provided in this report.

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.

The company secretary acts as secretary for the committees of the board.

MANAGEMENT REPORTING

Comprehensive management reporting disciplines are in place. These include the preparation of annual budgets by all operating divisions and central office departments. The group's budget is reviewed by senior management and approved by the board. Monthly results are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated regularly, while working capital and cash levels are monitored on an ongoing basis.

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 Johannesburg Securities Exchange, 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

The SPAR board accepts overall responsibility for the advancement of sustainable development at SPAR and as such 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.

Sustainability is concerned with economic, social and environmental issues. The group understands the need to engage with its stakeholders who are not just interested in the financial aspects of the business, but are also interested in the social and environmental sustainability of the business. The group has commenced the formalisation of a sustainability roadmap to better focus its sustainable development efforts. It is the groups' intention to compile the 2011 sustainability report in line with the Global Reporting Initiative G3 guidelines.

In this report, sustainability is reviewed under the following three broad categories: social, transformation and operational. Corporate governance underpins these sustainability practices to ensure that the fundamentals of fairness, accountability, responsibility and transparency are upheld.

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 all our 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.

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 and transformation;
- fair and appropriate remuneration;
- performance management; and
- attracting and retaining staff.

Our employees enjoy 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 2.21% (2009: 2.3%) of its total payroll on skills development.

Specific training initiatives focus on:

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

Ongoing organisational development initiatives such as "12 Ladders" and "SPARing for Quality" continue to ensure that work teams operate effectively and that workplace relationships are continuously improved.

Internal surveys show that the group provides meaningful jobs with a high degree of job satisfaction.

SPAR believes that its reputable employment practices continue to be 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 plans and a graduated development process aimed at creating leadership potential are in place. The structured and systematic development of individuals at all levels within the group, aims at identifying and realising leadership potential.

SPAR continues to comply 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, maintains 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 seven distribution centres and central office has its own employment equity committee. These committees are responsible for setting employment equity targets annually. Monitoring of the group's progress in terms of the employment equity plans and targets is done by the respective employment equity committees. Employment equity plans are submitted, as required, in terms of the Employment Equity Act.

REPRESENTATION OF AFRICANS, INDIANS AND COLOUREDS WITHIN THE ORGANISATION			
Occupational levels as per the Department of Labour	**SPAR categories**	**2010**	2009
Board of directors	Executive and non-executive directors Paterson Grades EU and F	**30.00%**	30.00%
Senior management	Group and divisional executives and specialised group functions Paterson Grades EU and EL	**14.08%**	11.76%
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL and DU	**39.80%**	39.37%
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL and CU	**75.27%**	71.83%
Semi-skilled and discretionary decision making	Operators and clerical staff Paterson Grade B	**93.73%**	91.76%
Unskilled and defined decision making	Defined decision making positions Paterson Grade A	**98.68%**	95.50%
Total permanent black employees as a percentage of total employees		**81.51%**	77.54%

Key achievements in talent development during the year under review include:

- 23 490 days off-the-job training;
- 48 managers completed the Senior Leadership Development Programme;
- R9.1 million spent on skills development; and
- of the employees participating in skills development, 84.7% were previously disadvantaged and 23.2% were female.

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 core to SPAR's upliftment programme. The group's CSI spend of R9.3 million (2009: R6.4 million) of profits after tax goes towards assisting previously disadvantaged communities and organisations, with the strategy broadly focusing on four areas, namely:

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

During the year under review, the group decided to join forces with Operation Hunger and opened six feeding schemes. One scheme per distribution centre was identified and can be found in the following areas:

- Khayelitsha in the area covered by the Western Cape distribution centre;
- Barkley West in the area covered by the South Rand distribution centre;
- Umtata in the area covered by the KwaZulu-Natal distribution centre;
- Helenvale in the Eastern Cape;
- Tzaneen in the North Rand distribution area; and
- Nelspruit in the Lowveld.

The first phase of the various projects was to launch the schemes and the second phase was aimed at introducing projects and providing the communities with the skills needed to self-improve their communities. Local SPAR retailers are involved in the various projects.

Examples of the group's continued community participation are:

- the Ikamv'elihle Rehabilitation Centre, located in Mdantsane in the Eastern Cape – this project is supported by the group's Eastern Cape distribution centre. The centre focuses on bringing home community based care and support services closer to members of the community who are HIV sufferers. The centre also offers soup kitchens, material support programmes, educational awareness programmes and offers group support to members of the community;
- the Arebaokeng Child Daycare Centre, located in Tembisa in Gauteng – this daycare and hospice facility is supported by the group's North Rand distribution centre. The centre offers daycare for the children of HIV/Aids sufferers. In 2009, the centre provided support for 94 children while in 2010, 149 children benefited from the services provided by the centre. The Department of Health and Social Welfare have shown an interest in this project as it benefits the lives of the children and their parents. Staff and children at the centre are encouraged to become self-sufficient by growing vegetables and operating a small onsite bakery;
- Junior Achievement South Africa (JASA) – the group's Lowveld distribution centre continues to be involved in providing growth opportunities for entrepreneurs in disadvantaged communities. Learners are instructed in business ethics, product choice, marketing, human resources and business plans. JASA programmes are classified by the Department of Trade and Industry as enterprise development. All 2009 JASA candidates were assessed by a psychologist and given career feedback on suitable job opportunities. During 2010, 80 children benefited from the programme. JASA candidates, who display potential to move into tertiary education institutions and show an interest in


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working for the group, will be able to take advantage of a bursary scheme offered by the distribution centre;

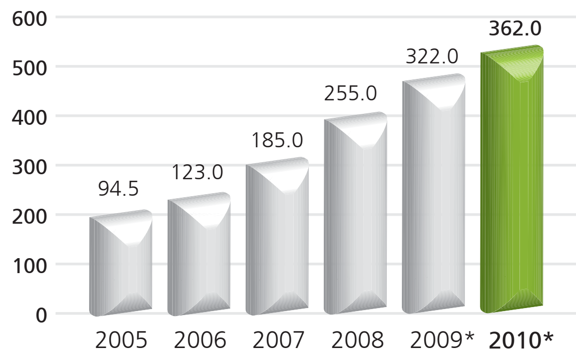
- the group's Western Cape distribution centre continues to make positive social and economic contributions to previously disadvantaged communities with a specific focus on children. In 2010, the distribution centre continued to support JL Zwane and Ubunta House, which provide assistance to a number of HIV-positive children. In 2011, this support will be extended to Urban Matters and Ma-Afrika Tikkun. Food tents will also be provided by the distribution centre;
- 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. Gozololo has expanded to operate out of several sites and currently meets the needs of 2 000 children.

  The KwaZulu-Natal distribution centre has extended its support to another project called Izulu Orphan Projects, which is situated in rural KwaZulu-Natal. The programme has registered 180 families and the distribution centre provides both food and building materials for the project;
- 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 cares for 220 (2009: 180) children and continues to be actively supported by the South Rand distribution centre; and
- the World Changes Academy runs life skills courses for high school students, the unemployed and juvenile delinquents. 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

This year was the SPAR brand's 47th year of operation in South Africa and its sixth year as a JSE listed company. Since listing, SPAR has been able to report consistent growth in earnings and dividends and its value added statement can be found elsewhere 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 company.

Headline Earnings and Dividends (cents per share)



* *Before BBBEE cost*

TRANSFORMATION

SPAR acknowledges and supports the social and economic importance of transformation in South Africa and recognises it needs to be a meaningful 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 group supports the principles contained in the BEE Act 53 of 2003 and the BEE codes of good practice. The group is a level 6 contributor (2009: level 7) with a 60% recognition level (2009: 50%). Based on current equity plans in place, this rating will continue to improve. Empowerdex, an external South African National Accreditation System, 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 has an employee share ownership scheme to allow these employee groups an opportunity to share in the growth and capital appreciation of the group.

The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust, approved by shareholders on 12 August 2009, have been established and trustees for the two schemes have been appointed. The launch of the schemes was well received by group and retail employees. The issue share price of the scheme was R59.18 and the VWAP of the shares at the first anniversary of the scheme was R83.28 per share. A third party service provider has been appointed to administer the schemes.

Enterprise Development

The creation and nurturing of new independent retail stores is an important 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 introduction of new retailers into the group continues to be a key focus area for the group's training and development initiative. The Management Induction Programme which was launched in 2002 continues to facilitate 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 a constant and competent supply of managers with retail store operations experience. 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 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 2010, there were 167 (2009:149) black-owned stores (including neighbouring countries).

Preferential Procurement

The group continues to source local goods and supports 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.

The group continues to use the services of EMEX, a recognised rating agency, to assist in securing BBBEE data on suppliers. The group currently has BBBEE credentials for all SPAR brand suppliers and for 60 of the top non-SPAR brand suppliers.

OPERATIONAL

The Environment

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

- reducing any 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 areas of focus, at an operational level, continue to be on:

- 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.

  (Progress on these initiatives is reported elsewhere in this report.)

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 being undertaken.

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

As a JSE listed company, the group participated in the Carbon Disclosure Project (CDP) in 2010 and submitted a report for the period 1 October 2008 to 30 September 2009. This baseline carbon footprint assessment will provide the group with an opportunity to set emission reduction targets that will benefit the environment and lead to operational cost reductions.

The following initiatives have been implemented at distribution centres:

North Rand Distribution Centre

- Fleet service used oil disposal – a pump system has been implemented to move used truck lubricants from the service area to the bulk used oil storage tank. Previously, this was done manually which resulted in spillage and resultant contamination of the stormwater drains.
- Electricity savings – bulb and light replacements in the distribution centre have been made with more efficient low energy fittings and bulbs.

KwaZulu-Natal Distribution Centre

- Oil recycling – used truck and refrigeration oil is sold and recycled.
- Electricity savings – all lights are being changed to white T5 lights.
- Waste recycling – all internal warehouse waste is separated into recyclable and non-recyclable waste. All recyclable waste is sold to reputable recycling companies and non-recyclable waste is disposed of in terms of applicable legislation.
- Fine metal recycling – all scrap metal is sold for recycling purposes.

Western Cape Distribution Centre

- Biodiesel – used cooking oil and fats are collected from SPAR retail stores for conversion into biodiesel. The biodiesel is used in SPAR trucks in a 5% ratio with normal diesel. Since 1 September 2009, 14 963 litres of biodiesel have been produced and used.

- Collection of carton and plastic – dry carton and plastic are collected from SPAR retail stores for consolidation and recycling with a third-party recycler. As at the end of August 2010, 59 metric tonnes of plastic and 417 metric tonnes of carton have been collected from SPAR retail stores and the distribution centre for recycling.

Eastern Cape Distribution Centre

- Recycling initiatives – cardboard, plastic, metal and used engine oil are recycled.
- Waste disposal – wet and dry waste is sold and general waste is disposed of to approved facilities.

South Rand Distribution Centre

- Used engine oil – all used engine oil is pumped into underground tanks which are then drained and recycled.
- Separation tanks – separation tanks are installed at both the battery bay area and the truck wash area. These tanks are designed to store all grey water, allowing only uncontaminated water to flow into the sewerage system.
- Catch tanks/bund walls – catch tanks have been built in at all diesel pumps to contain any spillage and reduce the risk of ground contamination. Bund walls have been built around all transformer areas for the same reason.
- General waste – all general waste is separated into categories on site and then sold to specialist recycling companies.
- Energy management – electronic timers have been fitted to lights and airconditioners. All lights (other than emergency lights) and airconditioners are shut down automatically between 20:00 and 05:00. Research is being undertaken on new energy efficient office lighting.

In a positive step towards ensuring the future of our marine resources and ecosystems, the group has recently entered into a relationship with WWF's Southern African Sustainable Seafood Initiative (SASSI) and has begun the process of aligning seafood procurement policies for all of the SPAR house branded products with best practice guidelines for sustainable seafood. The group has already begun developing a sustainable seafood policy and over the next year, with SASSI's guidance, will assess the sustainability of its current seafood range and will thereafter look to remove or improve all products that do not comply with this policy.

Facilities

Environmental issues are continually taken into account in distribution centre design. Distribution centres have energy management plans in place and new facilities or additions to existing 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.

Fleet Management

Resource conservation is a focus area of the fleet management programme, with route determination a priority in reducing costs and emissions. The group transport manager is tasked with driving operational efficiencies. New vehicles bought into the fleet are required to meet the minimum standard 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.

Product Stewardship

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

A cold chain "best practice" has been developed and this is monitored for compliance. The group strives to attain the highest levels of product safety and engages on a constant basis with manufacturers and suppliers. All SPAR brand suppliers are required to undergo regular food safety audits. In this regard, the group is cogniscent of the provisions of the Consumer Protection Act 68 of 2008 and the effects this will have on its relationship with suppliers and retailers.

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 closely with the Consumer Goods Council of South African (CGCSA) 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 provider. The five components of the programme are emergency planning, health and safety, transport, fire and security.

Health and safety statistics for 2010

Event	Number of injuries
Disabling injuries	14 (2009: 13)
Non-disabling injuries	160 (2009: 415)
Number of staff using onsite clinics	14 982 (2009: 15 881)
Deaths on duty	nil (2009: nil)

The group has an inhouse customer care line that addresses consumer complaints and queries relating to products sold at retailers' stores.

The required health and safety committees are in place and training in health and safety matters is on-going. 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 (2009: R2 million) for this service. The clinic services are provided free of charge to all employees, permanent and temporary. Through these clinics, employees have access to support initiatives that focus on health and wellness, alcohol and substance abuse and HIV/Aids. The group has in place a specific HIV/Aids policy and management framework. HIV positive employees are provided with counselling and support. Employees are offered voluntary membership of the Tiger Brands Medical Aid Scheme. Members of the scheme and their dependents have access to cost-effective comprehensive health cover and to the Vitality programme offered by Momentum. 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.

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;
- The 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;
- The Wholesale and Retail Sector Education and Training Authority and its Standards Generating Body;
- The Transport Education and Training Authority; and
- Various regional business chambers.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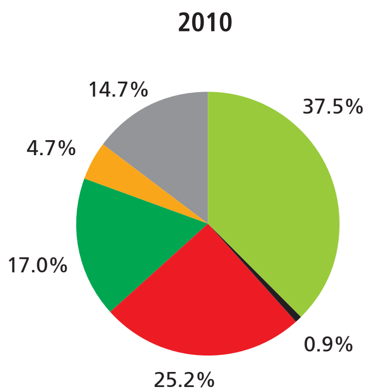
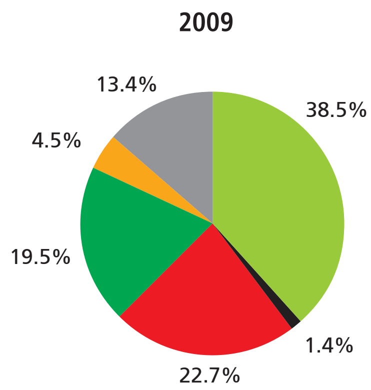
Value added is the measure of the wealth the group has created. The statement shows how wealth has been distributed.

	2010 Rmillion	% of Revenue	%	2009 Rmillion	% of Revenue	%
Revenue	35 160			32 256		
Less:						
Net cost of product and services	32 885			30 229		
Value added	2 275			2 027		
Add:						
Income from investments and associates	25			35		
Wealth created	2 300	6.5	100	2 062	6.4	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	863		37.5	794		38.5
Providers of capital	600		26.1	497		24.1
Interest on borrowings	21		0.9	29		1.4
Dividends to ordinary shareholders	579		25.2	468		22.7
Taxation	391		17.0	402		19.5
Replacement of assets	108		4.7	92		4.5
Retained in the group	338		14.7	277		13.4
Wealth distributed	2 300		100.0	2 062		100.0





Salaries, wages and other benefits
Interest on borrowings
Dividends
Taxation
Replacement of assets
Retained in the group

FIVE YEAR REVIEW

Rmillion	2010	2009	2008	2007	2006
CONDENSED STATEMENT OF COMPREHENSIVE INCOME					
Revenue	**35 160**	32 256	26 993	21 920	17 177
Operating profit	**1 303**	1 141	972	775	603
Interest received	**25**	35	46	32	22
Interest paid	**(21)**	(29)	(19)	(10)	(6)
Share of equity accounted associate				(2)	
Profit before taxation	**1 307**	1 147	999	795	619
Taxation	**(391)**	(402)	(317)	(272)	(211)
Total comprehensive income	**916**	745	682	523	408
CONDENSED STATEMENT OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**1 521**	1 426	1 083	736	519
Goodwill	**300**	246	246	246	246
Loans and investments	**41**	17	56	118	57
Finance lease receivables			20	9	
Operating lease receivables	**139**	143	125	115	105
Other non-current assets	**2**	2	4	4	
Deferred taxation asset	**3**	22	16	15	
Current assets	**5 523**	4 684	4 284	3 815	2 702
Total assets	**7 529**	6 540	5 834	5 058	3 629
Equity and liabilities					
Capital and reserves	**2 187**	1 940	1 488	1 110	892
Deferred taxation liability					6
Post retirement medical aid provision	**75**	68	61	55	50
Long-term borrowings					1
Operating lease payables	**135**	142	124	115	104
Current liabilities	**5 132**	4 390	4 161	3 778	2 576
Total equity and liabilities	**7 529**	6 540	5 834	5 058	3 629
CONDENSED STATEMENT OF CASH FLOWS					
Cash flows from operating activities	**818**	683	(25)	1 171	560
Dividends paid	**(579)**	(468)	(355)	(246)	(191)
Cash flows from investing activities	**(281)**	(268)	(356)	(394)	(237)
Cash flows from financing activities	**(121)**	23	29	(118)	(94)
Net (decrease)/increase in cash and cash equivalents	**(163)**	(30)	(707)	413	38

		2010	2009	2008	2007	2006
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	**171.04**	170.6	168.4	166.4	167.2
Headline earnings per share	cents	**543.7***	484.8*	405.7	312.3	240.0
Dividends per share	cents	**362.0**	322.0	255.0	185.0	123.0
Dividend cover	multiple	**1.5***	1.5*	1.59	1.69	1.95
Net asset value per share	cents	**1 278.8**	1 137.4	883.5	666.9	533.5
COMPREHENSIVE INCOME INFORMATION						
Gross margin	%	**7.9**	8.0	8.1	8.2	8.4
Trading profit margin	%	**3.8**	3.8	3.6	3.6	3.5
Headline earnings	Rmillion	**928.9***	822.1*	680.3	521.9	406.7
SOLVENCY AND LIQUIDITY						
Return on equity	%	**44.4**	43.5	52.5	52.3	49.6
Return on net assets	%	**55.2**	58.1	84.5	111.4	75.1
EMPLOYEE STATISTICS						
Number of employees at year-end		**2 698**	2 640	2 570	2 393	2 277
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	cents	**9 290**	6 470	5 050	5 511	3 635
– highest	cents	**9 293**	6 595	6 200	5 699	4 020
– lowest	cents	**6 300**	4 512	4 450	3 551	2 751
Number of share transactions		**127 113**	81 598	53 673	38 761	26 121
Number of shares traded	millions	**125.2**	124.1	131.7	120.7	107.8
Number of shares traded as a percentage of total issued shares	%	**73.2**	72.7	78.2	72.5	64.5
Value of shares traded	Rmillion	**9 181**	6 807	6 938	5 403	3 717
Earnings yield at year-end	%	**5.9***	7.5*	8.0	5.7	6.6
Dividend yield at year-end	%	**3.9**	5.0	5.0	3.4	3.4
Price earnings ratio at year-end	multiple	**17.1***	13.3*	12.4	17.6	15.1
Market capitalisation at year-end net of treasury shares	Rmillion	**15 889**	11 038	8 504	9 170	6 078
Market capitalisation to shareholders' equity at year-end	multiple	**8.3**	5.7	5.7	8.3	6.8

* *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).

COMPREHENSIVE INCOME 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 2010

CONTENTS

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 2010 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 16 November 2010 and are signed on its behalf by:

MJ Hankinson
Chairman

WA Hook
Chief Executive

16 November 2010

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 of the South African Companies Act in respect of the year ended 30 September 2010 and that all such returns are true, correct and up to date.

KJ O'Brien
Company Secretary

16 November 2010

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SPAR GROUP LIMITED

Report on the Financial Statements

We have audited the group annual financial statements and annual financial statements of The SPAR Group Limited, which comprise the consolidated and separate statements of financial position as at 30 September 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 42 to 82.

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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of The SPAR Group Limited as at 30 September 2010, and its consolidated and separate financial performance and consolidated and separate 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 Brian Botes CA (SA)
Partner – Audit KZN

16 November 2010

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, Legal and Risk Advisory)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, CR Beukman (*Finance)*, TJ Brown *(Clients & Markets)*, NT Mtoba *(Chairman of the Board)*, MJ Comber *(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 seven main 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 2010 amounted to R915.8 million (2009: R745.2 million). This translates into headline earnings per share of 536.1 cents (2009: 404.5 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 18.

During the year, 572 221 (2009: 657 757) shares were issued to options holders who exercised their option rights 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 2 629 088 (2009: 719 800) shares in The SPAR Group Limited for R188.1 million (2009: R34.9 million) of which 2 497 679 (2009: 719 800) shares were reissued to option holders who exercised their option rights. At year-end, 131 409 (2009: nil) treasury shares were held by the company.

At the 2010 annual general meeting ("AGM"), 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 will be 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 share purchases 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:

	2010	2009
Shares under option at the beginning of the year	11 587 534	13 358 384
Options granted	1 042 000	1 154 000
Options exercised and paid in full	(3 161 100)	(2 914 650)
Options lapsed or cancelled	(10 900)	(10 200)
Shares under option as at year-end (refer note 18.2)	9 457 534	11 587 534
Options available for issue (under control of the directors)	4 093 632	5 135 632

Details of options granted are set out in note 18.2.

DIVIDENDS

A final dividend of 200 cents in respect of 2009 was declared on 10 November 2009 and paid on 7 December 2009. An interim dividend of 140 cents per share was declared on 11 May 2010 and paid on 14 June 2010. A final dividend of 222 cents per share was declared on 16 November 2010, payable on 13 December 2010.

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

Last day to trade cum-dividend	Friday, 3 December 2010
Shares to commence trading ex-dividend	Monday, 6 December 2010
Record date	Friday, 10 December 2010
Payment of dividend	Monday, 13 December 2010

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 6 December 2010 and Friday, 10 December 2010, both days inclusive.

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed on page 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. Accordingly, Mr H Mehta and Mr MP Madi retire at the AGM to be held on 14 February 2011, but offer themselves for re-appointment.

RW Coe retired as a director of the company on 30 September 2010.

At 30 September 2010, the directors beneficially held 94 100 (2009: 104 100) shares in the company and unexercised options to acquire a total of 1 327 700 (2009: 1 416 500) ordinary shares in the company (refer notes 28.3 and 29).

AUDIT COMMITTEE

The Audit 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 company has in place a Risk Committee, which operates as a sub-committee of the board. The committee is responsible for monitoring the management of risks that may affect the company's operations.

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

Regular risk management audits are conducted in conjunction with appropriate risk management consultants, where necessary. Identified risks are reviewed and action plans to minimise the possibility of a loss occurring are in place. 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 Risk Committee.

SUBSIDIARIES

The interest of the company in the aggregate net profit after taxation of subsidiaries was R12.1 million (2009: R12.5 million). Details of the company's subsidiaries are set out in note 34.

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 and adopted 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 1 First-time Adoption of International Financial Reporting Standards	1 July 2010
IFRS 2 Share Based Payments	1 January 2010
IFRS 3 Business Combinations	1 January 2011
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
IFRS 7 Financial Instruments: Disclosures	1 January 2011
IFRS 8 Operating Segments	1 January 2010
IFRS 9 Financial Instruments	1 January 2013
IAS 1 Presentation of Financial Statements	1 January 2011
IAS 7 Statement of Cash Flows	1 January 2010
IAS 17 Leases	1 January 2010
IAS 21 The Effects of Changes in Foreign Exchange Rates	1 July 2010
IAS 24 Related Party Disclosures	1 January 2011
IAS 27 Consolidated and Separate Financial Statements	1 July 2010
IAS 28 Investments in Associates	1 July 2010
IAS 31 Interest in Joint Ventures	1 July 2010
IAS 32 Financial Instruments: Presentation	1 February 2010
IAS 34 Interim Financial Reporting	1 January 2011
IAS 36 Impairment of Assets	1 January 2010
IAS 39 Financial Instruments: Recognition and Measurements	1 January 2010
IFRIC 13 Customer Loyalty Programmes	1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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 or financial position of 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

Property, 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 stated at cost and 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.

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 JOINT VENTURES

Investment in joint ventures are accounted for in terms of IAS 31 Interests in Joint Ventures. IAS 31 permits the use of the equity method as an alternative treatment when recognising interests in jointly controlled entities.

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 current taxation payable, deferred taxation and Secondary Taxation on Companies (STC). 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. STC is recognised at the time the dividend is declared.

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 affects 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.

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 with the last valuation taking place in the current year. 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. 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.

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 at period end. 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 and 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 at period end. 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 or loss.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the statement of financial position 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 statement of financial position 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.

LEASED ASSETS

Leased assets 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.

Rental income in respect of operating leases is recognised on a straight-line basis over the term of the relevant lease.

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.

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 21.

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.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

		GROUP		COMPANY	
Rmillion	Notes	2010	2009	2010	2009
Revenue	1	**35 159.6**	32 256.2	**34 526.7**	31 704.5
Trading profit	3	**1 316.3**	1 214.5	**1 315.9**	1 209.2
Profit on sale of Western Cape distribution centre			63.0		63.0
BBBEE transactions	35	**(13.0)**	(136.2)	**(13.0)**	(136.2)
Operating profit		**1 303.3**	1 141.3	**1 302.9**	1 136.0
Interest received	4	**24.6**	34.9	**24.6**	34.9
Interest paid	4	**(20.9)**	(29.5)	**(20.9)**	(29.5)
Share of equity accounted associate	12	**0.4**			
Profit before taxation		**1 307.4**	1 146.7	**1 306.6**	1 141.4
Taxation	5	**(391.6)**	(401.5)	**(385.6)**	(395.6)
Profit for the year attributable to ordinary shareholders		**915.8**	745.2	**921.0**	745.8
Other comprehensive income					
Exchange differences from translation of foreign operations		**0.1**	(0.3)		
Total comprehensive income		**915.9**	744.9	**921.0**	745.8
Earnings per share (cents)	6				
Basic		**536.0**	439.4		
Diluted		**506.2**	426.0		

STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

		GROUP		COMPANY	
Rmillion	Notes	2010	2009	2010	2009
ASSETS					
Non-current assets		2 006.0	1 856.2	1 963.9	1 813.1
Property, plant and equipment	9	1 521.0	1 425.8	1 457.7	1 380.7
Goodwill	10	299.7	245.6	245.6	245.6
Investment in subsidiaries	34			78.3	2.3
Investment in associates	12	17.0	3.5	16.2	3.1
Other investments	13.3	1.5		1.5	
Operating lease receivables	11	139.1	143.3	139.1	143.3
Loans	13	23.0	13.8	23.2	13.8
Deferred taxation asset	14	3.2	22.0	0.8	22.1
Other non-current assets		1.5	2.2	1.5	2.2
Current assets		5 522.9	4 683.6	5 276.9	4 509.6
Inventories	15	959.2	853.1	942.1	853.0
Trade and other receivables	16	4 412.0	3 715.7	4 259.1	3 611.0
Prepayments		28.6	26.4	27.3	25.7
Operating lease receivables	11	25.7	15.4	25.7	15.4
Loans	13	2.2	4.5	13.0	4.5
Taxation receivable	25	10.0		9.7	
Bank balances – Guilds	17	85.2	68.5		
Total assets		7 528.9	6 539.8	7 240.8	6 322.7
EQUITY AND LIABILITIES					
Capital and reserves		2 187.2	1 940.3	2 193.0	1 930.2
Share capital and premium	18	33.4	23.3	33.4	23.3
Treasury shares	19	(10.8)			
Currency translation reserve		(0.2)	(0.3)		
Share based payment reserve		261.8	231.1	261.8	231.1
Retained earnings		1 903.0	1 686.2	1 897.8	1 675.8
Non-current liabilities		209.5	209.4	208.2	209.4
Post retirement medical aid provision	21	75.1	67.9	75.1	67.9
Operating lease payables	11	134.4	141.5	133.1	141.5
Current liabilities		5 132.2	4 390.1	4 839.6	4 183.1
Trade and other payables	22	4 565.0	4 015.2	4 246.0	3 791.4
Operating lease payables	11	29.9	15.5	29.9	15.5
Provisions	23	5.8	6.1	4.6	5.1
Taxation payable	25	0.4	2.3		2.3
Bank overdrafts	17	531.1	351.0	559.1	368.8
Total equity and liabilities		7 528.9	6 539.8	7 240.8	6 322.7

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2010

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 2008	13.4	(77.6)		78.4	1 473.6	1 487.8
Total comprehensive income for the year			(0.3)		745.2	744.9
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
Capital and reserves at 30 September 2009	23.3	–	(0.3)	231.1	1 686.2	1 940.3
Total comprehensive income for the year			0.1		915.8	915.9
Recognition of share based payments				18.3		18.3
Take-up of share options		187.4		(120.5)		66.9
Transfer arising from take-up of share options				120.5	(120.5)	–
Share repurchases		(188.1)				(188.1)
Dividends declared					(578.5)	(578.5)
Issue of shares	10.1	(10.1)				–
Recognition of BBBEE transaction				12.4		12.4
Capital and reserves at 30 September 2010	33.4	(10.8)	(0.2)	261.8	1 903.0	2 187.2
COMPANY						
Capital and reserves at 30 September 2008	13.4			78.4	1 462.6	1 554.4
Total comprehensive income for the year					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
Total comprehensive income for the year					921.0	921.0
Recognition of share based payments				18.3		18.3
Contribution to Employee Share Trust				(120.5)		(120.5)
Transfer arising from take-up of share options				120.5	(120.5)	–
Dividends declared					(578.5)	(578.5)
Issue of shares	10.1					10.1
Recognition of BBBEE transaction				12.4		12.4
Capital and reserves at 30 September 2010	33.4	–	–	261.8	1 897.8	2 193.0

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2010

		GROUP		COMPANY	
Rmillion	Notes	2010	2009	2010	2009
Cash flows from operating activities		**238.9**	215.4	**214.5**	204.1
Cash generated from operations	24	**1 199.5**	1 205.1	**1 166.6**	1 187.8
Interest received		**23.6**	34.3	**23.6**	34.3
Interest paid		**(20.9)**	(29.5)	**(20.9)**	(29.5)
Taxation paid	25	**(384.8)**	(526.8)	**(376.3)**	(520.8)
Dividends paid	8	**(578.5)**	(467.7)	**(578.5)**	(467.7)
Cash flows from investing activities		**(281.0)**	(268.5)	**(414.9)**	(255.5)
Acquisition of subsidiaries	36.2	**(54.1)**		**(12.9)**	
Investment to expand operations		**(169.3)**	(390.4)	**(149.7)**	(390.4)
Investment to maintain operations		**(34.3)**	49.5	**(34.4)**	49.7
– Replacement of property, plant and equipment		**(36.3)**	(51.1)	**(36.3)**	(51.1)
– Proceeds on disposal of property, plant and equipment		**2.0**	100.6	**1.9**	100.8
Net movement on loans and investments	24.1	**(23.3)**	72.4	**(217.9)**	85.2
Cash flows from financing activities		**(121.3)**	22.6	**10.1**	9.9
Proceeds from issue of share capital		**10.1**	9.9	**10.1**	9.9
Proceeds from exercise of share options		**56.7**	47.6		
Share repurchases	19	**(188.1)**	(34.9)		
Net decrease in cash and cash equivalents		**(163.4)**	(30.5)	**(190.3)**	(41.5)
Net overdrafts at beginning of year		**(282.5)**	(252.1)	**(368.8)**	(327.3)
Effects of exchange rate changes on the balance of cash held in foreign currencies			0.1		
Net overdrafts at end of year	17	**(445.9)**	(282.5)	**(559.1)**	(368.8)

	Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
1.	**REVENUE**				
	Turnover	34 844.2	31 962.1	34 197.8	31 397.5
	Other income	315.4	294.1	328.9	307.0
	Marketing revenues	311.2	288.1	310.7	288.0
	Other receipts	4.2	6.0	4.2	6.0
	Dividends received – subsidiaries			14.0	13.0
	Total revenue	35 159.6	32 256.2	34 526.7	31 704.5
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	34 844.2	31 962.1	34 197.8	31 397.5
	Cost of sales	(32 083.7)	(29 393.0)	(31 463.3)	(28 847.1)
	Gross profit	2 760.5	2 569.1	2 734.5	2 550.4
	Other income	315.4	294.1	328.9	307.0
	Operating expenses	(1 759.6)	(1 648.7)	(1 747.5)	(1 648.2)
	Warehousing and distribution expenses	(862.4)	(758.5)	(871.8)	(767.2)
	Marketing and selling expenses	(434.7)	(425.4)	(426.1)	(416.1)
	Administration and information technology expenses	(462.5)	(464.8)	(449.6)	(464.9)
	Trading profit	1 316.3	1 214.5	1 315.9	1 209.2

Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
3. **TRADING PROFIT** (continued)				
Operating expenses include the following:				
Auditors' remuneration:	**4.7**	4.0	**3.9**	3.7
Audit fees	**4.5**	3.9	**3.8**	3.6
Other fees	**0.2**	0.1	**0.1**	0.1
Depreciation:	**108.3**	92.4	**106.9**	91.2
Buildings and leasehold improvements	**13.8**	10.6	**13.0**	9.5
Plant, equipment and vehicles	**94.5**	81.8	**93.9**	81.7
Fair value adjustment	**(0.3)**	(1.0)	**(0.3)**	(1.0)
Net foreign exchange losses	**1.1**	0.6	**1.1**	0.6
Operating lease charges:				
Immovable property	**10.0**	9.2	**9.5**	8.8
Lease rentals payable	**274.5**	221.5	**274.0**	221.1
Sub-lease recoveries	**(264.5)**	(212.3)	**(264.5)**	(212.3)
Plant, equipment and vehicles	**7.5**	8.6	**7.5**	8.6
Net loss/(profit) on disposal of plant and equipment	**0.1**	(0.7)	**0.1**	(0.7)
Post retirement medical aid provision	**7.2**	9.6	**7.2**	9.6
Retirement contributions				
Defined contribution plan expenses	**57.7**	54.7	**57.4**	54.5
Defined benefit plan expenses	**0.1**	0.4	**0.1**	0.4
Share based payments charge	**18.3**	21.1	**18.3**	21.1
Staff costs	**863.0**	793.9	**855.4**	790.2
Technical and consulting fees	**7.3**	6.2	**7.3**	6.2

Rmillion		GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
4. NET INTEREST RECEIVED					
Interest received					
Bank deposits		12.4	17.6	12.4	17.6
Loans		1.0	7.8	1.0	7.8
Overdue debtors		10.0	8.5	10.0	8.5
Other		1.2	1.0	1.2	1.0
Total interest received		24.6	34.9	24.6	34.9
Interest paid					
Security deposits		3.4	4.0	3.4	4.0
Bank overdraft		17.3	21.7	17.3	21.7
Other		0.2	3.8	0.2	3.8
Total interest paid		20.9	29.5	20.9	29.5
Net interest received		3.7	5.4	3.7	5.4
5. TAXATION					
Current taxation					
– current year		325.3	343.8	318.8	338.2
– prior year		(12.8)	17.5	(12.8)	17.5
Deferred taxation					
– current year		23.4	8.8	24.1	8.7
– prior year		(2.8)	(15.1)	(2.8)	(15.1)
Secondary Tax on Companies		58.3	46.3	58.3	46.3
Foreign withholding tax		0.2	0.2		
Total taxation		391.6	401.5	385.6	395.6
Reconciliation of effective taxation rate					
Standard taxation rate	(%)	28.0	28.0	28.0	28.0
Permanent differences	(%)	(1.3)	2.8	(1.8)	2.4
Prior year (over)/under provision	(%)	(1.2)	0.2	(1.2)	0.2
Secondary Tax on Companies	(%)	4.5	4.0	4.5	4.1
Effective rate of taxation		30.0	35.0	29.5	34.7

Rmillion		GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
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 170 862 375 (2009: 169 581 464). In respect of diluted earnings per share the weighted average number of ordinary shares (net of treasury shares) was 180 912 511 (2009: 174 928 715).					
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)		915.8	745.2	921.0	745.8
Number of shares					
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	170 862	169 582	170 862	169 582
Effect of diluted potential ordinary shares:					
Share options and BBBEE shares	('000)	10 050	5 347	10 050	5 347
Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	('000)	180 912	174 929	180 912	174 929
7. HEADLINE EARNINGS					
Profit for the year attributable to ordinary shareholders		915.8	745.2	921.0	745.8
Adjusted for:					
Loss/(profit) on sale of property, plant and equipment		0.1	(59.3)	0.1	(59.3)
– Gross		0.1	(63.7)	0.1	(63.7)
– Tax effect			4.4		4.4
Headline earnings		915.9	685.9	921.1	686.5
Add BBBEE transactions		13.0	136.2	13.0	136.2
Headline earnings before BBBEE transactions		928.9	822.1	934.1	822.7
Headline earnings per share					
Basic	(cents)	536.1	404.5		
Diluted	(cents)	506.3	392.1		
Before BBBEE transactions					
Basic	(cents)	543.7	484.8		
Diluted	(cents)	513.5	470.0		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

			GROUP		COMPANY	
	Rmillion		2010	2009	2010	2009
8.	**DIVIDENDS PAID**					
	2009 Final dividend declared 10 November 2009					
	– paid 7 December 2009		339.2	260.2	339.2	260.2
	2010 Interim dividend declared 11 May 2010					
	– paid 14 June 2010		239.3	207.5	239.3	207.5
	Total dividends		578.5	467.7	578.5	467.7
	2009 Final dividend per share					
	declared 10 November 2009					
	– paid 7 December 2009	(cents)	200.0	155.0	200.0	155.0
	2010 Interim dividend per share					
	declared 11 May 2010 – paid 14 June 2010	(cents)	140.0	122.0	140.0	122.0
	Total dividends per share	(cents)	340.0	277.0	340.0	277.0

The final dividend for the year ended 30 September 2010 of 222 cents per share declared on 16 November 2010 and payable on 13 December 2010 has not been accrued.

STC at 10% is payable on this dividend, and has likewise not been accrued for.

	Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9.	**PROPERTY, PLANT AND EQUIPMENT**				
	GROUP – 2010				
	Carrying value at 30 September 2009	916.3	0.5	509.0	1 425.8
	Additions	19.9	1.0	184.7	205.6
	Disposals at net book value			(2.1)	(2.1)
	Depreciation	(13.7)	(0.1)	(94.5)	(108.3)
	Carrying value at 30 September 2010	922.5	1.4	597.1	1 521.0
	Analysed as follows:				
	Cost	996.5	2.7	1 041.4	2 040.6
	Accumulated depreciation	(74.0)	(1.3)	(444.3)	(519.6)
	COMPANY – 2010				
	Carrying value at 30 September 2009	871.3	0.5	508.9	1 380.7
	Additions	19.9	1.0	165.1	186.0
	Disposals at net book value			(2.1)	(2.1)
	Depreciation	(12.8)	(0.2)	(93.9)	(106.9)
	Carrying value at 30 September 2010	878.4	1.3	578.0	1 457.7
	Analysed as follows:				
	Cost	942.3	2.7	1 021.2	1 966.2
	Accumulated depreciation	(63.9)	(1.4)	(443.2)	(508.5)

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT continued				
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)
Reclassification of assets as held for sale	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)

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 2010 is R1 026.4 million (2009: R997.2 million). The valuation is based on a net yield of 14% (2009: 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.

	Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
10.	**GOODWILL**				
	Opening balance	**245.6**	245.6	**245.6**	245.6
	Business combination	**54.1**			
	Closing balance	**299.7**	245.6	**245.6**	245.6

10.1 The opening balance of goodwill is attributable to the SPAR 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 of the goodwill:

		2010	2009
Discount rate	(%)	**11.4**	11.9
Sales growth rate	(%)	**6.0 – 8.0**	6.0 – 8.0
Terminal value growth rate	(%)	**3.0**	3.0

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

At 30 September 2010, the carrying value of goodwill attributable to the SPAR Lowveld distribution centre operation was not considered to be impaired.

10.2 During the current year the group acquired Klipakkers (Pty) Limited. The acquisition of this subsidiary gave rise to goodwill in the group results (refer note 36).

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

		2010
Discount rate	(%)	**11.4**
Sales growth rate	(%)	**6.0**

At 30 September 2010, the carrying value of goodwill arising on the acquisition of Klipakkers (Pty) Limited was not considered to be impaired.

	Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
11.	**OPERATING LEASE RECEIVABLES AND PAYABLES**				
	Operating lease receivables	**164.8**	158.7	**164.8**	158.7
	Less current portion	**(25.7)**	(15.4)	**(25.7)**	(15.4)
	Non-current operating lease receivables	**139.1**	143.3	**139.1**	143.3
	Operating lease payables	**164.3**	157.0	**163.0**	157.0
	Less current portion	**(29.9)**	(15.5)	**(29.9)**	(15.5)
	Non-current operating lease payables	**134.4**	141.5	**133.1**	141.5

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 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
12. INVESTMENT IN ASSOCIATES				
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		
Investment in SPAR Harare (Pvt) Limited	3.5	3.5	3.1	3.1
Tracim SA (Pty) Limited				
Shares at cost	–	–	–	–
Loan to Tracim SA (Pty) Limited	13.1		13.1	
Cumulative share of post-acquisition profit, net of dividend received	0.4			
Investment in Tracim SA (Pty) Limited	13.5	–	13.1	–
Total investment in associates	17.0	3.5	16.2	3.1
Summarised financial statements of the group's share of associates:				
Total assets	44.0	12.8		
Total liabilities	(35.8)	(4.8)		
Net assets	8.2	8.0		
Revenue	146.1	39.4		
Profit for the year attributable to ordinary shareholders	3.8	1.6		

12.1 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. SPAR Harare (Pvt) Limited has a 30 June year-end.

For purposes of equity accounting, the financial statements of SPAR Harare (Pvt) Limited for the year ended 30 June 2010 have been utilised.

During the prior year, the reporting currency of SPAR Harare (Pvt) Limited changed from Zimbabwe dollars to United States dollars.

Due to the economic uncertainty in Zimbabwe, the group has not recognised its share of the associate profits in the current year.

Rates of exchange utilised are:	2010	2009
Rand/United States dollar exchange rate at year-end	6.95	7.43

12.2 During the current year, the group acquired a 49.9% shareholding in Tracim SA (Pty) Limited which company owns and operates the Gateway SUPERSPAR in Hermanus. This is a jointly controlled entity which is equity accounted in terms of IAS 31.

	Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
13.	**LOANS**				
	Retailer loans	**24.8**	18.3	**25.0**	18.3
	Advance to The SPAR Group Limited Employee Share Trust (2004)			**10.8**	
	Loan to Group Risk Holdings (Pty) Limited	**0.4**		**0.4**	
		25.2	18.3	**36.2**	18.3
	Less current portion	**(2.2)**	(4.5)	**(13.0)**	(4.5)
	Non-current loans	**23.0**	13.8	**23.2**	13.8

13.1 Retailer loans are both secured and unsecured, bear interest at various rates and have set repayment terms.

13.2 The advance to The SPAR Group Limited Employee Share Trust (2004) is unsecured, bears no interest and has no set repayment terms. The company advanced money to the Trust to enable it to finance the repurchase of the company's shares (refer note 19). This advance constitutes a loan and a contribution. The loan portion is recoverable from the Trust upon exercise of share options to the extent of the sum of option strike prices of options exercised. The contribution portion will be the difference between the cost price of treasury shares and the option strike prices of the equivalent number of treasury shares utilised to satisfy option holders who exercise their option rights.

13.3 As part of The SPAR Group Limited's ongoing membership of the Group Risk Holdings (Pty) Limited captive insurance scheme, the group was required to acquire 700 shares in Group Risk Holdings (Pty) Limited at a cost of R1 462 591. In addition to the share allotment, a loan of R382 594 was required to maintain the group's proportionate percentage shareholding in the scheme. This loan is unsecured, interest free and has no fixed repayment terms.

	Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
14.	**DEFERRED TAXATION ASSET**				
	Deferred taxation analysed by major category:				
	Accelerated capital allowances	**(76.2)**	(56.1)	**(76.1)**	(56.0)
	Provisions, claims and prepayments	**79.4**	78.1	**76.9**	78.1
	Closing balance	**3.2**	22.0	**0.8**	22.1
	Reconciliation of deferred taxation:				
	Opening balance	**22.0**	15.7	**22.1**	15.7
	Income statement effect	**(20.6)**	6.3	**(21.3)**	6.4
	Business acquisition	**1.8**			
	Closing balance	**3.2**	22.0	**0.8**	22.1

Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
15. INVENTORIES				
Merchandise	**978.9**	879.3	**961.8**	879.2
Less provision for obsolescence	**(19.7)**	(26.2)	**(19.7)**	(26.2)
Total inventories	**959.2**	853.1	**942.1**	853.0
Shrinkages and damages written off	**36.2**	36.1	**36.2**	36.1
16. TRADE AND OTHER RECEIVABLES				
Trade receivables	**4 027.1**	3 446.4	**3 933.8**	3 376.6
Allowance for doubtful debts	**(99.0)**	(87.8)	**(98.2)**	(87.0)
Net trade receivables	**3 928.1**	3 358.6	**3 835.6**	3 289.6
Other receivables	**483.9**	357.1	**423.5**	321.4
Total trade and other receivables	**4 412.0**	3 715.7	**4 259.1**	3 611.0
The other receivables balance includes loans made by The SPAR Guild of Southern Africa to SPAR retail members.				
Movement in the allowance for doubtful debts				
Allowance at 30 September 2009	**(87.8)**	(52.4)	**(87.0)**	(51.5)
Increase in allowance	**(11.2)**	(35.4)	**(11.2)**	(35.5)
Allowance at 30 September 2010	**(99.0)**	(87.8)	**(98.2)**	(87.0)
Irrecoverable debts written off net of recoveries	**45.8**	46.0	**45.9**	45.3

Trade receivables

The group provides trade 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 – 38/48 days from weekly statement

Included in trade receivables are debtors with a net carrying amount of R124.4 million (2009: R59.1 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.

17. OVERDRAFTS/CASH BALANCES

For the purpose of the statement of cash flow, 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 statement of cash flow can be reconciled to the related items in the statement of financial position as follows:

	GROUP		COMPANY	
Rmillion	**2010**	2009	**2010**	2009
Bank balances – Guilds	**85.2**	68.5		
Bank overdrafts – SPAR	**(531.1)**	(351.0)	**(559.1)**	(368.8)
Net overdrafts	**(445.9)**	(282.5)	**(559.1)**	(368.8)

18. SHARE CAPITAL AND PREMIUM

	GROUP		COMPANY	
Rmillion	**2010**	2009	**2010**	2009
18.1 Authorised				
250 000 000 (2009: 250 000 000) ordinary shares of 0.06 cents (2009: 0.06 cents) each	**0.2**	0.2	**0.2**	0.2
30 000 000 (2009: 30 000 000) redeemable convertible preference shares of 0.06 cents (2009: 0.06 cents) each				
Issued				
171 170 013 (2009: 170 597 792) ordinary shares of 0.06 cents (2009: 0.06 cents) each	**0.1**	0.1	**0.1**	0.1
18 911 349 (2009: 18 911 349) redeemable convertible preference shares of 0.06 cents (2009: 0.06 cents) each				
Share premium	**33.3**	23.2	**33.3**	23.2
Balance at beginning of year	**23.2**	13.3	**23.2**	13.3
Issue of shares	**10.1**	9.9	**10.1**	9.9
Total share capital and premium	**33.4**	23.3	**33.4**	23.3

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, during the 2009 financial year, 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 35). 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.

18. SHARE CAPITAL AND PREMIUM (continued)

18.2 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 2010	2009
R10.80873	8 November 2009		212 500
R9.6381	13 October 2010	5 000	5 000
R9.9402	14 November 2010	156 400	194 400
R10.76224	29 January 2012	558 900	688 300
R13.05818	3 February 2013	542 400	662 000
R13.05818	31 March 2013	147 234	147 234
R15.10867	29 January 2014	673 600	772 600
R21.04	14 December 2014	1 309 500	3 170 500
R29.00	13 November 2015	1 344 500	1 807 000
R30.36	10 January 2016	136 800	190 000
R46.22	8 March 2017	1 650 200	1 815 000
R58.10	3 December 2017	761 000	769 000
R50.23	11 November 2018	1 142 000	1 154 000
R66.42	10 November 2019	1 030 000	–
		9 457 534	11 587 534
Unissued options under the control of the directors		4 093 632	5 135 632

19. TREASURY SHARES

During the year The SPAR Group Limited Employee Share Trust (2004) purchased 2 629 088 shares (2009: 719 800) in the company at an average purchase price of R73.18 per share (2009: R48.59). The trust purchased and holds these shares for the purpose of satisfying option holder requirements as and when option holders exercise their share option rights.

Rmillion	GROUP 2010	2009
Cost of shares		
Opening balance	–	77.6
Share repurchases	188.1	34.9
Share issues to trust on exercise of share option rights	10.1	9.9
Shares sold to option holders on exercise of share option rights	(187.4)	(122.4)
Closing balance	10.8	–

	Number of shares held 2010	2009
Shares held in trust		
Opening balance	–	1 537 093
Share repurchases	2 629 088	719 800
Share issues to trust on exercise of share option rights	572 221	657 757
Shares sold to option holders on exercise of share option rights	(3 069 900)	(2 914 650)
Closing balance	131 409	–

20. 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 vest 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	
	2010	2009
Opening balance	**11 587 534**	13 358 384
New options granted*	**1 042 000**	1 154 000
Options taken up**	**(3 161 100)**	(2 914 650)
Options forfeited	**(10 900)**	(10 200)
Closing balance	**9 457 534**	11 587 534
* Weighted average price of options granted during the year	**R66.42**	R50.23
** Weighted average grant price of options taken up during the year	**R22.72**	R21.12
** Weighted average selling price of options exercised during the year	**R72.59**	R55.40

1 042 000 Share options were granted on 10 November 2009. The estimated fair value of the options granted was R14 838 852.

The fair values of these options were calculated using a binomial model.

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

		ASSUMPTION			
Grant date	Vesting date	Expected option life time	Rolling volatility %	Dividend yield %	Risk-free rate %
2010					
10/11/2009	10/11/2012	4	25.00	4.25	8.58
10/11/2009	10/11/2013	5	25.00	4.25	8.76
10/11/2009	10/11/2014	6	25.00	4.25	8.87
2009					
11/11/2008	11/11/2011	4	25.71	3.90	8.42
11/11/2008	11/11/2012	5	25.71	3.90	8.60
11/11/2008	11/11/2013	6	25.71	3.90	8.60

Broad-based Black Economic Empowerment deal

The company entered into a broad-based black economic empowerment (BBBEE) deal in the 2009 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 was recognised to profit and loss in the 2009 financial year as these beneficiaries are not classified as employees of the SPAR Group.

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

Rmillion		GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
21. POST RETIREMENT MEDICAL AID PROVISION					
Opening balance – actuarial valuation		**70.8**	64.4	**70.8**	64.4
Recognised as an expense during the current year:		**9.7**	8.9	**9.7**	8.9
Interest cost		**6.6**	6.0	**6.6**	6.0
Current service cost		**3.1**	2.9	**3.1**	2.9
Employer contributions		**(2.8)**	(2.5)	**(2.8)**	(2.5)
Actuarial loss		**4.5**		**4.5**	
Actuarial valuation at end of the year		**82.2**	70.8	**82.2**	70.8
Unrecognised actuarial loss		**(7.1)**	(2.9)	**(7.1)**	(2.9)
Closing balance		**75.1**	67.9	**75.1**	67.9
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate	(%)	8.2	9.5	8.2	9.5
Health care cost inflation	(%)	6.6	7.5	6.6	7.5
Average retirement age	(years)	63/65	63/65	63/65	63/65

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 262 (2009: 333) pensioners and current employees who remain entitled to this benefit. The company continues to adopt the corridor method of recognising actuarial gains and losses.

The last actuarial valuation was performed in September 2010 and the next valuation is expected to be performed during the 2011 financial year.

A 1% movement in the health care cost inflation 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.

Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
22. TRADE AND OTHER PAYABLES				
Trade payables	**3 506.6**	3 099.6	**3 409.7**	3 043.8
Other payables	**1 058.4**	915.6	**836.3**	747.6
Trade and other payables	**4 565.0**	4 015.2	**4 246.0**	3 791.4
Deposits received by The SPAR Guild of Southern Africa from SPAR retail members are included in other payables.				
23. PROVISIONS				
Supplier claims	**5.8**	6.1	**4.6**	5.1
Total provisions	**5.8**	6.1	**4.6**	5.1
Balance at the beginning of the year	**6.1**	8.7	**5.1**	8.2
Provisions raised	**0.6**	1.1	**0.3**	0.5
Provisions utilised	**(0.9)**	(3.7)	**(0.8)**	(3.6)
Balance at the end of the year	**5.8**	6.1	**4.6**	5.1

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.

		GROUP		COMPANY	
	Rmillion	2010	2009	2010	2009
24.	CASH GENERATED FROM OPERATIONS				
	Operating profit	1 303.3	1 141.3	1 302.9	1 136.0
	Adjusted for:				
	Depreciation	108.3	92.4	106.9	91.2
	Net loss/(profit) on disposal of property, plant and equipment	0.1	(63.7)	0.1	(63.7)
	Post retirement medical aid provision	4.7	7.1	7.2	7.1
	BBBEE transaction	12.4	131.6	12.4	131.6
	Share based payments	18.3	21.1	18.3	21.1
	Provision against loans and trade receivables	7.8	39.1	12.8	39.1
	Amortisation of prepaid cost	0.9	1.0	0.9	1.0
	Lease smoothing adjustment	1.2	(1.2)	(0.1)	(1.2)
	Cash generated from operations before:	1 457.0	1 368.7	1 461.4	1 362.2
	Net working capital changes	(257.5)	(163.6)	(294.8)	(174.4)
	Increase in inventories	(106.1)	(57.4)	(89.1)	(57.3)
	Increase in trade and other receivables	(700.9)	(409.3)	(657.4)	(388.1)
	Increase in trade payables and provisions	549.5	303.1	451.7	271.0
	Cash generated from operations	1 199.5	1 205.1	1 166.6	1 187.8
	24.1 Net movement in loans and investments	(23.3)	72.4	(217.9)	85.2
	Investment acquired	(1.5)		(1.5)	
	Net movement on retailer loans	(8.7)	46.5	(72.0)	46.5
	Loan to The SPAR Group Limited Employee Share Trust (2004)			(131.3)	12.8
	Loan to associate	(13.1)		(13.1)	
	Finance lease receivable		25.9		25.9
25.	TAXATION PAID				
	Payable at the beginning of the year	2.3	121.3	2.3	121.1
	Income statement charge	371.1	407.8	364.3	402.0
	Acquisition of subsidiary	1.8			
	Receivable/(payable) at the end of the year	9.6	(2.3)	9.7	(2.3)
	Total taxation paid	384.8	526.8	376.3	520.8

Rmillion	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
26. CONTINGENT LIABILITIES				
Guarantees issued in respect of the finance obligations of SPAR retailer members	**366.0**	330.5	**366.0**	330.5
– Loan guarantees	**275.1**	258.8	**275.1**	258.8
– Rental guarantees	**23.1**	27.7	**23.1**	27.7
– IT retail computer equipment lease scheme	**67.8**	44.0	**67.8**	44.0
The board has limited guarantee facilities to R409 million.				
27. COMMITMENTS				
27.1 Operating lease commitments				
Future minimum lease payments due under non-cancellable operating leases:				
Land and buildings				
Payable within one year	**335.8**	265.5	**335.7**	265.2
Payable later than one year but not later than five years	**1 278.6**	1 037.1	**1 278.6**	1 037.1
Payable later than five years	**704.0**	628.0	**704.0**	628.0
Total land and buildings operating lease commitments	**2 318.4**	1 930.6	**2 318.3**	1 930.3
Other				
Payable within one year	**4.0**	0.8	**4.0**	0.8
Payable later than one year but not later than five years	**1.8**	1.5	**1.8**	1.5
Total other operating lease commitments	**5.8**	2.3	**5.8**	2.3
27.2 Operating lease receivables				
Future minimum sub-lease receivables due under non-cancellable property leases:				
Receivable within one year	**312.1**	259.8	**324.0**	259.8
Receivable later than one year but not later than five years	**1 186.6**	1 035.6	**1 242.4**	1 035.6
Receivable later than five years	**620.4**	628.0	**703.6**	628.0
Total operating lease receivables	**2 119.1**	1 923.4	**2 270.0**	1 923.4
27.3 Capital commitments				
Contracted	**168.0**	48.7	**168.0**	48.7
Approved but not contracted	**23.0**	53.0	**16.0**	53.0
Total capital commitments	**191.0**	101.7	**184.0**	101.7
Capital commitments will be financed from group resources.				

28. DIRECTORS' REMUNERATION AND INTERESTS REPORT

28.1 Emoluments

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel allowance and other benefits[1]	Share option gains	Total
2010						
Executive directors						
WA Hook	**2 288**	**2 023**	**318**	**333**	**350**	**5 312**
RW Coe	**1 700**	**1 503**	**250**	**703**	**9 628**	**13 784**
R Venter	**1 700**	**1 503**	**247**	**302**	**1 424**	**5 176**
Total emoluments	**5 688**	**5 029**	**815**	**1 338**	**11 402**	**24 272**
2009						
Executive directors						
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

[1] *Other benefits include medical aid contributions and a long service award.*

28.2 Fees for services as non-executive directors

R'000	2010	2009
MJ Hankinson (chairman) [a b c]	**685**	626
DB Gibbon [a c]	**280**	250
PK Hughes	**175**	160
RJ Hutchison [b]	**215**	196
MP Madi	**175**	160
HK Mehta [a b c]	**310**	245
P Mnganga	**215**	196
Total fees	**2 055**	1 833

a *Member of Audit Committee*
b *Member of Remuneration and Nominations Committee*
c *Member of Risk Committee*

28.3 Directors' interests in the share capital of the company

	2010 Shares	2009 Shares
Executive directors		
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
Non-executive directors		
MJ Hankinson – held by associates	**2 800**	2 800
PK Hughes – direct beneficial holding	**52 000**	52 000
RJ Hutchison – indirect beneficial holding	**15 000**	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 remained unchanged.

28.4 Declaration of disclosure

Other than that disclosed above and in note 29, 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 2010.

29. 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 the expiry of years four and five respectively. Option holders have ten years from date of issue to exercise their option rights.

29.1 Options held over shares in The SPAR Group Limited

	Date of option issue	Option price Rand	Number of options held 2010	2009
Executive directors				
WA Hook				
	14/11/2000	9.94		5 000
	29/1/2002	10.76	16 000	16 000
	3/2/2003	13.06	20 000	20 000
	29/1/2004	15.11	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	100 000
	10/11/2009	66.42	50 000	
			496 000	451 000
RW Coe				
	14/11/2000	9.94		5 000
	29/1/2002	10.76		17 000
	3/2/2003	13.06		23 000
	29/1/2004	15.11		14 000
	13/12/2004	21.04		51 000
	11/1/2006	30.36	26 800	80 000
	9/3/2007	46.22	53 400	80 000
	4/12/2007	58.10	35 000	35 000
	11/11/2008	50.23	50 000	50 000
	10/11/2009	66.42	38 000	
			203 200	355 000
R Venter				
	14/11/2000	9.94		5 000
	29/1/2002	10.76		15 000
	3/2/2003	13.06	21 000	21 000
	29/1/2004	15.11	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	50 000
	10/11/2009	66.42	38 000	
			359 000	341 000

29. **DIRECTORS' SHARE OPTION SCHEME INTERESTS** (continued)

29.1 **Options held over shares in The SPAR Group Limited** (continued)

	Date of option issue	Option price Rand	Number of options held 2010	2009
Non-executive director				
PK Hughes				
	29/1/2002	10.76	**20 000**	20 000
	3/2/2003	13.06	**35 000**	35 000
	29/1/2004	15.11	**37 000**	37 000
	13/12/2004	21.04	**66 000**	66 000
	14/11/2005	29.00	**1 500**	1 500
	11/1/2006	30.36	**110 000**	110 000
			269 500	269 500

29.2 **Options exercised**

	Date option exercised	Number of options exercised	Option price Rand	Market price on exercise	Gain
WA Hook	1/7/2010	5 000	9.94	80.00	350 302
RW Coe	23/12/2009	5 000	9.94	69.60	298 274
	23/12/2009	17 000	10.76	69.60	1 000 158
	23/12/2009	23 000	13.06	69.60	1 300 348
	23/12/2009	14 000	15.11	69.60	762 810
	10/3/2010	51 000	21.04	74.51	2 726 817
	27/8/2010	53 200	30.36	80.00	2 640 848
	27/8/2010	26 600	46.22	80.00	898 548
R Venter	23/3/2010	5 000	9.94	77.45	337 549
	21/7/2010	15 000	10.76	83.20	1 086 566

30. 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. Contributions to fund obligations for the payment of retirement benefits are recognised to profit and loss when due.

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.

30.1 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 R57.7 million (2009: R54.7 million) and R57.4 million (2009: R54.5 million) were expensed for the group and company respectively during the year.

30.2 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 been utilised by way of a pension contribution holiday.

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

Pre-retirement discount rate:	10.83% per annum net of retirement funds tax
Inflation:	6.52% per annum
Salary escalation:	8.6% per annum
Post retirement discount rate:	5% per annum
Post retirement mortality assumption:	1% per annum
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 R0.1 million (2009: R0.4 million) and R0.1 million (2009: R0.4 million) were expensed for the group and company respectively during the year.

		GROUP		COMPANY	
	Rmillion	2010	2009	2010	2009
31.	FINANCIAL RISK MANAGEMENT				
	Financial instruments classification				
	Net bank overdrafts	(445.9)	(282.5)	(559.1)	(368.8)
	Loans*	25.2	18.3	36.2	18.3
	Trade and other receivables*	4 412.0	3 715.7	4 259.1	3 611.0
	Trade and other payables**	(4 565.0)	(4 015.2)	(4 246.0)	(3 791.4)
	FEC liability***	(0.5)	(0.5)	(0.5)	(0.5)

* *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 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 at 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 (2009: R0.5 million). 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 R4.8 million at year-end (2009: R8.2 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.

Foreign exchange contracts

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

	GROUP				COMPANY			
	Average contract rate	Commit-ment (Rm)	Fair value of FEC 2010 (Rm)	Fair value of FEC 2009 (Rm)	Average contract rate	Commit-ment (Rm)	Fair value of FEC 2010 (Rm)	Fair value of FEC 2009 (Rm)
Imports								
USD	7.95	4.8	(0.5)	(0.5)	7.95	4.8	(0.5)	(0.5)

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

31. FINANCIAL RISK MANAGEMENT (continued)

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 R4.9 million (2009: R4.1 million) and interest received from loans was R1.0 million (2009: R7.8 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 of SPAR and Build it member debts, comprising 1 106 (2009:1 096) stores with an average trading exposure of R3.6 million (2009: R3.1 million) per store at year-end.

Overdue receivables balances, representing 5.6% (2009: 4.3%) of the total trade receivables and loans balances, amounted to R223.4 million (2009: R146.9 million) at the reporting date. Allowances for doubtful debts totalling R99.0 million (2009: R93.3 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 2010, security representing 68.0% (2009: 68.5%) 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 16 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 prior year the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams. In relation to the continuing operation of this scheme, the group is exposed to credit risk in the event of the retail stores defaulting on their payments. At year-end, 1 157 SPAR and TOPS at SPAR stores were participants in the IT retail scheme, with an average debt of R58 635 per store.

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.

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	2010	2009
Unsecured bank overdraft facilities, reviewed annually, and at call:		
– Utilised as at year-end	672	394
– Unutilised	678	1 156
Total available overdraft/call facilities	1 350	1 550

The group decreased 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.

31. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 2010. 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 18 and 20 respectively.

Treasury shares (refer note 19) 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.

32. 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:

32.1 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 R11 767 200 (2009: R10 896 000) were paid by the company to SPAR P.E. Property (Pty) Limited. Dividends of R7 458 388 (2009: R6 813 417) were incurred 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 2010 amounted to R32 407 305 (2009: R33 559 135). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Namibia (Pty) Limited and The SPAR Group Botswana (Pty) Limited have accounting services provided to them by The SPAR Group Limited. During the year dividends of R4 500 000 (2009: R3 750 000) and R2 005 299 (2009: R2 450 000) and management fees of R1 550 000 (2009: R1 300 000) and R1 015 000 (2009: R1 010 000) were paid to The SPAR Group Limited by SPAR Namibia (Pty) Limited and The SPAR Group Botswana (Pty) Limited respectively. The intercompany liability due to The SPAR Group Limited as at 30 September 2010 amounted to R13 730 582 (2009: R7 101 111) and R8 503 972 (2009: R7 131 781) for SPAR Namibia (Pty) Limited and The SPAR Group Botswana (Pty) Limited respectively. These liabilities are interest- free, unsecured and no date has been set for repayment.
- 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 R3 929 271 (2009: R2 221 914) were paid to The SPAR Guild of Southern Africa. The intercompany (asset)/liability with The SPAR Group Limited as at 30 September 2010 amounted to (R7 695 950) (2009: (R3 745 842)) and R2 448 841 (2009: (R2 632 039)) 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 2010, funds had been advanced by the company to the Trust to the amount of R10 816 388 (2009: Rnil) (refer notes 13 and 19).

  No interest is charged on the intercompany loan balances.

32. RELATED PARTY TRANSACTIONS (continued)

32.1 **Company** (continued)

- During the 2009 financial year, The SPAR Group 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 35).
- Klipakkers (Pty) Limited is a wholly owned subsidiary of The SPAR Group Limited. During the year The SPAR Group Limited made sales to Klipakkers (Pty) Limited to the value of R42 710 567.
- The SPAR Group Limited entered into a joint venture agreement with Tracim (Pty) Limited during the 2010 financial year. The joint venture relates to the Gateway SUPERSPAR in Hermanus. During the year, sales of R62 351 996 were made to the Gateway SUPERSPAR.
- SPAR South Africa (Pty) Limited, Savemor Products (Pty) Limited, Nelspruit Wholesalers (Pty) Limited and SPAR Academy of Learning (Pty) Limited, are all dormant companies.

32.2 **Investment in associate**

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

32.3 **Shareholders**

Details of major shareholders of the company appear on page 83.

32.4 **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 28 and 29 as well as in the Directors' Statutory Report.

Key management personnel remuneration comprises:

Rmillion	2010	2009
Directors' fees	2.1	1.8
Remuneration for management services	23.8	20.7
Retirement contributions	2.8	2.3
Medical aid contributions	0.7	0.6
Performance bonuses	16.4	15.3
Fringe and other benefits	0.7	4.1
Expense relating to share options granted	33.3	13.3
Total	79.8	58.1

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

33. SEGMENT REPORTING

The group operates its business from 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, do not satisfy the thresholds of significance for disclosure as separate reportable segments of the group.

	Issued share capital		Effective holding		Cost of investment	
	2010 Rand	2009 Rand	**2010 %**	2009 %	**2010 Rmillion**	2009 Rmillion
34. INVESTMENT IN SUBSIDIARIES						
Subsidiary*						
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**	8 033	**97.5**	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		
Klipakkers (Pty) Limited(1)	**100**		**100**		**76.0**	
Consolidated entities						
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					**78.3**	2.3
Directors' valuation					**78.3**	2.3

* *The SPAR Group Limited Employee Share Trust (2004), The SPAR BBBEE Employee Trust, and The SPAR BBBEE Retailer Employee Trust have 28 February as their year-end. SPAR Mozambique Limitada has a 31 December year-end. Klipakkers (Pty) Limited has a 30 June year-end. All other companies have a 30 September 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*

35. BBBEE TRANSACTION

On 12 August 2009, shareholders approved a broad-based black economic empowerment transaction (BBBEE). The participants in the transaction are:

- all fulltime employees of the company as at 12 August 2009, but excluding Patterson E or F graded employees; and
- 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. 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, with the loans being 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 157 249 874 (2009: 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 of such number of redeemable convertible preference shares at the then market value as will be required to settle 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.

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.

The cost of the BBBEE scheme including transaction costs amounted to R13.0 million (2009: R136.2 million).

The charge relating to employees is recognised in profit and loss over the duration of the scheme.

	GROUP		COMPANY	
Rmillion	2010	2009	2010	2009
BBBEE transaction costs				
The SPAR BBBEE Retailer Employee Trust		129.9		129.9
The SPAR BBBEE Employee Trust	12.4	1.7	12.4	1.7
Legal and other costs	0.6	4.6	0.6	4.6
	13.0	136.2	13.0	136.2

36. BUSINESS COMBINATIONS

36.1 Subsidiary acquired

2010	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred in cash Rmillion
Klipakkers (Pty) Limited (including five SPAR stores)	Retail	19/07/2010	100	76.0

The principal business activity of all the business acquisitions listed above is that of retail trade and all its aspects. All businesses were acquired for cash.

36.2 Assets acquired and liabilities assumed at date of acquisition in R000's

Klipakkers (Pty) Limited (including five SPAR stores)		
Non-current assets		22 329
Property, plant and equipment	20 157	
Deferred tax assets	2 172	
Current assets		45
Bank and cash balances	45	
Non-current liabilities		(363)
Deferred tax liabilities	(363)	
Current liabilities		(153)
Leave pay provision	(153)	
Goodwill		54 089
Purchase price		75 947

36.3 Net cash outflow on acquisition of subsidiary

	2010 R'000
Consideration paid in cash	75 947
Less: cash and cash equivalent balances acquired	45
	75 902

36.4 Impact of acquisitions on the results of the group

Included in the group profit for the year is a loss of R1.7 million attributable to the retail businesses that were acquired in the current year. Turnover for the period includes R53.9 million in respect of these retail operations.

Had these business combinations been effected at 1 October 2009, the turnover of the group would have been R35 475.5 million, and the profit for the year would have been R914.6 million.

At the date of finalisation of these financial statements, the necessary market valuations and other calculations had not been finalised and have therefore only been provisionally determined based on the directors' best estimate.

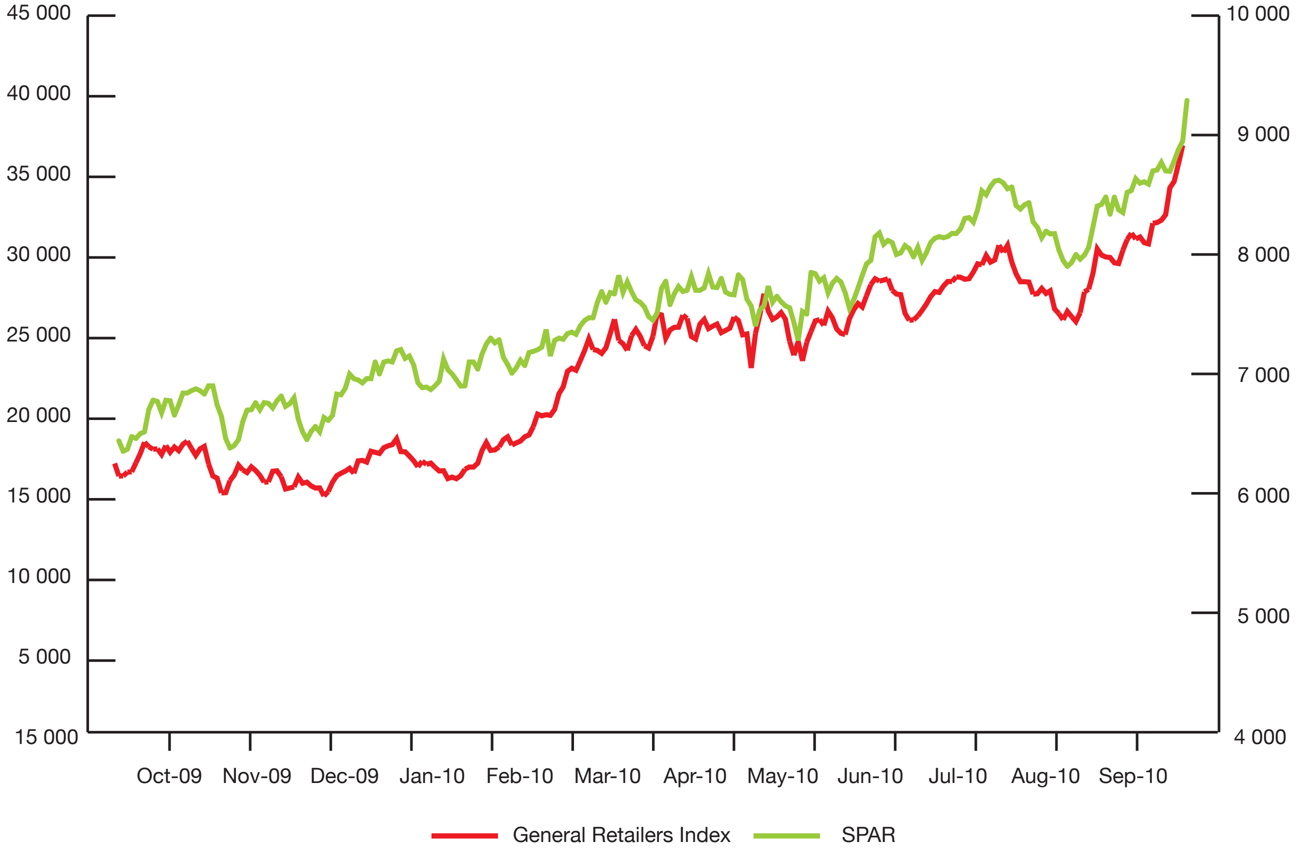
SHARE OWNERSHIP ANALYSIS

Rmillion	Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholder spread as at 30 September 2010				
Public shareholders	15 400	99.95	170 941 704	99.87
Non-public shareholders	8	0.05	228 309	0.13
– shares held by directors	7	0.04	96 900	0.05
– shares held by The SPAR Group Limited Employee Share Trust (2004)	1	0.01	131 409	0.08
	15 408	100.00	171 170 013	100.00
Type of shareholders				
Pension funds				28.52
Mutual funds				24.65
Private investors				7.47
Insurance companies				7.76
Other				31.60
				100.00
Beneficial owners holding in excess of 5% of the company's equity				
GEPF Equity (PIC)				13.08
Fund managers holding in excess of 5% of the company's equity				
PIC				18.11
Coronation Fund Managers				8.08
Old Mutual Asset Managers				5.18
Stock exchange statistics				
Market price per share				
– at year-end			cents	9 290
– highest			cents	9 293
– lowest			cents	6 300
Number of share transactions				127 113
Number of shares traded			millions	125.2
Number of shares traded as a percentage of total issued shares			%	73.2
Value of shares traded			Rmillion	9 181
Earnings yield at year-end			%	5.9*
Dividend yield at year-end			%	3.9
Price earnings ratio at year-end			multiple	17.1*
Market capitalisation at year-end net of treasury shares			Rmillion	15 889
Market capitalisation to shareholders' equity at year-end			multiple	8.3

* *Based on headline earnings excluding BBBEE cost.*

SHARE PRICE PERFORMANCE

SPP (share price) versus General Retailers (based to 100)



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
Interim dividend	
Declaration	May
Payable	June
Final dividend	
Declaration	November
Payable	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 Monday, 14 February 2011 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 2010.
2. To consider the re-election, as a director of the company, of Mr HK Mehta who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election.
3. To consider the re-election, as a director of the company, of Mr MP Madi who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election.
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 2010 as reflected in note 28 of the annual financial statements.
6. To confirm the appointment of Mr DB Gibbon, an independent non-executive director, as chairman of the company's Audit Committee.
7. To confirm the appointment of Mr HK Mehta, an independent non-executive director, as a member of the company's Audit Committee.
8. To confirm the appointment of Mr MJ Hankinson, the group's non-executive chairman, as a member of the company's Audit Committee.

   Notwithstanding the provisions of King III, the board recommends the appointment of Mr MJ Hankinson, the group's non-executive chairman, as a member of the Audit Committee. The board is of the opinion that Mr Hankinson possesses the requisite knowledge and expertise to act as an independent member of the committee and that his appointment as a member to the committee will be beneficial to the operation of the committee.

SPECIAL BUSINESS

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

1. 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 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;
   - 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 its liabilities of the company and the group for a period of 12 months after the date of the general repurchase;
- the company 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 – page 12 to 15;

Major shareholders – page 83;

Directors' interests in securities – notes 28.3 and 29;

Share capital of the company – note 18.

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.

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.

2. Ordinary resolution number 1

Pursuant to the granting of share options by The SPAR Group Limited Employee Share Trust (2004), and in the event of an existing option holder exercising his rights thereto, authority is sought to place the issuing of the necessary shares 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") to option holders, 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 existing share option holders as and when such option holders exercise their option rights.

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 Friday, 11 February 2011. 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

16 November 2010

The SPAR Group Limited
(Registration number 1967/001572/06)


PK
PK

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 Monday, 14 February 2011 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)		
ORDINARY BUSINESS	For	Against	Abstain
1. Adoption of 2010 annual financial statements			
2. Re-appointment of Mr HK Mehta as a director			
3. Re-appointment of Mr MP Madi as a director			
4. Approval of appointment of auditors			
5. Approval of remuneration payable to directors			
6. Appointment of Mr DB Gibbon as chairman of the Audit Committee			
7. Appointment of Mr HK Mehta as member of the Audit Committee			
8. Appointment of Mr MJ Hankinson as member of the Audit Committee			
	Number of votes (one vote per share)		
SPECIAL BUSINESS	For	Against	Abstain
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 issue to existing option holders as and when such option holders exercise their option rights.			

Signed at this day of 2010/2011

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 Friday, 11 February 2011.

NOTES TO THE FORM OF PROXY

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 votes 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.

CORPORATE INFORMATION

Company Name: The SPAR Group Limited

Registration Number: 1967/001572/06

JSE Code: SPP

ISIN: ZAE000058517

Group Secretary:
KJ O'Brien
Appointed group secretary 2006

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3600

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Facsimile: +27 31 719 1990

Website: www.spar.co.za

Banker:
First National Bank
PO Box 4130
Umhlanga Rocks
4320

Attorneys:
Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

Auditors:
Deloitte & Touche
PO Box 243
Durban
4000

Transfer Secretaries:
Link Market Services South Africa (Pty) Limited
PO Box 4844
Johannesburg
2000

Sponsor:
Barnard Jacobs Mellet Corporate Finance (Pty) Limited
PO Box 62200
Marshalltown
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