The SPAR Group Limited

Integrated Annual Report

for the year ended 30 September 2012


SPAR
SPAR
tops at SPAR

BOARD RESPONSIBILITY STATEMENT

The board of directors acknowledges its responsibility to ensure the integrity of the integrated report and in the opinion of the board it addresses all material issues, and fairly presents the integrated performance of the organisation. The board has authorised the integrated report for release.

Mike Hankinson
Chairman
13 November 2012

Contents

Scope and boundary

This integrated annual report includes the operations of The SPAR Group Limited (SPAR) and its subsidiaries in Southern Africa. The information in this report covers the year ended 30 September 2012 with the exception of the carbon footprint information and the Broad-based Black Economic Empowerment score which are reported on 2011 information (i.e. information provided to both the Carbon Disclosure Project (CDP) and Empowerdex relates to the 2010/2011 financial year).

Sustainability information applies across all operations except where stated otherwise, for example as regards recycling initiatives and water consumption data.

There have been no major changes to the business in the last 12 months that would affect comparability of the information disclosed in this report.

The purpose of this report is to provide our stakeholders with meaningful, accurate, complete, transparent and balanced information on our financial, environmental, social and governance performance during the year.

In compiling this report, SPAR has been guided by the International Integrated Reporting Committee (IIRC) discussion paper, the information in the governance guidelines outlined in King III, as well as the statutory reporting requirements of the JSE Listings Requirements and the Companies Act, 2008. We disclose our sustainability information using the principles of the Global Reporting Initiative (GRI) G3 guidelines and provide a GRI Table so that the various disclosures we make in this report can be easily followed. We self-declare Level C compliance with the GRI.

The financial information contained in this report has been independently audited by Deloitte & Touche, however, the sustainability information has not been independently assured. The board of directors (board) is satisfied with the accuracy of the information contained in the balance of this integrated report.

Highlights

TURNOVER
UP by

12.2%

HEADLINE EARNINGS
per share **UP** by

10.6%

ANNUAL DIVIDEND
430 cents per share **UP**
from last year

14.1%

TOTAL NUMBER
OF RETAIL STORES

1 725

CASES DESPATCHED
ex-distribution centre **UP** by

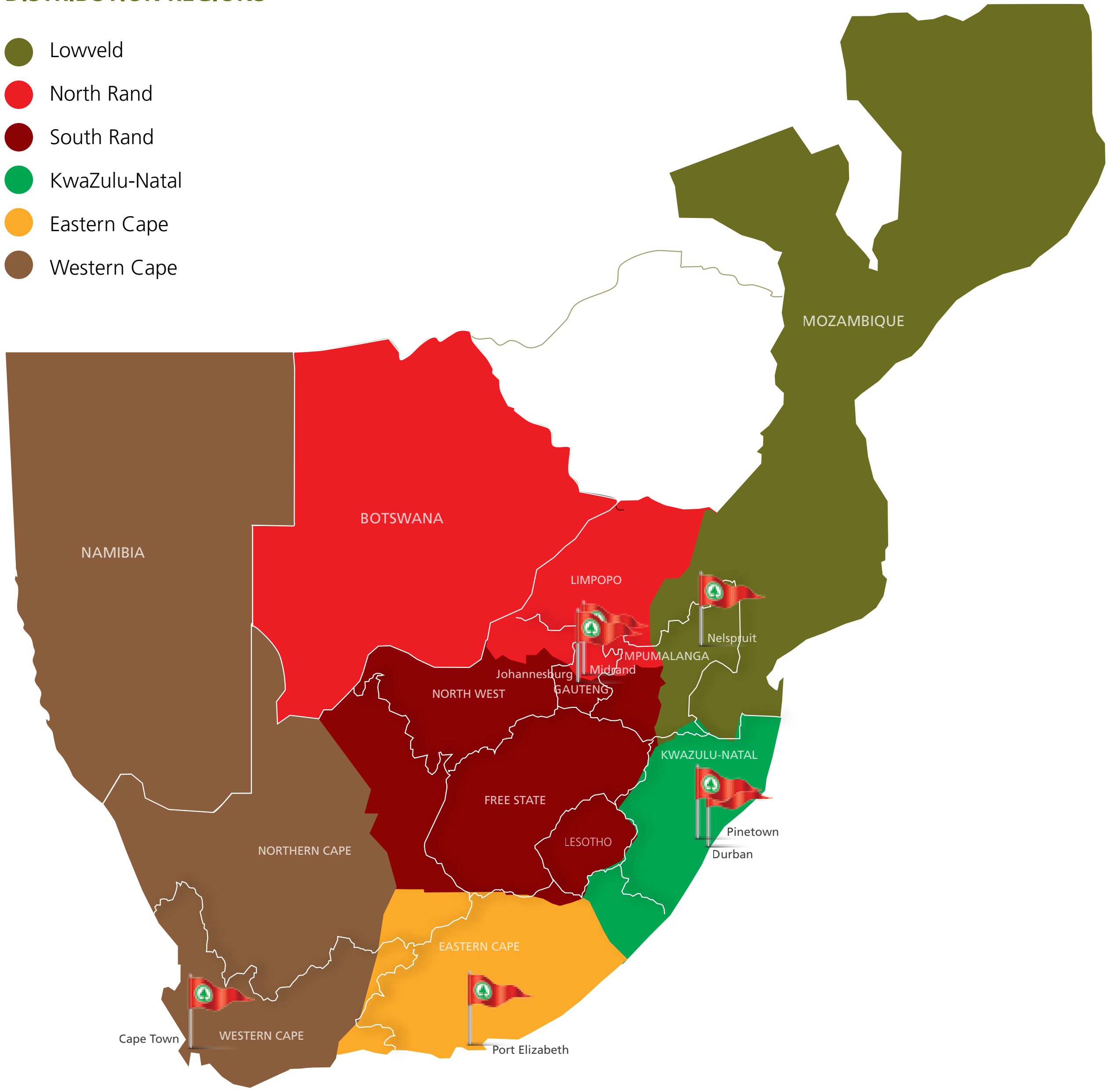
6.4%

DISABLING INJURY
frequency rate **DOWN** by

37%

SPAR's geographic regions

DISTRIBUTION REGIONS



SERVICED BY	SUPERSPAR	SPAR	KWIKSPAR	SAVEMOR	TOPS	BUILD IT	PHARMACY	Total
South Rand	72	145	37	1	123	64	6	448
North Rand	54	80	12		103	33	8	290
KwaZulu-Natal	76	64	28	4	113	75	3	363
Western Cape	42	80	36		102	39	3	302
Eastern Cape	34	44	21	1	76	36		212
Lowveld	17	26		11	21	34	1	110
Total	295	439	134	17	538	281	21	1 725

Business profile

Founded in 1963, SPAR today supports over 1 700 independent retail outlets under its various brands. SPAR is primarily a wholesaler and distributor of goods and services to SPAR and SaveMor supermarkets, Build it building materials outlets, TOPS at SPAR liquor stores and Pharmacy at SPAR pharmacy and healthcare outlets. Seven distribution centres provide goods and services to retail stores in South Africa, Swaziland, Botswana, Lesotho, Mozambique, Zimbabwe and Namibia. In addition, SPAR wholesales goods to independent SPAR stores in Zambia and Malawi although these stores do not fall under a licence agreement controlled by SPAR South Africa.

Operating model

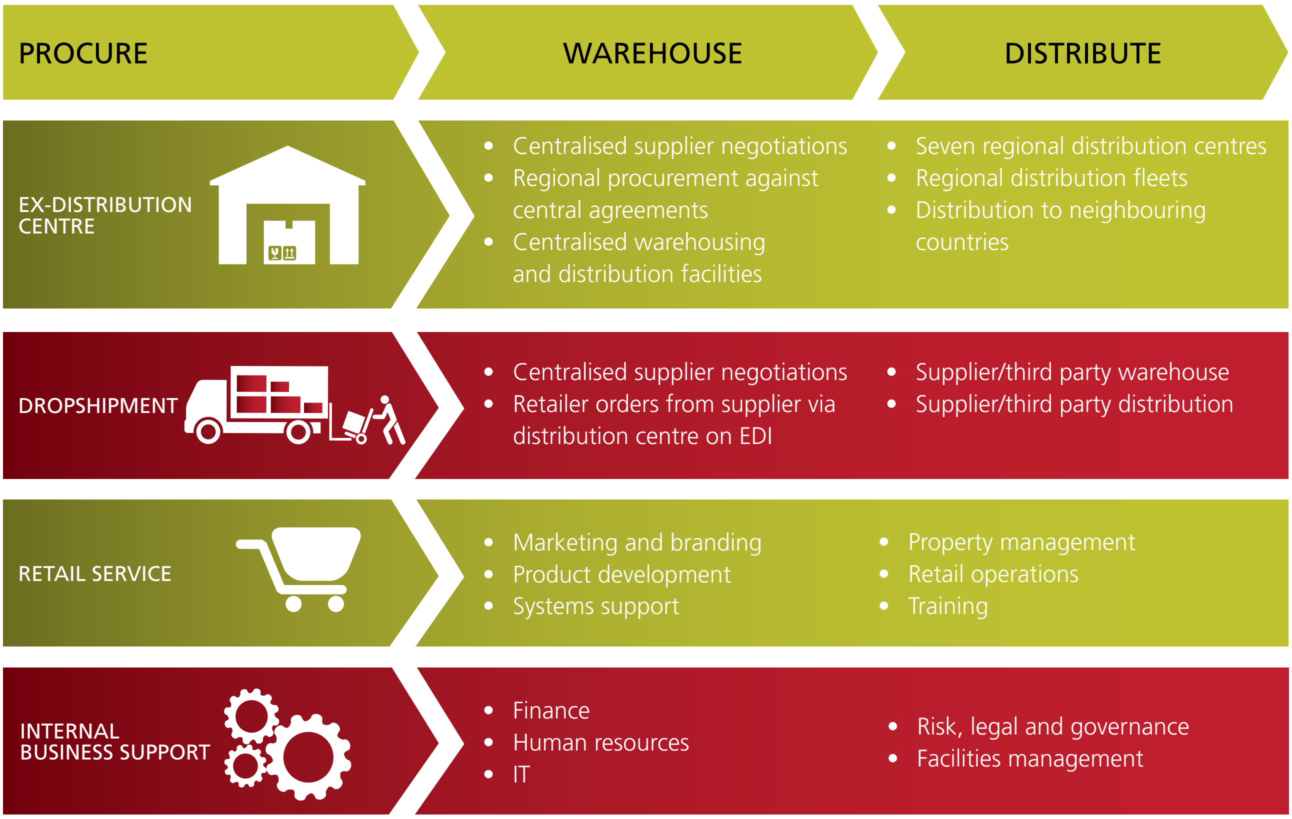
THE SPAR MODEL

The group's operating model is geared towards supporting independent retailers through a decentralised wholesale, distribution and support service offering.

SPAR operates under licence agreement with SPAR International in Amsterdam. This licence agreement covers South Africa, Botswana, Namibia, Swaziland and Mozambique. SPAR International provides its members with services such as the exchange of know-how, project support, buying services, private label development, marketing activities and brand protection. It also organises an international congress and a series of information sharing seminars on an annual basis.

SPAR retailers in the Southern African region are members of The SPAR Guild of Southern Africa, a not-for-profit company (NPC). Similarly, Build it retailers in the Southern African region are members of The Build it Guild of Southern Africa which is also an NPC.

Independent retailers who elect to be part of the SPAR family sign a membership agreement with the Guild which provides them access to the procurement and distribution expertise of the group and the associated support services that the group offers. In turn the independent retailers undertake to adhere to certain standards and procedures as laid out in the membership agreement. This arrangement is referred to as a voluntary trading relationship as opposed to a franchise arrangement.



WORLD-CLASS BRANDS

Our innovation process has delivered more than 550 new house brand products over the past two years, giving our customers quality products at competitive prices.


SPAR
INSTANT OATS
VARIETY PACK
SPAR
FULL CREAM
SPAR
Strawberry Jam
SPAR
TOASTED
FIBRE
BRA
SPAR
APRICOT JAM
Choice Grade
SPAR
white
Sugar
Premium
SPAR
Orange
ORANGE JUICE
SPAR
Café Express
SKINNY CAPPUCCINO
UNSWEETENED
SPAR
ORGANIC HONEYBUSH
GREEN TEA
WILD BERRIES
SPAR
HONEYBU

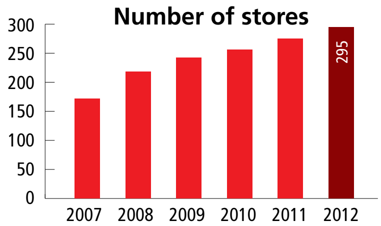
The benefits of joining the SPAR/Build it family

From the moment a retailer becomes a SPAR/Build it member, a range of support services and benefits become available. Retailers list the following among the many advantages of their membership of the group:

Format overview

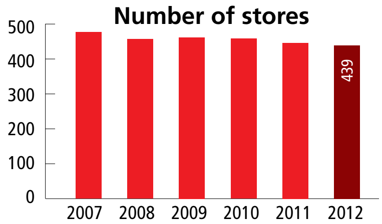
SUPERSPAR

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



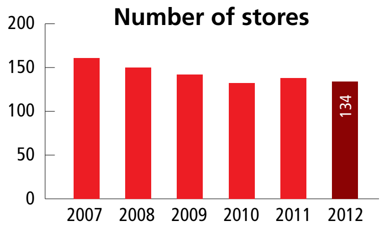
SPAR

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



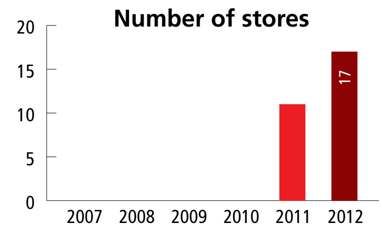
KWIKSPAR

- Selling areas of 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



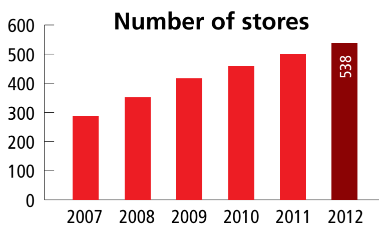
SaveMor

- Selling areas of 300 m²
- Lower LSM consumer focus
- Limited range of products
- Limited fresh offering
- Competitively priced on commodity products



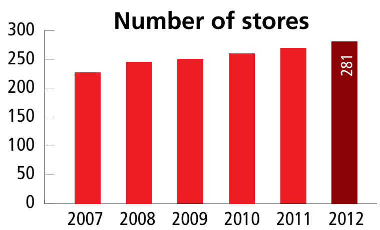
Tops at SPAR

- 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 of Southern Africa



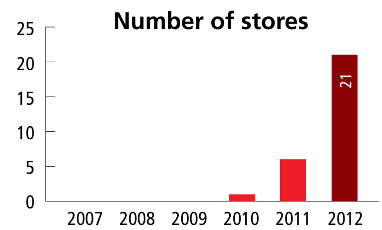
Build it

- 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 of Southern Africa



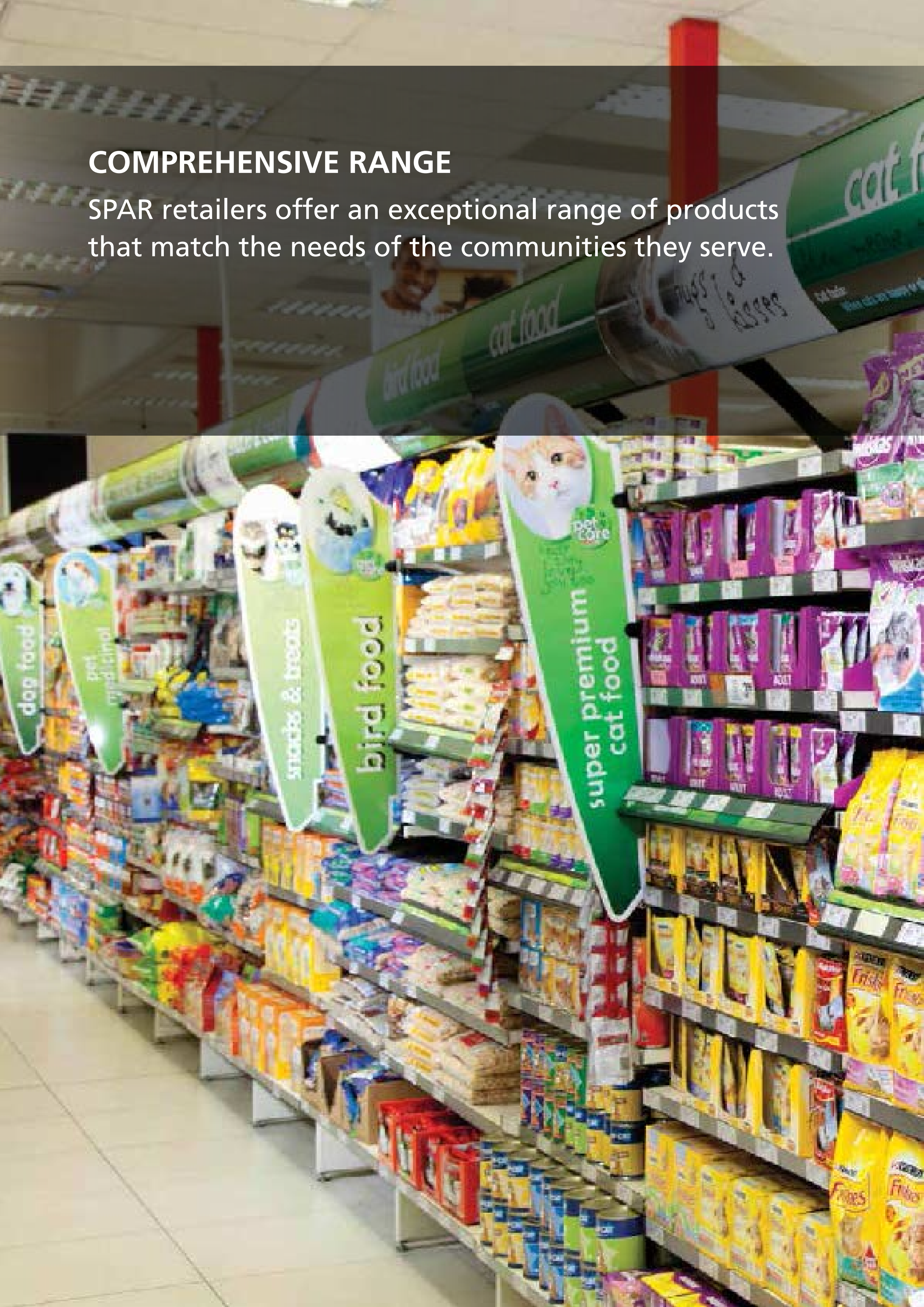
Pharmacy at SPAR

- Stand-alone or in-store pharmacy
- Full range of pharmaceutical and health products
- Located within close proximity of SPAR member's store
- Membership limited – an extension of The SPAR Guild of Southern Africa



COMPREHENSIVE RANGE

SPAR retailers offer an exceptional range of products that match the needs of the communities they serve.




cat napping!
cat food
pet care
cause they love you
PURRFECT CAT FOOD

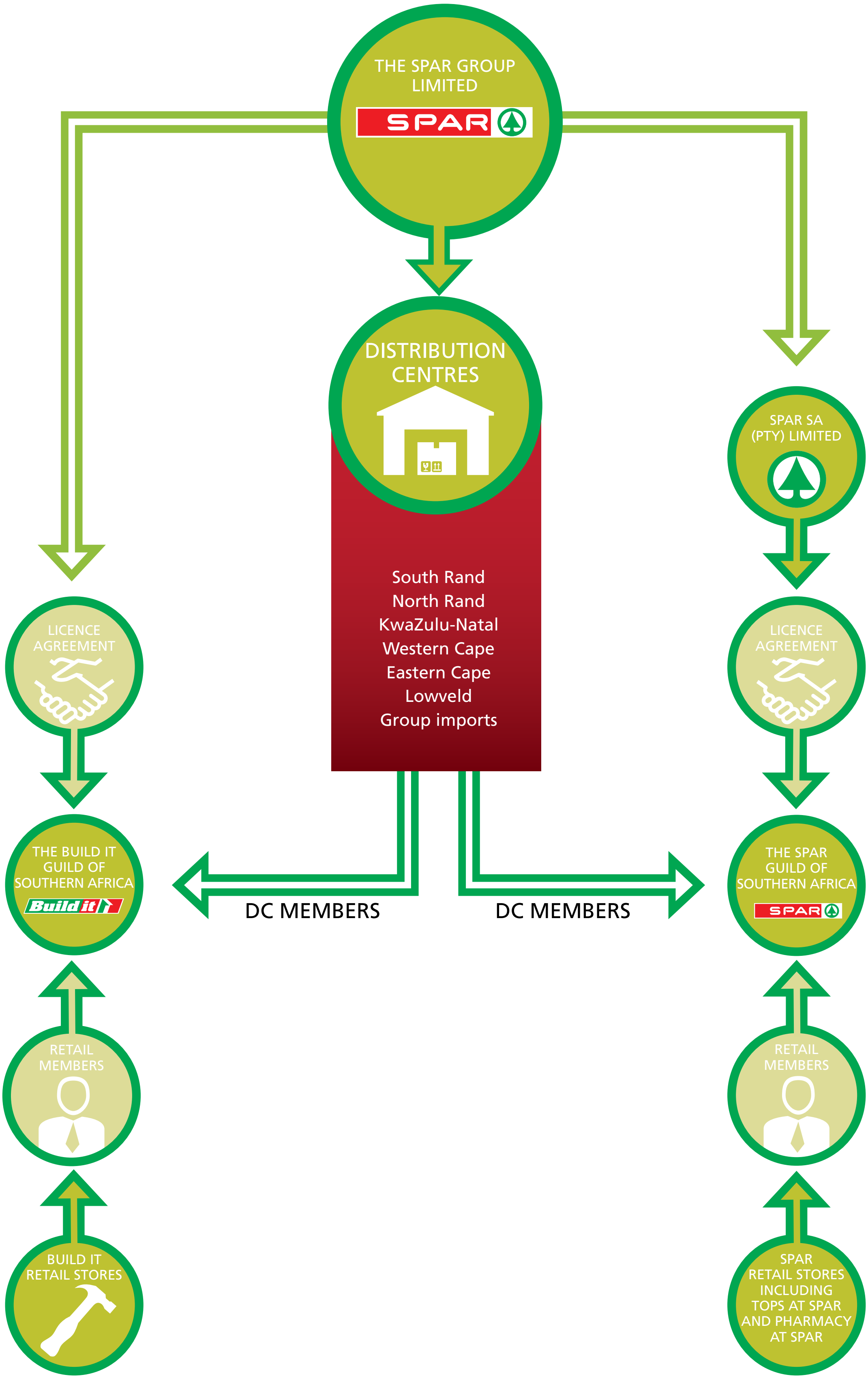
SPAR stakeholder communities

SPAR's code of ethics outlines our attitude to our stakeholder communities, stressing that the company is built on trust and honest relationships with its stakeholders.

We are committed to understanding the interests and expectations of our stakeholders and adding sustainable value to each stakeholder. SPAR currently interacts with all its stakeholders in the ordinary course of business and is in the process of formalising a stakeholder engagement strategy.

Stakeholder	How we engage	Stakeholder considerations
Owners of the business	Investor roadshows, one-on-one meetings, results presentations, annual reports	Consistency of trading performance
Employees	Employee surveys, staff training and development, communication sessions, annual and interim results presentations, intranet, *The SPAR Way* internal magazine	Employee benefits, company performance
Unions	Monthly shop steward meetings, annual wage negotiations	Wage negotiations, dispute resolution
Retailers	Members meetings, AGMs, regional cell meetings, national conventions, retail operations call cycles, *Think Retail* survey	On-time delivery, innovative marketing, efficient retail operations, IT system and support services
Suppliers	Annual reviews, joint business planning with key suppliers	Competitive pricing, supply chain efficiency, longevity and sustainability of relationships, fair payment terms
Government and regulators	Through industry bodies	Providing input into evolving policy development
Customers	Customer care lines, consumer surveys, focus groups, Hello Peter and Meltwater News websites, internal Aweh customer service campaign	Meeting shoppers' needs with in-store experience
Communities	Involvement in corporate social investment (CSI) initiatives supported by employees, providing leadership to retailers in supporting their local communities	CSI to be seen as an investment, skills to work with NGOs, formalising criteria for donations, projects to become self-funding. To be seen as a responsible brand that can be trusted by the community

Organisational structure



Chairman's and Chief Executive's report

Mike Hankinson
Chairman

Wayne Hook
Chief Executive Officer

Trading for the year under review was impacted by an unsettled political and labour scenario, consumer spending still under pressure and a highly competitive food retail environment. The group has, nevertheless, produced a solid set of financial results for the year.

12.2%

Turnover increased 12.2% to R43.2 billion which again included strong performances from our liquor business, up 18.3%, and the building materials division which grew by 18.5%. Internally measured food inflation across the group averaged 6.1% for the year, while cases despatched by our distribution centres increased by 6.4% reflecting the continued healthy, real growth of our business.

6.4%

8.1%

Profit before tax for the year was up 8.1%, despite the challenging trading environment. The group's gross margin declined slightly from 8.1% to 8.0%. We did not experience the same inflation-related margin opportunities as last year and, in addition, the strong Build it and TOPS performances influenced our margin mix as these divisions operate at lower gross margins. We will continue to focus on our retailers' ongoing profitability which remains crucial to the group's future success.

12.1%

Operating expenses increased by 12.1% and were affected by a relatively high increase in Build it costs, impacted by abnormal bad debt losses, and the growth of the imports facility. The retail division also reported high cost increases, largely due to the timing of store acquisitions. The core SPAR business costs rose by 10.9% and were negatively impacted by fuel costs increasing by 32%, and the once-off strike costs at the KwaZulu-Natal facility of R12 million.

11%

Headline earnings rose 11% to R1 060.0 million (2011: R955.1 million) and headline earnings per share increased by 10.6% to 616.3 cents (2011: 557.1 cents). A final dividend of 275 cents (2011: 235 cents) per share was declared and was adjusted to recognise the effect of the change in STC legislation. Dividends for the year amounted to 430 cents (2011: 377 cents) per share representing a 14.1% increase over last year.

14.1%

Cash generation remained strong and was positively impacted by lower levels of capital expenditure and improved working capital management during the year. The group has no long-term borrowings and continues to fund its operations from confirmed overdraft facilities. These facilities are adequate for forecast requirements and are subject to annual review.

RETAIL SALES **UP** by

11.5%

RETAIL SALES **UP** by

17%

RETAIL SALES **UP** by

21.2%

NEW STORES

+6

NEW STORES

+16

RETAIL PERFORMANCE

The performance of our retailers is fundamental to our growth, and as such we have included a review of each of our retail sector performances.

SPAR

SPAR retailers again performed well in a tough trading environment and increased retail turnover by 11.5% to R53.7 billion, which drove wholesale turnover up by 11.0% to R35.5 billion. Existing store's turnover grew by 10.6%, which is well above the reported market performance and was supported by the upgrade of 147 stores during the year. Our house brands continued to perform well and now account for R6.2 billion of wholesale turnover to retail stores.

Retail trading space increased by 3.2% this year to 955 244 m² as we opened 23 new SPAR stores and closed 14 stores to finish the year with 868 stores. Stores were closed where they failed to meet group standards, or for financial reasons.

We expect to open 26 SPAR stores during 2013 which, with store upgrades and format conversions, should add another 3% to our trading space.

TOPS at SPAR

TOPS had another great year with retail turnover increasing by 21.2% to R5.0 billion. Wholesale liquor turnover amounted to R3.1 billion, up 18.3%. We opened 47 new stores, closed 10 and now have 538 stores operating under the TOPS banner.

TOPS continued to invest in keeping the No 1 retail liquor brand in the country top of mind with the consumer. This year the new "Drinktionary" campaign continued to "*shake things up*" in the market and the brand again won numerous "best liquor store" awards.

The group anticipates another strong performance in the new year and will open a further 33 stores.

Build it

Build it had an excellent trading year and retail turnover of R7.5 billion was up 17% on last year. Wholesale turnover of R4.6 billion rose by 18.5%. The organic growth of existing stores was 15% which, when viewed against the performance of the building industry, was outstanding. During the year, 20 new stores were opened, taking total store numbers to 281.

The focus on improving our buying, innovative marketing and a store upgrade programme have all contributed to the strong performance in the market. Build it remained the second largest building materials retailer in the country.

The Build it house brand imports initiative showed further positive signs and turnover increased by an encouraging 53% to R154 million. House brand product is distributed to Build it retailers and we remain confident that this initiative remains a growth opportunity for the group.

We expect another good performance from Build it in the new year and forecast to open 22 stores.

SaveMor

SaveMor is a new small store format to address the needs in the less populated rural towns and central business districts in larger towns, where we cannot justify the cost of setting up a SPAR store. We now have 17 stores and expect to open another 12 stores during 2013.

Pharmacy at SPAR

We continue to fine-tune this offering and, despite licencing challenges, opened 16 stores during the year. We plan to open another 12 stores next year.

Corporate retail stores

The group acquired 1 additional retail store during the year and now owns 11 stores. These stores were purchased primarily for defensive reasons to secure key retail sites.

During the year under review this division reported a turnover of R780 million and an operating loss of R28.8 million, although this is offset by the wholesale profit made on sales to this division. Management in this division are now well established and are committed to a much improved result in 2013.

WAREHOUSE AND DISTRIBUTION

The group despatched 195.1 million cases through the seven SPAR distribution centres which reflected a healthy 6.4% increase on the volumes handled last year. Over the last five years volumes through our facilities have increased by over 50%.

In 2011 we completed a five-year phased programme of upgrading all our regional warehouse facilities and therefore no significant further investments were made to our warehouses in 2012. The board recently approved a 10 000 m² extension to our KwaZulu-Natal distribution centre at an estimated cost of R65 million to handle the growth in volumes. This project will be completed in August 2013.

We have also finalised an option agreement on land in Gauteng to cater for our future anticipated requirements as our current distribution centres in the region have no further expansion capacity. We expect this facility to be operational in 2016.

The rising fuel price has resulted in a renewed focus on more effective route management systems, improving truck turnaround times, the increased use of bio-diesels, reviewing truck specifications and driver training in an effort to further improve transport costs.

CAPITAL EXPENDITURE

Capital expenditure for the current year of R166.8 million was spent mainly on our fleet, materials handling equipment and the replacement of our distribution centre systems hardware infrastructure.

We anticipate that group capital expenditure for the year ahead will be R290 million. This includes further investment in our fleet and warehousing equipment of R120 million and R65 million on the extension to the KwaZulu-Natal distribution centre. The group has also embarked on a phased programme to upgrade our distribution centre systems infrastructure commencing in 2013 with the modernisation of our financial systems, which is estimated to cost R76 million.

RISK MANAGEMENT

Risk management continues to be a key focus across the group and good audit results have again been reported by independent risk consultants.

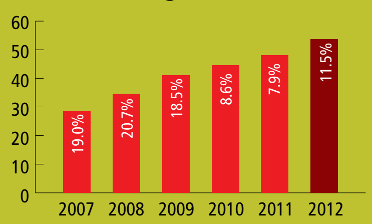
STRATEGY

The group undertook a strategic review of the business which highlighted the strategic imperatives that will drive the future success of our organisation. These are discussed in the sustainability section of this report. We remain confident that good independent retailers with strong support will continue to succeed in a competitive retail environment.

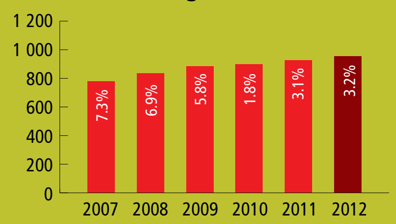
SOCIAL AND ENVIRONMENT

A genuine concern for our impact on the environment is receiving increased attention under the guidance of a dedicated executive. We are committed to accurately measuring our impact and have once again participated in the Carbon Disclosure Project assessment. With the cost of energy and fuel continuing to increase, and proposed carbon taxes on the horizon, improving energy and fuel efficiency and reducing our carbon footprint have stronger financial incentives than ever.

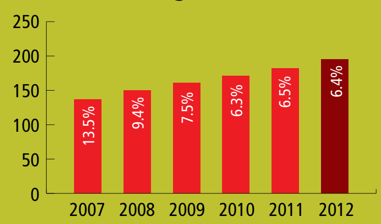
SPAR retail sales (Rmillion) **and growth** (%)



SPAR retail selling area ('000 m²) **and growth** (%)



Cases distributed (millions) **and growth** (%)



The group has a long-standing commitment to the social upliftment of the less privileged communities in which we operate. In the past year the group spent R11.4 million on community development projects. In addition, many of our retailers do amazing work in supporting their local communities and it remains our responsibility to lead and encourage this effort, as it represents a key differentiator for our brand.

CORPORATE GOVERNANCE

The directors, executive team and other management are fully committed to ensuring that the group is managed in an efficient, responsible and ethical manner.

We are satisfied that we meet the requirements of the new Companies Act and have applied the principles contained in the King Report on Governance of 2009 (King III). In accordance with King III, where we have chosen not to apply a particular principle, explanations have been provided, as detailed on page 42 of this report.

DIRECTORATE

Dave Gibbon retired as a director and as Chairman of the Audit Committee in August 2012. Dave has been a member of the board since the group listed in 2004 and has played a valuable advisory role over the last eight years. We thank him for his important contribution and support during this time.

Chris Wells has taken over as Chairman of the Audit Committee and we are confident that he will do well in this important role.

EXECUTIVE MANAGEMENT

On 1 June 2012, Bill Brown, previously our Divisional Managing Director responsible for the Western Cape region, took over the new role of New Business Executive for the group. Bill is responsible for our existing investments, as well as identifying and driving new initiatives, in the rest of Africa.

Mario Santana, previously Divisional Managing Director of our North Rand region, succeeded Bill and is now responsible for the Western Cape division.

Desmond Borrageiro, previously Divisional Retail Operations Director at South Rand, took over from Mario as Divisional Managing Director of North Rand effective 1 May 2012.

SPAR's senior management are fully committed and highly motivated. The group remains confident that its succession plans provide cover for all key positions.

PROSPECTS

The group expects trading conditions to continue to be subdued with low economic growth forecast and consumer spending remaining under pressure. The consumer is likely to be further affected by rising food prices forecast in 2013.

The group, however, remains optimistic that, by realising growth opportunities, improving our operating efficiencies and tightly controlling costs, we will produce a satisfactory level of earnings in 2013.

APPRECIATION

Our sincere thanks go to the board of directors, management team and to all staff members for their important contribution to all that has been achieved over the last year. We also acknowledge the support we receive from our suppliers. Most importantly, we thank our loyal retailers for their passion, commitment and unwavering support during a tough trading year.

Mike Hankinson
Chairman

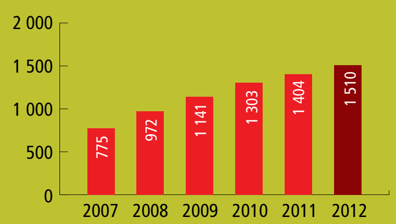
Wayne Hook
Chief Executive Officer

DEAR SHAREHOLDER

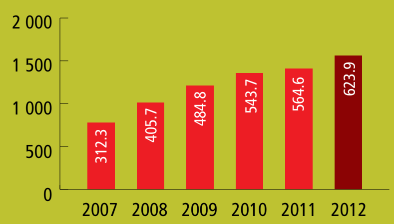
On behalf of the board, I invite you to attend the annual general meeting of The SPAR Group Limited to be held at 09:00 in the company's boardroom, 22 Chancery Lane, Pinetown on Tuesday, 12 February 2013.

Mike Hankinson
Chairman

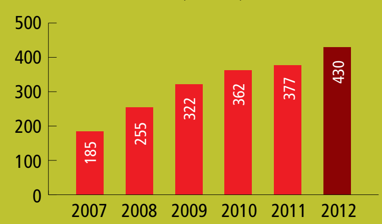
Operating profit
(Rmillion)



Headline earnings per share
(excl BEE cost) (cents)



Dividend per share
(cents)



MOTIVATED AND COMPETENT PEOPLE

SPAR's success is driven by our motivated and competent people. We invested more than R9 million this year in developing skills to better service the needs of customers.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11
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Directorate

NON-EXECUTIVE DIRECTORS

From left to right: Mike Hankinson, Peter Hughes, Rowan Hutchison and Phinda Madi

MICHAEL JOHN HANKINSON (63) BCom, CA(SA)

Independent non-executive Chairman
Appointed to the board: September 2004

A director of Grindrod Limited and Illovo Sugar Limited and Chairman of Brandcorp Holdings (Pty) Limited.

PETER KILBY HUGHES (66) 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 (65) BCom (Hons), MBA

Independent non-executive director
Appointed to the board: October 2004

A former CEO of RMB Asset Management.

MZIWAKHE PHINDA MADI (48) 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. Phinda is also non-executive director of Illovo Sugar Limited, Nampak Group, Sovereign Food Investments Limited. A founding member of the Black Economic Empowerment Commission, Phinda has also authored three books.

From left to right: Phumla Mnganga, Harish Mehta and Chris Wells

PHUMLA MNGANGA (44) BA, BEd, MBL

Independent non-executive director
Appointed to the board: January 2006

Managing director of Lehumo Women's Investment Company. Chairperson of the Council of the University of KwaZulu-Natal and Chairperson of the Siyazisiza Trust. Non-executive director of Tolcon-Lehumo, Crookes Brothers Limited, Gold Circle Horseracing and Betting.

HARISH KANTILAL MEHTA (62) BSc (USA), MBA (USA)

Independent non-executive director
Appointed to the board: October 2004

Executive Chairman of Clearwater Capital (Pty) Limited, Joint Chairman of UHC Communications (Pty) Limited. Director of Redefine Properties Limited, Director of Times Media Group Limited, Director of Wasteman (Pty) Limited and Chairman of Cibapac (Pty) Limited.

CHRIS WELLS (63) BCom, CA(SA)

Independent non-executive director
Appointed to board: April 2011

Non-executive director of Essar Infrastructure PLC. Director of Oakbrook Holdings (Pty) Limited and Sethani NPC Limited.

EXECUTIVE DIRECTORS

From left to right: Wayne Hook, Roelf Venter, Mark Godfrey and Kevin O'Brien (Company Secretary)

WAYNE ALLAN HOOK (56) BCom, 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.

ROELF VENTER (55) BCom (Hons), MBA

Group Retail Operations Director and Chairman of The SPAR Guild of Southern Africa
Appointed to the board: February 2007
Joined The SPAR Group Limited in 1983.

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

MARK WAYNE GODFREY (47) BCom, CA(SA)

Group Financial Director
Appointed to the board: October 2010
Joined The SPAR Group Limited in 1996.

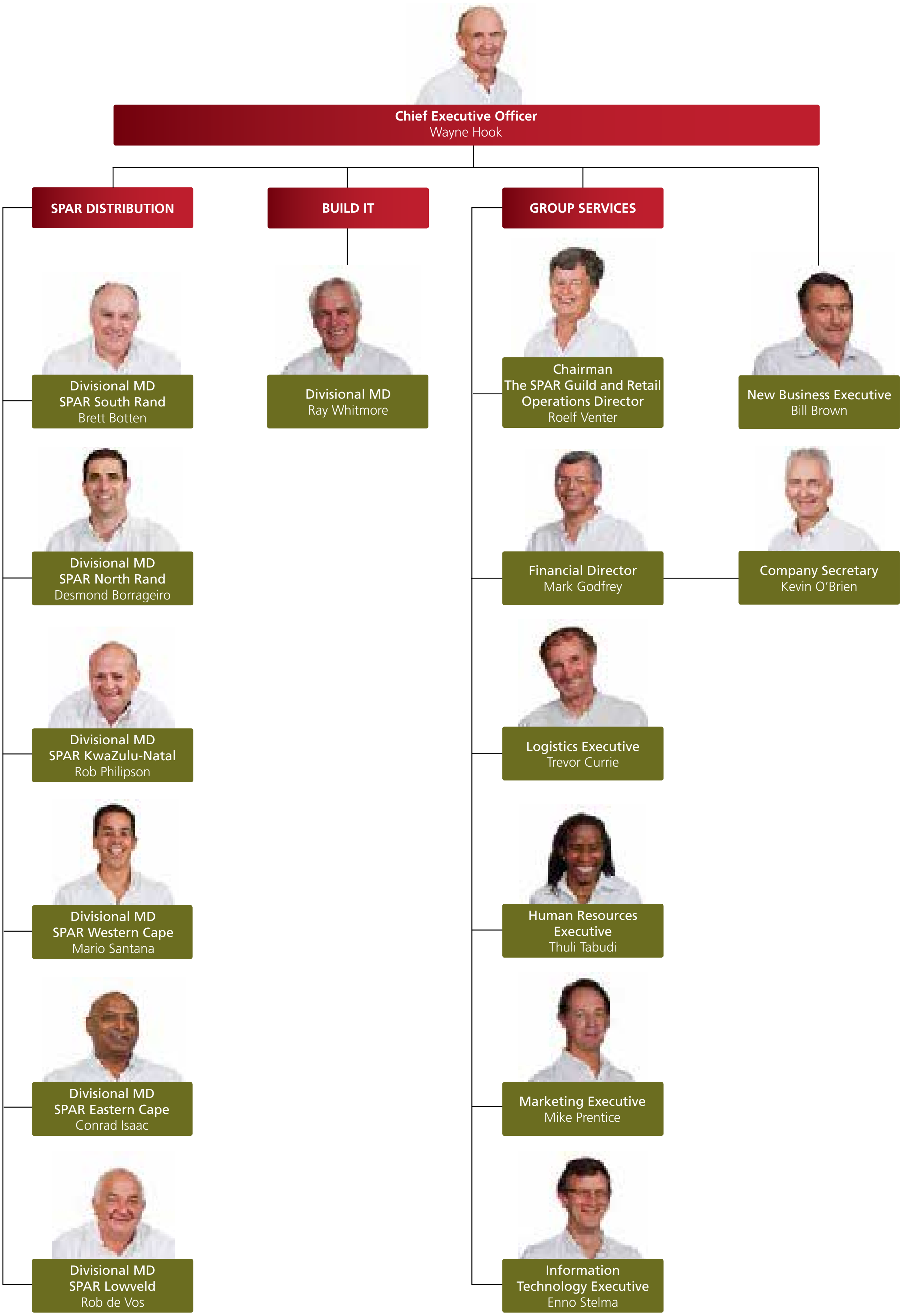
Served in financial management positions in various group operations.

KEVIN JAMES O'BRIEN (50) BA, LLB, BSocSc (Hons)

Company Secretary
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.

EXECUTIVE MANAGEMENT



Executive management

FUNCTIONAL MANAGEMENT

Back row left to right: Bill Brown, Kevin O'Brien, Enno Stelma, Mike Prentice, Ray Whitmore and Trevor Currie
Front row left to right: Roelf Venter, Wayne Hook, Thuli Tabudi and Mark Godfrey

WAYNE ALLAN HOOK (56) BCom, CA(SA)

Chief Executive Officer
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.

DESMOND BORRAGEIRO (38)

Managing Director SPAR North Rand division
Joined The SPAR Group Limited in 1995.

Served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR South Rand division.

BRETT WALKER BOTTEN (48) BCom, CA(SA)

Managing Director SPAR South Rand division
Joined The SPAR Group Limited in 1994.

Served as Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions.

WILLIAM HOGG BROWN (63)

New Business Executive
Joined The SPAR Group Limited in 1984.

Served as Managing Director of Eastern Cape and Western Cape divisions. Previous Sales Director of SPAR KwaZulu-Natal division.

TREVOR DUNCAN CURRIE (57)

Group Logistics Executive
Joined The SPAR Group Limited in 1985.

Served in logistics management positions in various group operations. Previous Logistics Director at SPAR Western Cape and Eastern Cape divisions.

ROBERT DE VOS (51)

Managing Director SPAR Lowveld division
Joined The SPAR Group Limited in 1988.

Served in various retail operations positions before being appointed divisional Retail Operations Director at SPAR North Rand division.

MARK WAYNE GODFREY (47) BCom, 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.

CONRAD LUKE ISAAC (51)

Managing Director SPAR Eastern Cape division
Joined The SPAR Group Limited in 1982.

Previous Human Resources Director of SPAR Eastern Cape division.

DIVISIONAL MANAGING DIRECTORS

Back row left to right: Conrad Isaac, Mario Santana and Desmond Borrageiro
Front row left to right: Rob de Vos, Brett Botten and Rob Philipson

KEVIN JAMES O'BRIEN (50) BA, LLB, BSocSc (Hons)

Company Secretary
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.

ROBERT GRANT PHILIPSON (44)

Managing Director SPAR KwaZulu-Natal division
Joined The SPAR Group Limited in 1996.

Served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR KwaZulu-Natal division.

MIKE PRENTICE (45) BCom, LLB

Group Marketing Executive
Joined The SPAR Group Limited in 1991.

Served in marketing management positions in various group operations. Previous Marketing Director at SPAR North Rand division.

ENNO PAUL STELMA (51) BCom

Group IT Executive
Joined The SPAR Group Limited in 1989.

Served in IT management positions in various group operations.

MARIO MENEZES SANTANA (39)

Managing Director SPAR Western Cape division
Joined The SPAR Group Limited in 1995.

Served as Managing Director at SPAR North Rand division. Served in retail operations positions in various group operations.

THULISILE TABUDI (44) PhD

Group Human Resources Executive
Joined The SPAR Group Limited in 1999.

Previous HR Director at SPAR South Rand division.

ROELF VENTER (55) BCom (Hons), MBA

Group Retail Operations Director and
Chairman of The SPAR Guild of Southern Africa
Appointed to the board: February 2007
Joined The SPAR Group Limited in 1983.

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

RAYMOND EDWARD WHITMORE (57) BCom, CA(SA)

Managing Director Build it
Joined the SPAR Group Limited in 1983.

Previous managing director of SPAR Western Cape division.

DELIVER EXCELLENCE IN FRESH

Providing leadership in fresh to our retailers is a key imperative for SPAR.


Fresh Produce
picked especially for you
GARLIC
LOOSE

SPAR considers sustainability to be integrated into the strategy of the business and is not seen as a separate initiative.

While SPAR stays cognisant of its responsibilities to the environment and broader society as a good corporate citizen, we are a profit organisation. Our primary goal is therefore to generate an acceptable return for shareholders while balancing the relevant interests of our broader stakeholders.

STRATEGY

Management presented the updated strategy to the board and the organisation during the last quarter of the financial year under review and progress on the implementation of the strategy will be monitored quarterly.

OUR VISION

> To be the first choice brands in the communities we serve

In order to realise this vision the group will need to achieve six strategic outcomes:

- A world-class replenishment system for our retailers
- Competitive pricing of products
- Provide a comprehensive product range
- Build world-class brands
- Develop the best retailers
- Realise new business growth

The strategic imperatives which will enable the achievement of the outcomes include:

- Delivering excellence in fresh food departments
- Optimising our supply chain from supplier through to the retailer
- Providing expert retail leadership and support to our retailers
- Being leaders in our retail communities
- Creating a competitive price perception with consumers
- Sustaining SPAR's future growth through identifying and realising new business opportunities

Our purpose is stated in our value proposition:

> To provide expert leadership and support to retailers to enable them to run sustainably profitable and professional businesses

LEADERSHIP

SPAR has a primary responsibility for providing leadership to its retail members.

SPAR's membership of SPAR International and its relationship with other international wholesalers and retailers enable the group to remain at the forefront of global wholesale and retail thinking, trends and technologies. As a result, the company provides thought leadership, best practice and technologies to its independent retailers to which they would not otherwise have access.

ACCESS TO FULL SUPPORT SERVICES

The group provides a suite of services across the entire wholesale and retail value chain.

Through the provision of such services by the group, SPAR retailers are far better placed to compete effectively in a market that is dominated by supermarket chains, while maintaining their independence.

RETAILERS

The SPAR Group's customers are independent retailers who have chosen to take part in the SPAR voluntary trading system under either The SPAR Guild of Southern Africa or The Build it Guild of Southern Africa. Unlike in many other countries around the world, SPAR South Africa remains almost entirely focused on the independent retailers.

While SPAR is largely focused on food retail, the group also services liquor retail through TOPS at SPAR, building material retail through Build it and pharmaceutical and health product retail through Pharmacy at SPAR.

SPAR's operating model (refer to page 5) enables it to leverage its core competencies across a large variety of retail offerings in order to deliver its value proposition in the most appropriate manner for retailers.

SUSTAINABLE AND PROFITABLE BUSINESSES

SPAR will continue to grow and prosper if their independent retailers remain profitable and enhance the SPAR brand.

As a wholesaler, SPAR is reliant on significant volumes constantly moving through its facilities. The scale of the business enables it to leverage its purchasing power as well as maximise efficiencies. The positive impact of this purchasing power and the associated efficiencies is then passed on to the retailers to ensure that they are able to compete effectively and remain profitable.

The leadership and support service offering provided by SPAR to its customers ensures that the retailers are best positioned to deliver a highly professional service to the consumer. As a result, the retailers are enabled to profitably build the SPAR brand.

Our vision is underpinned by the following values that we consider to be the cornerstone on which we conduct our business:

- Loyalty, honesty and integrity
- A passionate commitment to serving 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

ECONOMIC

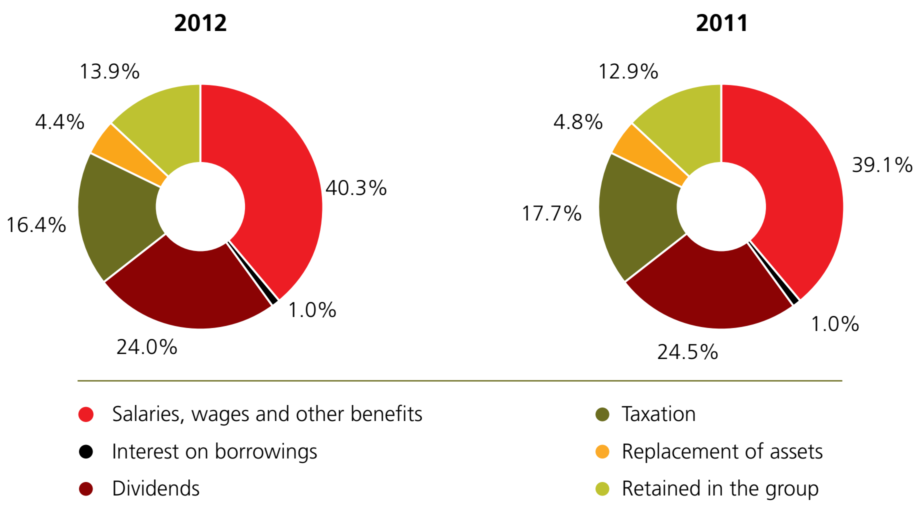
2012 is SPAR's 49th year of operation in South Africa and the eighth as a public company listed on the JSE. Since listing SPAR has reported consistent earnings and dividend growth. As SPAR, we have an important financial impact on our stakeholder communities through the wealth we create for our shareholders, the remuneration earned by our employees, contributions to the fiscus through taxes, the direct investments we make into improving our communities, the jobs we help create by supporting entrepreneurial businesses and the suppliers we support through our activities.

Value added statement

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

Total wealth created by the SPAR group increased 9.8% in 2012 to R2 799 million. Of this total, 40% was paid to employees, 24% to shareholders as dividends and 16% to the Government in the form of tax. 4% of total value created was invested in replacement assets and 14% was reinvested into the group.

Value added statement	2012 Rmillion	% of revenue	%	2011 Rmillion	% of revenue	%
Revenue	**43 560**			38 820		
Less:						
Net cost of product and services	**40 797**			36 295		
Value added	**2 763**			2 525		
Add:						
Income from investments and associates	**36**			25		
Wealth created	**2 799**	**6.4**	**100.0**	2 550	6.6	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	**1 127**		**40.3**	998		39.1
Providers of capital	**699**		**25.0**	650		25.5
Interest on borrowings	**28**		**1.0**	25		1.0
Dividends to ordinary shareholders	**671**		**24.0**	625		24.5
Taxation	**460**		**16.4**	452		17.7
Replacement of assets	**125**		**4.4**	123		4.8
Retained in the group	**388**		**13.9**	327		12.9
Wealth distributed	**2 799**		**100.0**	2 550		100.0



FIVE YEAR FINANCIAL REVIEW

Rmillion	2012	2011	2010	2009	2008
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	**43 560**	38 820	35 160	32 256	26 993
Operating profit	**1 510**	1 405	1 303	1 141	972
Interest received	**33**	18	25	35	46
Interest paid	**(28)**	(25)	(21)	(29)	(19)
Share of equity accounted associate income	**4**	7			
Profit before taxation	**1 519**	1 405	1 307	1 147	999
Taxation	**(460)**	(452)	(391)	(402)	(317)
Total comprehensive income	**1 059**	953	916	745	682
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**1 588**	1 550	1 521	1 426	1 083
Goodwill	**391**	382	300	246	246
Loans and investments	**119**	59	41	17	56
Finance lease receivables					20
Operating lease receivables	**113**	119	139	143	125
Other non-current assets		1	2	2	4
Deferred taxation asset	**11**	13	3	22	16
Current assets	**7 673**	6 178	5 523	4 684	4 284
Total assets	**9 895**	8 302	7 529	6 540	5 834
Equity and liabilities					
Capital and reserves	**2 838**	2 489	2 187	1 940	1 488
Deferred taxation liability	**4**	1			
Post retirement medical aid provision	**103**	86	75	68	61
Operating lease payables	**129**	130	135	142	124
Current liabilities	**6 821**	5 596	5 132	4 390	4 161
Total equity and liabilities	**9 895**	8 302	7 529	6 540	5 834
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	**1 824**	1 362	818	683	(25)
Dividends paid	**(671)**	(625)	(579)	(468)	(355)
Cash flows from investing activities	**(222)**	(254)	(281)	(268)	(356)
Cash flows from financing activities	**(71)**	(56)	(121)	23	29
Net increase/(decrease) in cash and cash equivalents	**860**	427	(163)	(30)	(707)

RATIOS AND STATISTICS

		2012	2011	2010	2009	2008
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	**172.3**	171.6	171.0	170.6	168.4
Headline earnings per share	cents	**623.9***	564.6*	543.7*	484.8*	405.7
Dividends per share	cents	**430.0**	377.0	362.0	322.0	255.0
Dividend cover	multiple	**1.45***	1.50*	1.50*	1.51*	1.59
Net asset value per share	cents	**1 649.8**	1 450.5	1 278.8	1 137.4	883.5
COMPREHENSIVE INCOME INFORMATION						
Gross margin	%	**8.0**	8.1	7.9	8.0	8.1
Trading profit margin	%	**3.5**	3.7	3.8	3.8	3.6
Headline earnings	Rmillion	**1 073.0***	968.0*	928.9*	822.1*	680.3
SOLVENCY AND LIQUIDITY						
Return on equity	%	**39.8**	40.7	44.4	43.5	52.5
Return on net assets	%	**53.2**	56.4	55.2	58.1	84.5
EMPLOYEE STATISTICS						
Number of employees at year-end		**3 904**	3 816	2 698	2 640	2 570
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	cents	**12 800**	9 629	9 290	6 470	5 050
– highest	cents	**13 091**	10 448	9 293	6 595	6 200
– lowest	cents	**9 283**	8 200	6 300	4 512	4 450
Number of share transactions		**188 043**	183 725	127 113	81 598	53 673
Number of shares traded	millions	**112.7**	144.7	125.2	124.1	131.7
Number of shares traded as a percentage of total issued shares	%	**65.5**	84.6	73.2	72.7	78.2
Value of shares traded	Rmillion	**12 651**	13 808	9 181	6 807	6 938
Earnings yield at year-end	%	**4.9***	6.1*	5.9*	7.5*	8.0
Dividend yield at year-end	%	**3.4**	3.9	3.9	5.0	5.0
Price earnings ratio at year-end	multiple	**20.5***	17.3*	17.1*	13.3*	12.4
Market capitalisation at year-end net of treasury shares	Rmillion	**22 057**	16 327	15 889	11 038	8 504
Market capitalisation to shareholders' equity at year-end	multiple	**7.8**	6.6	8.3	5.7	5.7

* *Based on headline earnings excluding BBBEE cost.*

Definitions of ratios and statistics can be found on page 60.

SOCIAL

PEOPLE

SPAR aims to attract the right people to join and stay with our group, while offering them the opportunity to grow to their full potential through comprehensive training and skills development programmes. We are committed to creating a workplace where employees are treated with respect and in a fair and non-discriminatory way. We look to reward excellent performance and to build a workplace that represents the demographic profile of the country and achieves the group's transformation objectives.

Retaining skills is an important focus area, especially the retention of senior staff in the context of increasingly aggressive competition in the South African retail sector.

SPAR strives to be an employer of choice and ensures that its employees remain motivated and enthusiastic in all that they do. We believe that our employment practices are an important part of our ability to attract and retain talent.

Our human resources strategies focus on:

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

Distribution centres have codes of conduct and disciplinary and grievance procedures in place which are communicated to all employees at induction.

Labour relations

We respect our employees' right to freedom of association and collective bargaining. Where distribution centres have majority union membership, this is formalised through recognition agreements with the representative trade unions. The KwaZulu-Natal, North Rand and South Rand distribution centres are unionised and have recognition agreements with the South African Commercial Catering and Allied Workers Union. Senior management in these unionised distribution centres are responsible for union negotiations.

Strikes are costly to both the group and its employees, disrupt our service to our retailers and may negatively impact on SPAR customers through stock shortages. The strike at the KwaZulu-Natal distribution centre during the year cost us more than R12 million, but effective contingency planning resulted in no major disruption in deliveries to stores. The lessons learned from the strike have been updated into the distribution centre contingency plans and shared with the other distribution centres.

We have a long history of excellent relations with our workforce and the trade union and the strike that was resolved in the current year was our second in more than two decades.

Skills development

Group training initiatives focus on aligning training with transformation objectives. Training initiatives focus on technical, supervisory and management competencies. Training programmes are provided through the SPAR Academy of Learning, which is accredited with the Wholesale and Retail Sector Education and Training Authority and has links to the Transport Sector Education and Training Authority. In-house training is provided to both group and retailer employees.

Specific training initiatives include:

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

SPAR continues to comply with the Skills Development Act. The number of days of off-the-job training provided to employees was 28 585 days and our investment in skills development was R9.1 million in 2012, or 2.25% of payroll.

Our 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 aims 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.

Leadership development

SPAR ensures that there is a pipeline of future leaders in place to lead the company into the future through structured succession plans and a graduate development programme.

During 2012, 20 managers completed the SPAR Leadership Development Programme (2011: 16) and 22 managers attended the SPAR Management Growth Programme (2011: 23).

Employment equity

SPAR is committed to the development of historically disadvantaged South Africans (HDSA). Each distribution centre and central office has its own employment equity committee which set annual employment equity targets, establish plans to achieve and monitor and report on progress. Employment equity plans are submitted as required by the Employment Equity Act.

Overall employment equity in the group was 80% in 2012 (2011: 82%). In 2012, 84% of staff trained were HDSA compared to 82% in 2011 and 24% were females (2011: 25%).

SAFETY AND HEALTH

SPAR has procedures in place to ensure that its employees work in a healthy and safe environment. This is part of our ethical duty as employers and also improves employee morale and productivity. Health and safety are a key concern in the food industry and are managed, monitored and reviewed through the group's risk management framework. There are health and safety committees at each distribution centre and health and safety training is ongoing. We aim to exceed the regulatory requirements and have a comprehensive risk management programme in place, including independent external audits.

The programme has five components:

- emergency planning;
- health and safety;
- transport;
- fire; and
- security.

There were 7 disabling injuries during 2012 (2011: 11). Measured against the total hours worked, this represents a disabling injury frequency rate (DIFR) per 200 000 man hours of 0.19, a 37% decrease on 2011's 0.30.

There were 137 non-disabling injuries in 2012 (2011: 129). Both categories continue to be a focus area for our workplace safety committees.

Free support and counselling is provided to employees through onsite clinics at each distribution centre. SPAR invested more than R5.4 million in these services in 2012 (2011: R2.5 million).

The group has a specific HIV/Aids policy and management framework in place and 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 Multiply programme offered by Momentum. In order to address the affordability concerns raised in previous years, the Tiger Brands Medical Aid Scheme now offers a low-cost option to extend accessibility of the scheme to as many employees as possible.

TRANSFORMATION

SPAR is an equal opportunity employer and promotes fair treatment in employment.

The group has a transformation strategy which incentivises managers to achieve transformation targets which include bringing black-owned stores into the group. The group measures its transformation in terms of the Department of Trade and Industry Codes of Good Practice and supports the principles of the BBBEE Act.

The group is an externally-accredited Level 6 broad-based black economic empowerment (BBBEE) contributor with a 60% recognition rating. Our overall score in 2012 was 48.91.

EMPOWERDEX		
Element	**Score**	**%**
Ownership	D	6.12
Management and control	D	2.19
Employment equity	A	12.71
Skills development	D	4.49
Preferential procurement	C	8.85
Enterprise development	B	11.54
Socio-economic development	B	3.01
Overall score	BB	48.91

Ownership

SPAR scored 6.12 points for ownership. SPAR established the SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust in August 2009 to recognise the ongoing contribution these important stakeholder groups make to the future of the group. Together these two Trusts will own 10% of the group by 2016. A third party service provider manages the scheme in partnership with the group.

Management control

The group scored 2.19 points for this category. The SPAR Leadership Development Programme focuses on developing historically disadvantaged South Africans (HDSA) to management levels. These initiatives will yield positive change over time.

Employment equity

SPAR scored 12.71 out of a possible 15 points for the employment equity category of the BBBEE scorecard. There were 180 HDSA middle management appointments during 2012.

Skills development

More than 80% of our training investment is spent on HDSA. SPAR's score in this category was 4.49 out of a possible 15. There was a significant loss of learnerships in the group and this is a focus area for 2013.

Preferential procurement

SPAR recognises the important benefits to the country's economy of supporting local suppliers by buying local goods wherever possible. This practice is balanced with the need to meet consumer expectations of value, quality and price.

We use EMEX, an independent BBBEE rating agency, to assist in gathering BBBEE data on all suppliers. SPAR's score in this category was 8.85.

Enterprise development

Our enterprise development initiatives focus on creating and nurturing new independent retail stores and are an important focus area for the group. Providing business opportunities and mentorship to black entrepreneurs through SPAR, TOPS at SPAR, Pharmacy at SPAR, SaveMor and Build it is a way we can genuinely empower previously disadvantaged South Africans. We scored 11.54 in this category. This is a key focus area for 2013.

As at September 2012, there were 180 black-owned stores within South Africa and 29 in neighbouring countries and we are pleased that the percentage of black-owned stores continues to rise steadily.

Socio-economic development

SPAR scored 3.01 out of a possible five points in the socio-economic development category. This area has been identified in the group strategy as a key sustainability initiative in the new year. More information on our CSI initiatives can be found in the Communities section of this report.

COMMUNITIES

As part of our commitment to the broader SPAR community, our corporate social investment (CSI) programme aims to foster positive social and economic changes to the communities in which we conduct our business.

Our broad focus areas are:

- healthcare;
- hunger; and
- safety.

The group invested R11.4 million into its CSI initiatives in 2012 (2011: R9.6 million).

The group's flagship hunger alleviation project is the Isonka (feeding the community) partnership with Operation Hunger which this year funded seven feeding schemes in various parts of the country. The project currently supports more than 2 400 beneficiaries across the country.

Phase one of the feeding schemes is a soup kitchen to provide immediate hunger relief. A vegetable garden is then established by members of the local community to supply food to the soup kitchens as well as a source of income for those tending them. Clean water, first aid training and skills training are also provided.

Other community initiatives include the following list of projects supporting approximately 4 000 children:

Ikamv'elihle Rehabilitation Centre
(Mdantsane, Eastern Cape)
The centre focuses on bringing 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.

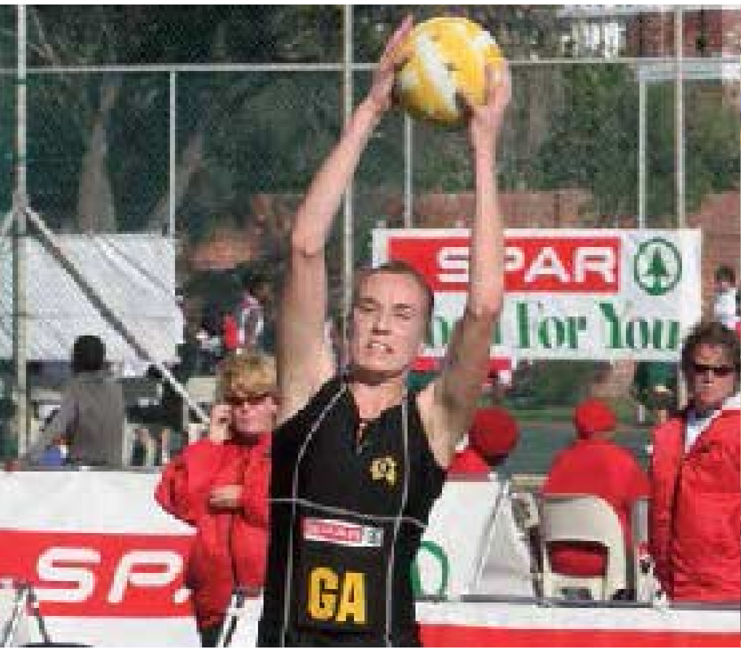
Ubomi Obutsha (KwaZakhele Zwide)
This community feeding scheme is run by the Church of Ministries and is aimed at taking care of school going children by providing them with food in the morning before school and after school. The children are also taught computer skills.

Nelson Mandela Metropole University Partnership
A partnership to improve the nutritional levels of students.

Arebaokeng Child Daycare Centre (Tembisa, Gauteng)
This daycare and hospice facility caters for the children of HIV/Aids sufferers. The Department of Health and Social Welfare has 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 bakery.

Junior Achievement South Africa (JASA)
(Hazyview and Malelane)
Provides 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 2011 JASA candidates were assessed by a psychologist and given career feedback on suitable job opportunities. A further four programmes are being run during 2011 and all the programmes have been implemented with the assistance of local SPAR retail stores.

Gozololo Daycare Centre (KwaMashu, 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. A monthly donation of food is provided which is used to provide meals for the daycare centre and food parcels for the children's guardians.



Izulu Orphan Projects (Rural KwaZulu-Natal)
Food and building materials are provided for the project.

Kids Haven Orphanage (Kempton Park, Johannesburg)
Aims at rehabilitating children living and working on the streets and reintroducing them into society.

The SPAR Group engages in numerous other CSI initiatives.

Crime
High levels of crime at retail stores continue to be a cause for concern. We continue to develop programmes to identify, prevent and monitor potential crime incidents in an effort to minimise the impact of crime on retailers' stores and customers.

We work closely with the Consumer Goods Council of South Africa (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 counselling service to the victims of crime.

Sponsorships
SPAR's investments in sports sponsorship focuses predominantly on supporting women's sport, an area traditionally overlooked by many sponsors. Our investments in women's sport create community involvement and grow brand loyalty.

SPAR Ladies' 10 km Challenge
SPAR invests in the development of women's athletics through the 10 km women's races in major centres around the country which include a Grand Prix prize for performance across all five events.

Netball
SPAR supports women's netball in South Africa and proudly sponsors the SPAR South Africa Netball Team and the SPAR National Netball Championships (this year held in Cape Town in August 2012).

Soccer
SPAR is a proud sponsor of AmaZulu Football Club, one of the oldest football clubs in South Africa and an institution in the local communities of Durban, KwaZulu-Natal and its supporters countrywide.

ENVIRONMENTAL
The environmental strategy, which forms an integral part of the group strategy, co-ordinates and informs the approach to managing the group's environmental impact across the operations.

Climate change poses a potential risk for SPAR with implications for the group's refrigeration facilities, cold chains and buildings that include increased energy consumption. Changes in agricultural land usage patterns as a result of climate change could result in increased transport costs for foodstuffs that must be sourced from further afield. There is also the possibility of physical impacts on our facilities and distribution fleet from potential climate change consequences such as flooding or droughts.

SPAR operates a significant physical infrastructure in terms of both buildings and our fleet of vehicles. These contribute significantly to our carbon footprint. The rising cost of energy and fuel, as well as SPAR's commitment to demonstrating a caring approach to the environment, drive our focus on reducing fuel and energy usage.

Our operational focus is 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 is committed to working closely with its suppliers to reduce the impact of packaging on the environment.

SPAR is committed to raising environmental awareness among our retailers, their staff and customers through a range of initiatives including:

- various interventions from experts in the environmental field;
- advertising campaigns to educate consumers; and
- the group held a three-day children's conference on the environment in the first week of the 2012 financial year. The conference was attended by 120 children from around South Africa, Namibia, Swaziland and the Cameroon and the agenda covered biodiversity, recycling and climate change. A selection of schools were asked to present on what their schools were doing to make a difference with regard to the environment. A children's conference on sustainability is being organised for October 2013.

Carbon Disclosure Project (CDP)
The group scored 86% in the disclosure section of the 2011 CDP, ranking 13th out of the top 100 JSE listed companies. Targets for carbon reduction will be set in the 2013 report now that the group has finalised its Social and Environmental Strategy. The group's 2011 carbon footprint increased to 121 357 tonnes of carbon dioxide equivalent (tCO_2e) in 2011 compared to 83 993 in 2010. This increase has largely been due to improvements in environmental data capture and expanding of definitions to include more categories in the carbon footprint calculation.

Scope 1 emissions mainly comprise the fuel consumed in our trucks that deliver products to our independent retailers. This made up 30.8% of the total in 2011 (2010: 36.5%).

Scope 2 emissions consist of energy consumed in our warehouses, mainly in cooling and air-conditioning. Scope 2 emissions comprises 64.4% of our 2011 carbon footprint (2010: 49.3%).

Scope 3 emissions cover employee commuting and travel and account for 4.7% of total emissions (2010: 14.2%). We did not include the employee commute section of scope 3 in the 2011 calculation.

We also disclose our carbon footprint measured against the number of cases moved through our warehouses during the year to measure the carbon efficiency of our operation. In 2011, our carbon emissions were 665 tCO_2e per million cases moved compared to 491 tCO_2e in 2010.

We continue to refine our data collection processes to ensure the accuracy of our environmental disclosures and have formalised a manual for the individuals responsible for collecting environmental data. We are in the process of establishing environmental key performance indicators to benchmark improvements in our environmental performance.

In our first CDP submission in 2009 we set ourselves targets for carbon emissions per case delivered against diesel consumed, electricity usage and business travel. We are currently in the process of developing a more robust set of emission measures and targets which will include short, medium and long-term targets across a range of areas relevant to our business. These are now in place and will be measured in future years.

Energy efficiency

SPAR consumed 75 925 352 kilowatt hours of energy in 2011.

Environmental considerations are taken into account when designing our distribution centres. Each distribution centre has an energy management plan in place.

Energy efficiency initiatives at the distribution centres include:

- low energy fittings and bulbs;
- timers on all electrical equipment;
- improved efficiencies in refrigeration plants and battery charging areas; and
- energy-efficient warehouse design.

The sharp increases in electricity prices over the last four years impacted on our operations directly and added extra impetus to our energy efficiency drive.

Fuel efficiency

The average price of diesel increased 21% in the year to September 2012 (2011: 19%). As a significant component of travel costs, these continued increases also reduce disposable income and indirectly affect our business.

The group transport manager is responsible for driving operational efficiencies at the distribution centres. Fuel efficiency initiatives include:

- projects in place to determine optimal delivery routes, including a daily route management system that has been rolled out at all distribution centres;
- new vehicles brought into our fleet are required to meet the minimum Euro 3 emission standards;
- driver monitoring systems to ensure drivers adhere to speed limits and achieve driving efficiency benchmarks; and
- each distribution centre has a driver trainer, who focuses on improving driver performance by ensuring an understanding of the most efficient use of vehicles. This not only reduces emissions and fuel consumption, but also extends vehicle life.

Used cooking oil is collected from certain SPAR retail stores for conversion into biodiesel. Our Eastern Cape and Western Cape distribution centres use a 5% ratio of bio-diesel.

SPAR's ability to further increase its fuel efficiency is constrained by the emission-unfriendly nature of locally produced petrol, which only meets Euro 3 standards.

BIO-DIESEL USE

Distribution centre	2012 litres	2011 litres
Western Cape	**45 321**	38 275
Eastern Cape	**43 200**	4 500

Water

Most of the water consumed by the group is used to wash trucks and in cooling systems. The group withdrew 173 628 m^3 from municipal sources in 2012, although this figure excludes the South Rand distribution centre which experienced problems with its water meters during the year.

Water saving initiatives have been implemented at the KwaZulu-Natal, Western Cape and Eastern Cape distribution centres and include a truck wash recycling system. These water saving initiatives will be rolled out across the rest of the distribution centres in the near future.

Recycling

The majority of our waste is in the form of cardboard and plastic and we have recycling initiatives focused on these waste streams at three of our seven distribution centres and head office. These initiatives will be rolled out to all distribution centres by December 2013.

SPAR Western Cape, SPAR KwaZulu-Natal and SPAR Eastern Cape recycled 7 046 tonnes of cardboard and plastic waste in 2012. KwaZulu-Natal distribution centre set itself a target to involve at least 50% of stores in its cardboard and plastic recycling initiatives and managed to engage 85% of stores during the year. A joint initiative between SPAR Western Cape, SPAR stores and local schools led to the recycling of 104 kg of PET plastic in 2012 (2011: 560 kg).

RECYCLING INITIATIVES

	Western Cape		KwaZulu-Natal		Eastern Cape	
	2012	2011	**2012**	2011	**2012**	2011
Cardboard (t)	**2 827**	2 051	**3 410**	922	**240**	**n/r**
Plastic (t)	**229**	186	**304**	96	**36**	**n/r**
PET plastic (kg)	**104**	560	**n/r**	**n/r**	**n/r**	**n/r**

n/r Not recorded.

We are committed to finding recycling opportunities for our cardboard waste and to this end we are engaging with local recyclers to keep cardboard waste processed inside the country.

REGULATION AND REPUTATION

SPAR is committed to being a good corporate citizen and this includes ensuring that the group complies with all applicable legislation and regulations. SPAR is currently reviewing the universe of laws and regulations applicable to it and identifying the relevant clauses and sections that apply to our business. Once this framework is in place, internal audit will review the process to ensure ongoing compliance.

Sector collaboration

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

- the 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.

Product responsibility

SPAR recognises that our responsibility to be a good corporate citizen does not end when we have made our delivery to our retailers. We have a moral obligation to ensure that the goods and produce we supply are of the highest quality and failure to ensure this could cause reputational damage and consequent direct financial impact.

SPAR has an established relationship with WWF's Southern African Sustainable Seafood Initiative (SASSI) and continues to work at aligning seafood procurement policies for the entire SPAR house branded seafood range with best practice guidelines for sustainable seafood. The group has developed a sustainable seafood policy with SASSI's guidance. In addition to the SASSI initiative, the group's Freshline team have over the past three years, assisted local farmers in the Freshline supply chain to adopt more sustainable farming methods on their farms. To date, 36 such farmers, representing 52% (2011: 21 farmers representing 33%) of the farmers used in the Freshline supply chain, have been trained in sustainable farming methods. The group will continue to engage with its SPAR brand suppliers to gain further knowledge of the sustainable business practices of those suppliers.

We continue to grow our range of house brand products and SPAR's active innovation process has delivered more than 550 new products over the past two years.

Responsible use of alcohol

SPAR sells alcohol through its TOPS stores. The group is committed to encouraging the responsible consumption of alcohol and is a member of the Industry Association for Responsible Alcohol Use (ARA).

Consumer Protection Act

The Consumer Protection Act, No 68 of 2008 (CPA), protects the rights of consumers and SPAR has analysed the effects the Act has on its relationship with suppliers and retailers and put in place processes to ensure compliance. We provide ongoing training on the provisions of the CPA to staff at distribution centres and SPAR retailers. A handbook outlining the main aspects of the CPA as well as advice on food safety risk management and labelling has been prepared and sent out to all retailers.

The group has an in-house customer care line that addresses consumer complaints and queries relating to products sold at retailers' stores. The customer care line number appears on all SPAR branded products – all queries that relate to non-SPAR branded products are directed to the relevant suppliers.

Food safety

SPAR is committed to food safety throughout the supply chain and has established a cold chain "best practice" that is closely monitored for compliance. We engage on a constant basis with manufacturers and suppliers to ensure the highest levels of product safety. All SPAR brand suppliers are required to undergo regular food safety audits. Food safety certificates are obtained from all suppliers and drop shipment suppliers.

SPAR advises retailers on the correct procedures to follow to ensure that food safety standards are achieved for goods that are sourced from outside of SPAR's supply chain.

External food safety audits of distribution centres and retailers are conducted regularly and are closely monitored by the Risk Committee and the Group Food Safety Manager. Independent auditors also assess hygiene and food safety practices at SPAR house brand suppliers.

SPAR's Fresh strategy is being revised to incorporate a more cohesive national produce sourcing strategy and training across all regions. Freshline produce growers are assessed against the International Farming Standard Global GAP, including strict monitoring of pesticide application practices, good environmental practices and hygiene at pack houses.

SPAR standards must be met by suppliers who provide externally audited proof of meeting these standards. SPAR is an active member of the Food Safety Initiative at the Consumer Goods Council where regulatory requirements such as labelling and food safety issues are reviewed.

Healthy lifestyle

SPAR's house brands provide full nutritional information and allergen lists on the packaging. The Guideline on Daily Amounts (GDA) of nutrition was adopted from SPAR International for new products and will be extended to all products as packaging is revised. SPAR's website provides an explanation of why these guidelines are relevant. SPAR encourages healthy eating and a healthy lifestyle and offers information on a range of health-related issues and eating plans on its website.

Logistics

The National Climate Change Response Green Paper explicitly states that market-based instruments, predominantly an escalating carbon tax, will be used to drive a diversification of the country's energy mix and the implementation of energy efficiency measures, clean energy and low carbon investments. These taxes represent a further cost to doing business, which will need to be absorbed or passed on to our customers (SPAR retailers) and ultimately the consumer.

To date, the only carbon tax that exists in South Africa is a tax on new passenger and light commercial vehicles, although our delivery vehicles are likely to attract this tax in the near future. Our delivery trucks will also be affected by new tolling legislation in Gauteng.

The Administrative Adjudication of Road Traffic Offences (AARTO) Act was implemented at the beginning of April 2012 and SPAR has put in place the necessary procedures to ensure ongoing compliance.

The Road Transport Quality System (RTQS) incorporated in the Road Traffic Act, results in strict monitoring of hauliers on South African roads. Permits are required to comply and these will be withdrawn where a haulier is found to be overloading or operating sub-standard vehicles. SPAR's systems ensure that their drivers and trucks comply with these requirements.

BEST RETAILERS IN COMMUNITY

With more than 1 700 independent retailers across Southern Africa, SPAR is trusted by the communities it serves for quality, convenience and competitive prices.


SPAR

Corporate governance

GOVERNANCE FRAMEWORK				
Board of directors				
Audit Committee	Remuneration and Nominations Committee	Risk Committee	Social and Ethics Committee	Executive Committee

SPAR is committed to the principles of good corporate governance set out in the King Report on Governance for South Africa, 2009 (King III) and complies with the additional governance requirements of the JSE and various other legislative requirements. Our strategy integrates non-financial sustainability issues alongside financial considerations as reported in this integrated annual report. In preparing this report we were guided by the International Integrated Reporting Council (IIRC) discussion paper and the Global Reporting Initiative (GRI) G3 guidelines.

King III

The recommendations of King III have been noted as a minimum standard and applied across the group. In alignment with King III, in areas where strict compliance would add little or no value, alternate workable systems exist and we explain why we have chosen not to apply the principles directly. A full table of our compliance with King III appears on page 54 of this report.

The guidelines SPAR has not applied during the full year are:

- we do not disclose the remuneration of the three highest paid executives who are not directors as we believe this would reveal sensitive information to competitors. None of these executives is paid at a higher rate than the two highest paid executive directors in the group; and
- our board Chairman, Mr MJ Hankinson, served on the Audit Committee during the year under review. He resigned as a member of this committee in August 2012.

The board of directors

Board charter and responsibilities

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation. The terms of reference for the board are set out in the board charter which is reviewed annually. The board charter sets out the powers and authority of the board and provides a clear and concise overview of the roles and responsibilities of the board members.

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:

- approving the strategic direction of the group and the budget necessary for the implementation of the strategy, as set out by the charter's framework of accountability, responsibility and duty of the board to the company;
- being the guardian of the ethics and values of the group;
- retaining full and effective control of the group;

BOARD COMPOSITION AND ATTENDANCE

Director	Status	8 November 2011	14 February 2012	8 May 2012	7 August 2012
MJ Hankinson *(Chairman)*	Non-executive, independent	✓	✓	✓	✓
PK Hughes	Non-executive, independent	✓	✓	✓	✓
RJ Hutchison	Non-executive, independent	✓	✓	✓	✓
MP Madi	Non-executive, independent	✓	✓	✓	✓
HK Mehta	Non-executive, independent	✓	✓	✓	✓
P Mnganga	Non-executive, independent	✓	✓	✓	✓
DB Gibbon*	Non-executive, independent	✓	✓	✓	✓
CF Wells	Non-executive, independent	✓	✓	✓	✓
WA Hook	Chief Executive Officer	✓	✓	✓	✓
MW Godfrey	Group Financial Director	✓	✓	✓	✓
R Venter	Executive director	✓	✓	✓	✓

* *Retired 7 August 2012.*

- appointing the Chief Executive Officer;
- monitoring and guiding management;
- implementing the group's vision and values; and
- communicating with shareholders openly throughout the year.

Delegation of authority

The responsibility of the board and executive management team are differentiated in the board charter. The board has a levels of authority policy within which executive management operates. 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 are specifically reserved for the board.

The levels of authority policy cover the following areas:

- treasury;
- capital expenditure;
- loans to retailers;
- property leases; and
- remuneration.

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 composition and attendance

The roles of the Chairman and the Chief Executive Officer are separated and a clear division of authority exists between these roles.

When necessary, candidates for non-executive directorship are evaluated by the Nominations Committee to ensure that their skills, knowledge, background, experience and qualifications add to the capacity and diversity of the board.

We value diversity on our board and three of the independent non-executive directors are historically disadvantaged South Africans and one of these is a woman. The non-executive directors represent a wide range of skills and financial and commercial experience, and are aware of their duties to ensure that the group maintains a high standard of corporate governance. Details and qualifications of the directorate are provided in this report.

Non-executive directors' fees are not linked to the financial performance of the group, nor do they receive share options or bonuses.

SPAR has a formal induction programme in place to familiarise new directors with the history and structure of the group, outline their fiduciary duties as directors and inform them of their responsibilities in terms of the board charter.

Each director has unrestricted access to the Company Secretary.

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 Memorandum of Incorporation.

Board and committee evaluation

The board members again performed a comprehensive evaluation of the performance of the board and its committees. The board evaluation included an assessment by each director of:

- their own performance;
- the Chairman's performance; and
- the performance of the Company Secretary.

The results of the questionnaires were collated for review by the board. The Chairman of the board held one-on-one meetings with each board member to discuss the outcomes of the evaluations. No significant problems were identified during the process. The board and its committees will again conduct a formal performance evaluation during the next financial year.

In accordance with the JSE Limited Listings Requirements, the board has considered the competence, qualifications and experience of the Company Secretary, Mr KJ O'Brien. Further to considering his experience of six years in the role of Company Secretary at The SPAR Group Limited and his qualifications of BA, LLB, BSocSc (Hons), the board is satisfied that Mr KJ O'Brien has the appropriate expertise, experience, competence and skills to fulfil the role of Company Secretary to The SPAR Group Limited. The board is further satisfied that the role of Company Secretary is maintained at an arm's length relationship with the board in accordance with the recommended practice of King III.

Regulatory compliance

Board members are kept appraised of changes to relevant legislation by the company's sponsor and Company Secretary.

Governance activities during 2012 included:

- presentations to the board on developments in governance codes and relevant legislation including the new Companies Act, the Consumer Protection Act, the JSE Listings Requirements and King III;
- converting the group's Articles of Association to a Memorandum of Incorporation;
- ensuring that the members of the Audit Committee were elected by the shareholders at the annual general meeting;
- establishing the Social and Ethics Committee and electing its members;
- obtaining approval for the remuneration of non-executive directors at the general meeting of the company held on 14 February 2012. A similar resolution

for the remuneration of non-executive directors can be found in the notice of meeting for the 2013 annual general meeting; and

- obtaining approval for intercompany loans at the general meeting of the company held on 14 February 2012. A similar resolution can be found in the notice of meeting for the 2013 annual general meeting.

The focus in 2013 will be on continuous progress with regards to compliance with King III and other legislation relevant to the group.

BOARD COMMITTEES

The board delegates certain of its functions to the various board committees without relinquishing overall responsibility for monitoring the company's performance. 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. Each committee is chaired by an independent non-executive director.

Audit Committee

The Audit Committee is a statutory committee in terms of the Companies Act and the chairman and committee members were confirmed for appointment at the annual general meeting on 14 February 2012.

The Audit Committee operates under an approved charter, assisting the board to fulfil its oversight responsibility on corporate governance.

Composition and attendance

In accordance with the committee's charter, the committee consists of no less than 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.

The Chief Executive Officer, Group Financial Director, internal auditor and external auditors are required to attend Audit Committee meetings. The group's internal auditor and the external auditors have unrestricted 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.

As of the board meeting in August 2012, Mr Hankinson no longer serves as a member of the Audit Committee but will attend future meetings by invitation.

The Company Secretary is secretary to the committee. The committee reports on its findings to the board after each formal committee meeting.

Responsibilities

The specific responsibilities of the Audit Committee are ensuring accurate financial reporting and the existence of adequate financial systems and controls. It does this by evaluating the operations and findings of both internal and external audits and assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational controls.

The Audit Committee functions under terms of reference approved by the board. The terms of reference were reviewed during the year.

In accordance with the principles of King III and the Companies Act, the responsibility of the Audit Committee now includes the following:

- overseeing integrated reporting;
- ensuring that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities;
- satisfying itself of the expertise, resources and experience of the group's finance function;

AUDIT COMMITTEE COMPOSITION AND ATTENDANCE

Members	Status	3 November 2011	3 May 2012	1 August 2012
DB Gibbon (Outgoing Chairman) CA(SA)*	Non-executive, independent	✓	✓	✓
CF Wells (Chairman) BCom CA(SA)**	Non-executive, independent	✓	✓	✓
MJ Hankinson BCom CA(SA)***	Non-executive, independent	✓	✓	✓
HK Mehta BS (USA) MBA (USA)	Non-executive, independent	✓	A	✓
PK Hughes CIS****	Non-executive, independent	✗	✗	✗
WA Hook (by invitation)	Chief Executive Officer	✓	✓	✓
MW Godfrey (by invitation)	Group Financial Director	✓	✓	✓
PC Cheesman (by invitation)	Group Internal Audit	✓	✓	✓
B Botes (by invitation)	External Audit	✓	✓	✓

A *Submitted apologies and was granted a leave of absence in terms of the company's memorandum of incorporation.*
* *Retired 7 August 2012.*
** *Appointed as Chairman 7 August 2012.*
*** *Resigned 7 August 2012.*
**** *Appointed 7 August 2012.*

- oversight of internal audit;
- being an integral part of risk management;
- being responsible for recommending the appointment of the external auditor and overseeing the external audit process;
- determine the fees to be paid to the auditor and the auditor's terms of engagement;
- ensure that the appointment of the auditor complies with all relevant legislation;
- determine the nature and extent of non-audit services provided to the company;
- to prepare a report to be included in the annual financial statements of the company, describing the work undertaken by the committee during the year under review and commenting on any changes to accounting practises;
- receiving any complaints from within or outside the company relating to accounting practices, internal audit, the content of the company's financial statements or internal financial controls; and
- reporting to the board and the shareholders on how it has discharged its duties.

Audit Committee report

The following report was prepared by Mr CF Wells, the chairman of the Audit Committee:

Statutory duties

The Audit Committee's role and responsibilities include statutory duties per the Companies Act, 2008, and further responsibilities assigned to it by the board. The Audit Committee executed its duties in terms of the requirements of King III and instances where the King III requirements have not been applied have been explained in the corporate governance statement, included elsewhere in the integrated report.

Key duties discharged by the committee

External auditor appointment and independence

The Audit Committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, 2008, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act, 2008, and any other legislation relating to the appointment of auditors.

The committee, in consultation with executive management, agreed to the engagement letter terms, audit plan and budgeted audit fees for the 2012 year.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. The committee approved the terms of a master service agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide in terms of the agreed pre-approval policy.

The committee has nominated, for election at the annual general meeting, Deloitte and Touche as the external audit firm and Mr B Botes as the designated auditor responsible for performing the functions of auditor, for the 2013 year. The Audit Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Financial statements and accounting practices

The Audit Committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards and the requirements of the Companies Act.

An Audit Committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters have been raised in the past financial year.

Internal financial controls

The Audit Committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit formed the basis for the Audit Committee's recommendation in this regard to the board, in order for the board to report thereon. The board's report on the effectiveness of the system of internal controls is included elsewhere in the integrated report.

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

Duties assigned by the board

In addition to the statutory duties of the Audit Committee, as reported above, and in accordance with the provisions of the Companies Act, 2008, the board of directors has determined further functions for the Audit Committee to perform, as set out in the Audit Committee's terms of reference. These functions include those discussed below.

The Audit Committee fulfils an oversight role regarding the company's integrated report and the reporting process. The Audit Committee considered the company's sustainability information as disclosed in the integrated report and has assessed its consistency with operational and other information known to Audit Committee members, and for consistency with the annual financial statements. The Audit Committee discussed the sustainability information with management. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

The Audit Committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.

The Audit Committee has, at its meeting held on 6 November 2012, recommended the integrated report for approval by the board of directors.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company. The board's statement on the going concern status of the company, as supported by the Audit Committee, is elsewhere in the integrated report.

The external auditors review the interim results of the company as part of their audit scope and participate during the discussions by the Audit Committee regarding the results. However, no formal audit opinion is expressed on the interim results.

Governance of risk

The board has assigned oversight of the company's risk management function to the Risk Committee. The chairman of the Audit Committee is a member of the Risk Committee to ensure that information relevant to the Risk Committee is transferred regularly. The Audit Committee fulfils an overview role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting risks, information technology risks, tax risks as well as compliance and regulatory risk as it relates to financial reporting. The committee is also responsible for the appointment, performance assessment and dismissal of the external auditor.

The Audit Committee has satisfied itself that adequate procedures are in place to ensure that the group complies with its legal, regulatory or other responsibilities.

Internal audit

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

The internal audit function's charter was updated during the year to align with the requirements of King III. The revised charter and annual audit plan were approved by the Audit Committee.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the company's operations. The internal auditor is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Audit Committee on a regular basis.

The group internal auditor has direct access to the Audit Committee, primarily through its chairman.

The Audit Committee is also responsible for the assessment of the performance of the group internal auditor and the internal audit function.

During the year, the committee met with the external auditors and with the group internal auditor without management being present.

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

The Audit Committee has satisfied itself that the financial director, Mr MW Godfrey, has the appropriate expertise and experience to act in this capacity.

The Audit Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the group financial function.

In conclusion, we would like to thank Mr D Gibbon for his service as chair of the Audit Committee since the company listed in 2004. We would also like to welcome Mr P Hughes as a member of the committee.

CF Wells
Chairman of the Audit Committee

13 November 2012

Risk Committee

The board is responsible for governing the risk management process of the group and discharges this duty through the Risk Committee. The Risk Committee is governed by its own terms of reference which have been approved by the board.

Composition and attendance

The Risk Committee comprises three independent non-executive directors, two executive directors and senior executives from the Logistics, Information Technology, Internal Audit and Secretarial functions.

Responsibilities

The group believes that effective risk management is essential for improved performance, growth and sustainable value creation. To this end, the group has adopted a common and integrated approach to the management of risk. The board is accountable for the risk policy and is responsible for the management of strategic

RISK COMMITTEE COMPOSITION AND ATTENDANCE				
Members	**Status**	**3 November 2011**	**7 February 2012**	**1 August 2012**
CF Wells *(Chairman)*	Non-executive, independent	✓	✓	✓
DB Gibbon*	Non-executive, independent	✓	✓	✓
MJ Hankinson	Non-executive, independent	✓	✓	✓
HK Mehta	Non-executive, independent	✓	✓	✓
WA Hook	Chief Executive Officer	✓	✓	✓
MW Godfrey	Group Financial Director	✓	✓	✓
TD Currie	Group Logistics Executive	✓	✓	✓
PC Cheesman	Group Internal Audit	✓	✓	✓
KJ O'Brien	Company Secretary	✓	✓	✓
EP Stelma	Group IT Executive	✓	✓	✓

* *Retired 7 August 2012.*

risks. Management is responsible for implementing the group's risk policy through a comprehensive risk management programme.

As part of the board's commitment to effective risk management, an independent assessment of risk management in the group was commissioned during the year.

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. The group's disaster recovery plan was externally reviewed during the year. Management has drafted action plans to implement suggested improvements to bring the group's approach into line with international standards frameworks, including aligning the ICT continuity programme.

The board recognises that IT is an integral part of conducting business at SPAR, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for the group, but a strategic business imperative which can be leveraged to create opportunities and to gain a competitive advantage. The board is cognisant of the fact that as much as IT is a strategic asset within the group, it also presents the organisation with significant risks. IT risks, together with related costs and constraints, should be well governed and controlled to ensure that it supports the group's strategic objectives. While the responsibility of IT governance ultimately resides with the board, this function has been delegated to the Risk Committee.

Whistle-blowing

The group has an externally administered anonymous whistle-blowing facility to which employees and other stakeholders can report any incidents of unethical conduct. The process of whistle-blowing encourages reports to be made in good faith and in a responsible and ethical manner. Incidents reported to the whistle-blowing hot line are reviewed at Audit and Risk Committee meetings. Details on how to utilise the whistle-blowing line are available on the group's website.

Fraud policy

Theft is an issue in any business procuring, storing and delivering large quantities of consumer goods. 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. We monitor and detect fraud, theft and other ethical breaches through the normal financial controls within the company and the activities of our internal audit department. Where fraud or theft is detected, we take strong action which can include dismissal and criminal prosecution.

As an extension of the strategy review conducted during the year, the group is revising its risk management processes into a well-defined enterprise risk management strategy and implementation plan that assesses, monitors and ameliorates risks on a group-wide basis. A new risk framework, derived from the revised group strategy and aligned with ISO 31000, is currently being rolled out across the group and driven down to functional level. Since sustainability concepts are integrated into the group strategy, this risk framework takes into account both financial and non-financial risks and opportunities. The full implementation of the new framework is expected to be completed in the 2013 financial year.

The table overleaf sets out the top ten key risks and opportunities identified in the year under review. These risks and opportunities, both internal and external in nature, were those considered to have potentially the most significant impact upon the group if realised. These risks and opportunities, along with their mitigating and management strategies are the subject of the ongoing review by the Risk Committee.

THE TOP TEN KEY RISKS				
Cause	**Consequence**	**Risk***	**Existing controls**	**SPAR indicators**
1. Physical destruction of a distribution centre (or part thereof)				
– Uncontained fire – Natural disaster – Racking collapse – Accidental damage – An incident at a neighbouring facility	– Financial loss – Loss of market share – Loss of retailers – Additional time needed for the rebuild – Fatalities, casualties or injuries – Legal consequences may arise – Reputational damage	H	– Fire risk programme – Bi-annual audits – Business continuity plan and emergency management plan – Training – Risk management programme – Comprehensive insurance programme	– Insurance reports – Audit reports – Risk reports
2. Political instability				
– National political event – Fundamental shift in the economic system of the country	– Business model may need to change appropriately – Operating in an environment of uncertainty – Planning difficulties – Infrastructure collapse	H	– Transformation policies and procedures – Engagement with government – Business forums	– Media – Share price
3. An operational incident that could have negative consequences for the group's reputation				
– Food poisoning – Product contamination – Unfair labour practices – Third party injuries – Non-compliance by retailers (pricing policy violation) – Non-compliance with legislation – Ammonia leaks – Lack of adequate transformation	– Loss of market share – Brand integrity – Share price – Loss of retailers – Prosecution	H	– Media response and communication mechanism – Food safety standards – Reaction plan – Insurance cover – Retailers programme (meetings, membership agreement, audits) – Executives responsible for legislative compliance – Support services – Media consultants	– Marketing reports (including social media) – Food safety audits
4. Severe economic recession				
– Global and macro-economic conditions	– Retailers negatively affected – Loss of revenue – Share price drop – Potential for a business restructuring – Failure of retailers – Debts/head lease agreements	H	– Ongoing business management – Management of variable costs (labour) – Retail model – Engagement with shareholders	– Economic reports – Share price – Trading results
5. Mass exodus of retailers				
– Destruction of a warehouse – New overseas entrants into the domestic market – Competitor develops a more attractive retail business model – Exit by a large group of stores	– Loss of revenue – Loss of market share	M	– Current relationships with retailers – Ongoing review of the business model – Head leases – Right of first refusal – Retail surveys	– Retail surveys

* *Assessed risk without mitigating controls.*

THE TOP TEN KEY RISKS CONTINUED

Cause	Consequence	Risk*	Existing controls	SPAR indicators
6. Sustained industrial action				
– Unsatisfactory resolution of central bargaining and outsourcing issues – General appetite for industrial action – Retail industry strike with sympathy from SPAR staff	– Loss of revenue – Industrial relations climate negatively affected	M	– Recognition agreements – Good relationship with unions – Compliant with labour legislation – Standardised labour practices at retailers – Working conditions and benefits above industry norms	– HR/IR reports
7. Long-term infrastructure failure (water, roads, telecoms)				
The main concerns relate to: – Water utilities – Power – Telecoms – Fuel supply – Freight – Traffic congestion – Legislative backlogs	– Loss of revenue – Increased costs of business model	M	– Generators, backup power – Good relationships with fuel companies – Short-term water backup for the fire system – Off-peak deliveries	– Media reports – Logistics reports
8. Financial failure of key customers				
– Economic recession – Poor business practices	– Financial loss – Loss of market share – Loss of customers – Business sustainability affected – Brand damage – Revision to operating model	M	– Retail operations support – Credit management practices – Facilitating sale of business – Retail model	– Divisional credit reports – Trading results
9. New entry into domestic market by a major competitor				
– Foreign entrants – Expanded domestic competition by a current retailer	– Financial loss – Loss of market share – Loss of retailers – Business sustainability affected – Brand damage – Revision to the operating model	+M	– The current retail model is still considered attractive	– Media reports – Share price
10. Collapse of the group IT system				
– Unavailability of the networks – Physical destruction of hardware – Sabotage	– Operations are halted – Loss of sales – Increased costs – Downtime	M	– Disaster recovery plan – Redundancy built into systems – Audits (internal and external) – Fire prevention measures – Physical and intelligent controls – Business continuity plan	– IT audit report

* *Assessed risk without mitigating controls.*

REMUNERATION AND NOMINATIONS COMMITTEE COMPOSITION AND ATTENDANCE				
Members	**Status**	**7 November 2011**	**14 February 2012**	**6 August 2012**
MJ Hankinson *(Chairman)*	Non-executive, independent	✓	✓	✓
RJ Hutchison	Non-executive, independent	✓	✓	✓
HK Mehta	Non-executive, independent	✓	✓	✓
WA Hook (by invitation)	Chief Executive Officer	✓	✓	✓

Remuneration and Nominations Committee

The Remuneration and Nominations Committee's function, as set out in its terms of reference, is to align the remuneration philosophy with the group's business strategy. The committee's key focus is therefore to attract, retain, motivate and reward senior executives and staff through fair, competitive and appropriately structured remuneration practices in the best interests of stakeholders.

Composition and attendance

The committee consists of three independent non-executive directors and meetings are attended by the Chief Executive Officer by invitation. The chairman of the committee reports to the board on the committee's deliberations and decisions.

Responsibilities

The Remuneration and Nominations Committee 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 management whose remuneration is not determined by the committee. The committee oversees the operation of the group's incentive bonus schemes and the allocation of share options after considering the recommendations of the Chief Executive Officer.

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, for shareholder approval on all fees payable to non-executive directors for membership of the board and board committees. The fees paid to non-executive directors can be found on page 91 of this integrated annual report. Once approved by the board, these recommendations will be put to the shareholders for approval at the 2013 annual general meeting. For details of the proposed fees for 2013, please see the notice of annual general meeting.

The committee gives consideration to the composition of the board and makes appropriate representations to the board. The board appointments are a matter for the board of directors as a whole, assisted by the committee where appropriate. These take place in line with the group policy on board appointments and in a formal and transparent manner.

SOCIAL AND ETHICS COMMITTEE COMPOSITION AND ATTENDANCE			
Members	**Status**	**7 February 2012**	**6 August 2012**
P Mnganga *(Chairman)*	Non-executive, independent	✓	✓
CF Wells	Non-executive, independent	✓	✓
MW Godfrey	Group Financial Director	✓	✓
SAT Tabudi	Group HR Executive	✓	✓
KJ O'Brien	Company Secretary	✓	✓

The board is conscious of its responsibility to ensure proper succession planning for the role of Chairman of the board as well as senior management of the group. In this regard the group believes that a capable senior management team is in place.

Remuneration policy

The group is committed to paying fair and market related remuneration to ensure that the group is able to attract and retain top quality people. The following principles are fundamental in guiding the implementation of the remuneration policy:

a) The group strives to ensure that remuneration is free of unfair differentiation. Fair differentiation based on performance and skills shortage is applied.

b) The group takes cognisance of its external environment through an understanding of national remuneration trends and by benchmarking itself against comparable companies. To this end, the company will strive to position key positions and those where there is a shortage of skills on the 75th percentile of the market, and the rest of the positions at least on the 50th percentile.

c) The use of a performance management system ensures that there is a correlation between individual/team performance and remuneration earned.

d) Management is tasked with managing remuneration responsibly and thus ensuring the sustainability of the group.

e) Salary scales are based on the Paterson grading system and will be informed by market comparisons and are used to provide remuneration guidelines rather than definite salaries. At the annual general meeting on 14 February 2012, SPAR's Forfeitable Share Plan (FSP) was presented to shareholders for approval and adoption. The FSP was proposed on the basis of external advice, to replace the existing Share Option Plan (SOP) as a more effective retention and incentivisation mechanism. The resolution was not approved by the requisite majority of shareholders and the group is engaging with shareholders to establish what changes are required to secure their approval for the plan.

At the annual general meeting on 14 February 2012, the group's remuneration policy was approved by shareholders. The group's remuneration policy will be put to shareholders for a non-binding advisory vote at the 2013 annual general meeting. For details of the remuneration policy, please see the notice of annual general meeting.

Social and Ethics Committee

The Social and Ethics Committee is a statutory committee required by the Companies Act. The Social and Ethics Committee was established on 7 February 2012 and monitors and reports on the company's sustainability and governance performance, reporting to the board on matters within its mandate. The committee will report to stakeholders, including shareholders, at the company's annual general meeting in 2013.

Composition and attendance

The Social and Ethics Committee comprises two independent non-executive directors, the Group Financial Director, the Group Human Resource Executive and the Company Secretary. The Group Internal Auditor is invited to attend meetings of the Social and Ethics Committee as and when the need arises.

Responsibilities

The Social and Ethics Committee monitors the company's sustainable development activities having regard to relevant legislation, other legal requirements or prevailing codes of best practice. Specific areas of focus include:

- social and economic development including human rights, corruption, employment equity and transformation;
- good corporate citizenship including our approach to preventing discrimination, contributing to community development and corporate social investment;
- the environment;
- health and public safety;
- consumer relationships; and
- labour and employment.

Report of the Social and Ethics Committee

This report is provided in compliance with Regulation 43(5) (c) of the Companies Act 71 of 2008, as amended (the Companies Act).

Terms of reference

Terms of reference and an annual work plan were established to formalise the committee's role and responsibilities in terms of the Companies Act. The committee Chairman will report to shareholders at the annual general meeting on the company's performance as regards relevant legislation and codes of best practice, social development, labour issues and the environment.

Legislation and codes of best practice

The first order of business of the Social and Ethics Committee was to ensure that the basic regulatory fundamentals and parameters within which the committee operates are agreed.

Management is drafting a legislative and regulatory framework against which compliance can be monitored. The committee is also setting up the structure for a management information system and will seek assurance from the Audit Committee and the Risk Committee. Once the framework has been established, the compliance focus will be broadened to include relevant international protocols.

SPAR is committed to upholding the highest moral, ethical and legal standards in its dealings with all stakeholders. The board has continued to provide effective leadership based on an ethical foundation, through the code of ethics which reflects the group's position on ethics and integrity. The code of ethics is presented to all new staff during induction and compliance with the code is required of all group employees. The code is intended to raise ethical awareness, and as a guide in day-to-day decision making. An external review of ethics is conducted every second year annually and 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.

Committee objectives

The committee has agreed on the following objectives for the next two to three years:

1. Short-term objectives (year 1)

Establish the committee, adopt the terms of reference, agree an annual work plan, draft the committee's first report and review all relevant policies.

2. Medium-term objectives (years 2 to 3)

Agree a combined assurance framework, conduct a gap analysis on relevant legislative requirements and actual compliance, agree on action plans to close any gaps and

consider compliance with international best practise as set out in the Companies Act.

At its second meeting, the committee considered its first quantitative report. The details of this report can be found in the following sections of this integrated report: social strategy and sustainability, stakeholder communities, sustainability report which covers economic, organisational culture, skills and competence, regulation and reputation, transformation, environment and corporate governance.

Based on the information reported above and in the rest of this integrated annual report, it is our opinion that the Social and Ethics Committee has executed its duties and responsibilities in accordance with the Companies Act and its terms of reference.

P Mnganga
Chairperson of the Social and Ethics Committee

13 November 2012

OTHER GOVERNANCE MATTERS

Company Secretary

The Company Secretary is responsible for ensuring proper administration and sound corporate governance procedures.

All directors have access to the advice and services of the Company Secretary and are provided with access to information that may be relevant to the proper discharge of their duties. The Company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged. Details of the Company Secretary are provided in this report.

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.

Dealing in company shares

In terms of the JSE Limited's rules, 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. SPAR engages 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.

Donations to political parties

The group does not make donations to political parties.

Going concern

The directors have made an assessment and have no reason to believe that the group's business will not continue as a going concern in the year ahead.

King III checklist

Governance element	Principle(s)	Status
1.	**Ethical leadership and corporate citizenship**	
1.1	The board should provide effective leadership based on an ethical foundation	C
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	C
1.3	The board should ensure that the company's ethics are managed effectively	C
2.	**Boards and directors**	
2.1	The board is the custodian of corporate governance	C
2.2	Strategy, risk, performance and sustainability are inseparable	C
2.3	Directors act in the best interest of the company	C
2.4	The board should consider business rescue proceedings when appropriate	C
2.5	The Chairman of the board is an independent non-executive director. The CEO may not be the Chairman of the board	C
2.6	The board should appoint the CEO and ensure that a framework for the delegation of authority has been established	C
2.7	The board comprises a balance of power, with a majority of non-executive directors who are independent	C
2.8	Directors are appointed through a formal process	C
2.9	Formal induction and ongoing training of directors is concluded	C
2.10	The board is assisted by a competent, suitably qualified and experienced Company Secretary	C
2.11	Regular performance evaluations of the board, its committees and individual directors	C
2.12	Appointment of well-structured committees and oversight of key functions	C
2.13	A governance framework is agreed between the company and its subsidiaries	C
2.14	Directors are fairly and reasonably remunerated	C
2.15	Remuneration of directors is disclosed in the integrated report	C
2.16	The company's remuneration policy is approved by its shareholders	C
3.	**Audit Committee**	
3.1	Effective and independent	C
3.2	Suitably skilled and experienced independent non-executive directors	C
3.3	Chaired by an independent non-executive director	C
3.4	Oversees integrated reporting	C
3.5	A combined assurance model is applied to improve efficiency in assurance activities	C
3.6	Satisfies itself of the expertise, resources and experience of the company's finance function	C
3.7	Oversees the internal audit function	C
3.8	Is an integral part of the risk management process	C
3.9	Responsible for recommending the appointment of the external auditor and oversees the external audit process	C
3.10	Reports to the board and shareholders on how it has discharged its duties	C
4.	**Internal Audit**	
4.1	Effective risk-based Internal Audit	C
4.2	Written assessment of the effectiveness of the company's system of internal controls and risk management	C
4.3	Internal Audit is strategically positioned to achieve its objectives	C

Governance element	Principle(s)	Status
5.	**Compliance with laws, codes, rules and standards**	
5.1	The board ensures the company complies with relevant laws	C
5.2	The board and its directors have a working understanding of the relevance and implications of non-compliance	C
5.3	Compliance risk forms an integral part of the company's risk management process	C
5.4	The board has delegated to management the implementation of an effective compliance management framework	C
6.	**Governing of stakeholder relations**	
6.1	Appreciation that stakeholders' perceptions affect the company's reputation	C
6.2	Management actively deals with stakeholder relations	C
6.3	There is an appropriate balance between its stakeholder groups	C
6.4	Equitable treatment of shareholders	C
6.5	Transparent and effective communication to stakeholders	C
6.6	Disputes are resolved effectively and timeously	C
7.	**IT governance**	
7.1	The board is responsible for IT governance	C
7.2	IT is aligned with the performance and sustainability of the company	C
7.3	Management is responsible for the implementation of an IT governance framework	C
7.4	The board monitors and evaluates significant IT investments and expenditure	C
7.5	IT is an integral part of the company's risk management	C
7.6	Information assets are managed effectively	C
7.7	The Risk Committee assists the board in managing IT responsibilities	C
8.	**Risk governance**	
8.1	The board is responsible for the governance of risk and setting levels of risk tolerance	C
8.2	The board determines the levels of risk tolerance	C
8.3	The Audit and Risk Committees assist the board in carrying out its risk responsibilities	C
8.4	The board delegates the risk management plan to management	C
8.5	The board ensures that risk assessments and monitoring are performed on a continual basis	C
8.6	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	C
8.7	Management implements appropriate risk responses	C
8.9	The board receives assurance on the effectiveness of the risk management process	C
8.10	Sufficient risk disclosure to stakeholders	C
9.	**Integrated reporting**	
9.1	Ensures the integrity of the company's integrated report	C
9.2	Sustainability reporting and disclosure is integrated with the company's financial reporting	C
9.3	Sustainability reporting and disclosure is independently assured	C

C = denotes compliance.

GRI content index

As a further step towards fully integrating sustainability concepts into the business, we report this year's performance in alignment with the Global Reporting Index (GRI) G3.1 guidelines. We have chosen to not have the sustainability information in the report externally assured this year. This report meets the requirement of GRI Application Level C.

G3.1 CONTENT INDEX: GRI APPLICATION LEVEL C		
Profile	**Description**	**Section**
1.1	Statement from the most senior decision-maker of the organisation	Chairman's and CEO's report
2.1	Name of the organisation	Scope and boundary
2.2	Primary brands, products, and/or services	Business profile Format overview
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	The SPAR model Format overview Organisational structure
2.4	Location of organisation's headquarters	Corporate information
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Scope and boundaries Business profile
2.6	Nature of ownership and legal form	Economic
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Format overview
2.8	Scale of the reporting organisation	Five year review Value added statement
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Scope and boundary
2.10	Awards received in the reporting period	Chairman's and CEO's report
3.1	Reporting period (e.g. fiscal/calendar year) for information provided	Scope and boundary
3.2	Date of most recent previous report (if any)	The previous report covered the 12 months to 30 September 2011
3.3	Reporting cycle (annual, biennial, etc.)	Scope and boundary
3.4	Contact point for questions regarding the report or its contents	Corporate information
3.5	Process for defining report content	Scope and boundary
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Scope and boundary
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	Scope and boundary
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Scope and boundary
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	There were no restatements of information provided in earlier reports
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Scope and boundary
3.12	Table identifying the location of the Standard Disclosures in the report	This table
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Corporate governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate governance
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Corporate governance
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	SPAR stakeholder communities
4.14	List of stakeholder groups engaged by the organisation	SPAR stakeholder communities
4.15	Basis for identification and selection of stakeholders with whom to engage	SPAR stakeholder communities

G3.1 CONTENT INDEX: GRI APPLICATION LEVEL C continued		
Profile	**Description**	**Reference**
Economic performance indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Value added statement Social
EC3	Coverage of the organisation's defined benefit plan obligations	Note 30 to the financial statements
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or *pro bono* engagement	Communities
Environmental performance indicators		
EN4	Indirect energy consumption by primary source	Environment
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Environment
EN8	Total water withdrawal by source	Environment
EN9	Water sources significantly affected by withdrawal of water	Environment
EN16	Total direct and indirect greenhouse gas emissions by weight	Environment
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Environment
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	There were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations during the year
Social performance indicators: Labour		
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender	Social
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Social
LA10	Average hours of training per year per employee by gender, and by employee category	Social
Social performance indicators: Human rights		
HR4	Total number of incidents of discrimination and actions taken	There were no incidents of discrimination reported during the year
Social performance indicators: Society		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	There were no contributions made to political parties during the year
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	There were no legal actions for anti-competitive behaviour, anti-trust and monopoly practices during the year
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	There were no significant fines and non-monetary sanctions for non-compliance with laws and regulations during the year

WORLD-CLASS REPLENISHMENT SYSTEM

Distribution efficiency is key. SPAR despatched more than 195 million cases through 7 distribution centres in 2012 and volumes increased by more than 50% over the past five years.


SERCO
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Definitions

SHAREHOLDERS' RATIOS

Basic earnings per share

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

Headline earnings per share

Headline earnings divided by the weighted average number of 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 number of 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

The net asset value at year-end divided by the weighted average number of ordinary shares in issue during the year (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 the net closing asset value at year-end.

Annual financial statements for the year ended 30 September 2012

CONTENTS

PREPARER OF THE ANNUAL FINANCIAL STATEMENTS

In compliance with the disclosure requirement of the Companies Act, No 71 of 2008, the annual financial statements have been prepared under the supervision of Mr MW Godfrey CA(SA) on behalf of The SPAR Group Limited.

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 the requirements of the Companies Act of South Africa. 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 2012 and the results of their operations and cash flows 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 13 November 2012 and are signed on its behalf by:

MJ Hankinson
Chairman

WA Hook
Chief Executive Officer

13 November 2012

Certificate by Company Secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 30 September 2012, all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

KJ O'Brien
Company Secretary

13 November 2012

Independent auditor's report to the shareholders of The SPAR Group Limited

We have audited the consolidated and separate annual financial statements and annual financial statements of The SPAR Group Limited, set out on pages 64 to 100, which comprise the consolidated and separate statements of financial position as at 30 September 2012, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The SPAR Group Limited as at 30 September 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the year ended 30 September 2012, we have read the directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per **Brian Botes** CA (SA)
Partner

13 November 2012
2 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban

National executive: LL Bam *Chief Executive,* AE Swiegers *Chief Operating Officer,* GM Pinnock *Audit,* DL Kennedy *Risk Advisory,* NB Kader *Tax,* TP Pillay *Consulting,* K Black *Clients and Industries,* JK Mazzocco *Talent and Transformation*, CR Beukman *Finance,* M Jordan *Strategy,* S Gwala *Special Projects,* TJ Brown *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
B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code
Member of Deloitte Touche Tohmatsu

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 2012 amounted to R1 058.9 million (2011: R952.6 million). This translates into headline earnings per share of 616.3 cents (2011: 557.1 cents) based on the weighted average number of shares (net of treasury shares) in issue during the year.

STATED CAPITAL

Details of the authorised and issued stated capital of the company are set out in note 18.

During the year, 441 100 (2011: 766 591) shares were issued to option 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 1 072 308 (2011: 1 050 000) shares in The SPAR Group Limited for R123.6 million (2011: R97.8 million). A total of 1 327 926 (2011: 870 609) shares were reissued to option holders who exercised their option rights. At year-end, 55 182 (2011: 310 800) shares in the company were held by the trust.

At the 2012 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 unissued shares of the company subject to option, in terms of The SPAR Group Limited Employee Share Trust (2004), are as follows:

	2012	2011
Shares under option at the beginning of the year	**8 758 534**	9 457 534
Options granted	**1 013 000**	874 000
Options exercised and paid in full	**(1 818 226)**	(1 574 900)
Options lapsed, cancelled or reinstated	**(7 300)**	1 900
Shares under option as at year-end (refer note 18.2)	**7 946 008**	8 758 534
Options available for issue (under control of the directors)	**2 206 632**	3 219 632

Details of options granted are set out in note 18.2.

DIVIDENDS

A final dividend of 235 cents in respect of 2011 was declared on 8 November 2011 and paid on 5 December 2011. An interim dividend of 155 cents per share was declared on 8 May 2012 and paid on 11 June 2012. A final dividend of 275 cents per share was declared on 13 November 2012, payable on 10 December 2012.

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

Last day to trade cum-dividend	Friday, 30 November 2012
Shares to commence trading ex-dividend	Monday, 3 December 2012
Record date	Friday, 7 December 2012
Payment of dividend	Monday, 10 December 2012

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 3 December 2012 and Friday, 7 December 2012, both days inclusive.

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed on pages 20 to 22.

In terms of the company's Memorandum of Incorporation, one third of the non-executive directors retire annually by rotation at the annual general meeting. Accordingly, Mr MJ Hankinson and Mr RJ Hutchison retire at the AGM to be held on 12 February 2013, but offer themselves for re-appointment.

At 30 September 2012, the directors beneficially held 93 084 (2011: 79 900) shares in the company and unexercised options to acquire a total of 1 319 600 (2011: 1 310 600) ordinary shares in the company (refer notes 28.3 and 29).

AUDIT COMMITTEE

The Audit Committee, a statutory 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 the top 16 major 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 loss/profit after taxation of subsidiaries was a loss of R9.9 million (2011: loss of R1.1 million). Details of the company's subsidiaries are set out in note 34.

EVENTS AFTER THE REPORTING 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:

New accounting standards or amendments thereto and interpretations of accounting standards effective for the financial year ending September 2013.

Standard/Interpretation	Description	Effective for annual periods beginning on or after
IAS 12	Recovery of Underlying Assets	1 January 2012
IAS 1	Presentation of Financial Statements	1 July 2012

New accounting standards or amendments thereto and interpretations of accounting standards effective after the financial year ending September 2013.

Standard/Interpretation	Description	Effective for annual periods beginning on or after
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interest in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 34	Interim Financial Reporting	1 January 2013
IAS 32	Financial Instruments: Presentation	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

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 to their estimated residual value. 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 in 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. 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

Subsidiaries are entities (including special purpose entities) which are, directly or indirectly, controlled by the group. Control is established where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 statement of financial position 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 statement of financial position 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 statement of financial position date and is charged or credited to the statement of comprehensive income, 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 statement of financial position 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 annually 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 statutory valuation occurring on 28 February 2011. 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 or loss in the period in which they arise.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Rands, which is the functional currency of the company, and the presentation currency for the consolidated financial statements. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Rands using exchange rates prevailing 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; and
- 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.

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 statement of financial position. 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 and residual values of assets based on historical trends.

PROVISION FOR INVENTORY OBSOLESCENCE
The provision for net realisable value of inventory represents management's estimate of the extent to which inventory on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year-end and an assessment of future saleability.

ALLOWANCE FOR DOUBTFUL DEBTS IN TRADE RECEIVABLES
The allowance for doubtful debts in trade receivables represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate takes into consideration past trends and makes an assessment of additional risk factors, which are likely to impact recoverability.

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 a 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 statement of financial position 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 2012

Rmillion	Notes	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Revenue	1	**43 560.2**	38 819.6	**42 521.9**	37 943.3
Trading profit	3	**1 523.2**	1 417.3	**1 540.4**	1 438.6
BBBEE transactions	35	**(13.0)**	(12.9)	**(13.0)**	(12.9)
Operating profit		**1 510.2**	1 404.4	**1 527.4**	1 425.7
Interest received	4	**32.8**	18.2	**32.0**	18.7
Interest paid	4	**(27.8)**	(24.7)	**(22.9)**	(24.3)
Share of equity accounted associate income	12	**3.5**	6.7		
Profit before taxation		**1 518.7**	1 404.6	**1 536.5**	1 420.1
Taxation	5	**(459.8)**	(452.0)	**(448.5)**	(450.4)
Profit for the year attributable to ordinary shareholders		**1 058.9**	952.6	**1 088.0**	969.7
Other comprehensive income					
Exchange differences from translation of foreign operations			0.1		
Total comprehensive income		**1 058.9**	952.7	**1 088.0**	969.7
Earnings per share (cents)	6				
Basic		**615.7**	555.6		
Diluted		**570.6**	521.4		

Statements of financial position as at 30 September 2012

Rmillion	Notes	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
ASSETS					
Non-current assets		**2 222.5**	2 123.8	**2141.9**	2 035.0
Property, plant and equipment	9	**1 588.0**	1 550.4	**1 472.3**	1 433.3
Goodwill	10	**391.0**	381.9	**245.6**	245.6
Investment in subsidiaries	34			**203.4**	170.7
Investment in associates	12	**40.0**	22.1	**29.5**	15.1
Other investments	13.3	**20.9**	1.5	**1.9**	1.5
Operating lease receivables	11	**112.7**	119.3	**130.2**	131.2
Loans	13	**59.0**	34.8	**59.0**	34.8
Deferred taxation asset	14	**10.9**	13.2		2.2
Other non-current assets			0.6		0.6
Current assets		**7 672.8**	6 177.8	**7 309.3**	5 939.6
Inventories	15	**1 415.6**	1 135.0	**1 376.0**	1 099.5
Trade and other receivables	16	**5 341.1**	4 867.8	**5 086.8**	4 734.4
Prepayments		**35.8**	26.6	**35.2**	25.9
Operating lease receivables	11	**34.3**	36.7	**34.3**	36.7
Loans	13	**4.4**	15.3	**11.3**	43.1
Bank balances – SPAR	17	**752.4**		**765.7**	
Bank balances – Guilds	17	**89.2**	96.4		
Total assets		**9 895.3**	8 301.6	**9 451.2**	7 974.6
EQUITY AND LIABILITIES					
Capital and reserves		**2 837.6**	2 489.5	**2 885.6**	2 529.3
Stated capital	18	**54.5**	49.6	**54.5**	49.6
Treasury shares	19	**(6.9)**	(27.8)		
Currency translation reserve		**(0.1)**	(0.1)		
Share based payment reserve		**323.1**	292.0	**323.1**	292.0
Retained earnings		**2 467.0**	2 175.8	**2 508.0**	2 187.7
Non-current liabilities		**236.3**	216.5	**235.2**	215.7
Deferred taxation liability	14	**3.9**	0.6	**2.8**	
Post retirement medical aid provision	21	**103.4**	85.5	**103.4**	85.5
Operating lease payables	11	**129.0**	130.4	**129.0**	130.2
Current liabilities		**6 821.4**	5 595.6	**6 330.4**	5 229.6
Trade and other payables	22	**6 772.6**	5 391.5	**6 281.4**	5 016.8
Operating lease payables	11	**35.4**	37.0	**35.4**	37.0
Provisions	23	**6.7**	11.6	**6.1**	9.7
Taxation payable	25	**6.7**	40.6	**7.5**	40.6
Bank overdrafts	17		114.9		125.5
Total equity and liabilities		**9 895.3**	8 301.6	**9 451.2**	7 974.6

Statements of changes in equity for the year ended 30 September 2012

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 2010	33.4	(10.8)	(0.2)	261.8	1 903.0	2 187.2
Total comprehensive income for the year			0.1		952.6	952.7
Recognition of share based payments				17.8		17.8
Take-up of share options		97.0		(55.2)		41.8
Transfer arising from take-up of share options				55.2	(55.2)	–
Share repurchases		(97.8)				(97.8)
Dividends declared					(624.6)	(624.6)
Issue of shares	16.2	(16.2)				–
Recognition of BBBEE transaction				12.4		12.4
Capital and reserves at 30 September 2011	**49.6**	**(27.8)**	**(0.1)**	**292.0**	**2 175.8**	**2 489.5**
Total comprehensive income for the year					**1 058.9**	**1 058.9**
Recognition of share based payments				**18.7**		**18.7**
Take-up of share options		**149.4**		**(97.2)**		**52.2**
Transfer arising from take-up of share options				**97.2**	**(97.2)**	**–**
Share repurchases		**(123.6)**				**(123.6)**
Dividends declared					**(670.5)**	**(670.5)**
Issue of shares	**4.9**	**(4.9)**				**–**
Recognition of BBBEE transaction				**12.4**		**12.4**
Capital and reserves at 30 September 2012	**54.5**	**(6.9)**	**(0.1)**	**323.1**	**2 467.0**	**2 837.6**
COMPANY						
Capital and reserves at 30 September 2010	33.4	–	–	261.8	1 897.8	2 193.0
Total comprehensive income for the year					969.7	969.7
Recognition of share based payments				17.8		17.8
Contribution to Employee Share Trust				(55.2)		(55.2)
Transfer arising from take-up of share options				55.2	(55.2)	–
Dividends declared					(624.6)	(624.6)
Issue of shares	16.2					16.2
Recognition of BBBEE transaction				12.4		12.4
Capital and reserves at 30 September 2011	**49.6**	**–**	**–**	**292.0**	**2 187.7**	**2 529.3**
Total comprehensive income for the year					**1 088.0**	**1 088.0**
Recognition of share based payments				**18.7**		**18.7**
Contribution to Employee Share Trust				**(97.2)**		**(97.2)**
Transfer arising from take-up of share options				**97.2**	**(97.2)**	**–**
Dividends declared					**(670.5)**	**(670.5)**
Issue of shares	**4.9**					**4.9**
Recognition of BBBEE transaction				**12.4**		**12.4**
Capital and reserves at 30 September 2012	**54.5**	**–**	**–**	**323.1**	**2 508.0**	**2 885.6**

Statements of cash flow for the year ended 30 September 2012

		GROUP		COMPANY	
Rmillion	Notes	**2012**	2011	**2012**	2011
Cash flows from operating activities		**1 153.5**	737.7	**1 180.4**	703.4
Cash generated from operations	24	**2 307.1**	1 781.2	**2 318.4**	1 736.9
Interest received		**32.8**	17.1	**32.0**	16.9
Interest paid		**(27.8)**	(24.7)	**(22.9)**	(24.3)
Taxation paid	25	**(488.1)**	(411.3)	**(476.6)**	(401.5)
Dividends paid	8	**(670.5)**	(624.6)	**(670.5)**	(624.6)
Cash flows from investing activities		**(222.0)**	(254.2)	**(294.1)**	(286.0)
Acquisition of businesses	36.2	**(9.1)**	(82.2)		
Investment to expand operations		**(92.7)**	(118.0)	**(89.1)**	(52.8)
Investment to maintain operations		**(71.8)**	(36.6)	**(66.6)**	(41.5)
– Replacement of property, plant and equipment		**(74.1)**	(41.5)	**(68.9)**	(41.8)
– Proceeds on disposal of property, plant and equipment		**2.3**	4.9	**2.3**	0.3
Net movement in loans and investments	24.1	**(48.4)**	(17.4)	**(138.4)**	(191.7)
Cash flows from financing activities		**(71.4)**	(56.1)	**4.9**	16.2
Proceeds from issue of share capital		**4.9**	16.2	**4.9**	16.2
Proceeds from exercise of share options		**47.3**	25.5		
Share repurchases	19	**(123.6)**	(97.8)		
Net increase in cash and cash equivalents		**860.1**	427.4	**891.2**	433.6
Net overdrafts at beginning of year		**(18.5)**	(445.9)	**(125.5)**	(559.1)
Net balances/(overdrafts) at end of year	17	**841.6**	(18.5)	**765.7**	(125.5)

	Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
1.	**REVENUE**				
	Turnover	**43 166.0**	38 458.7	**42 105.7**	37 562.9
	Other income	**394.2**	360.9	**416.2**	380.4
	Marketing revenues	**391.4**	355.3	**390.7**	354.7
	Other receipts	**2.8**	5.6	**2.8**	5.6
	Dividends received – subsidiaries and associates			**22.7**	20.1
	Total revenue	**43 560.2**	38 819.6	**42 521.9**	37 943.3
2.	**COST OF SALES**				
	Cost of sales represents the net cost of purchases from suppliers, after discounts, rebates and incentive allowances received from suppliers.				
3.	**TRADING PROFIT**				
	Trading profit is arrived at after taking into account:				
	Turnover	**43 166.0**	38 458.7	**42 105.7**	37 562.9
	Cost of sales	**(39 721.3)**	(35 336.6)	**(38 810.5)**	(34 565.6)
	Gross profit	**3 444.7**	3 122.1	**3 295.2**	2 997.3
	Other income	**394.2**	360.9	**416.2**	380.4
	Operating expenses	**(2 315.7)**	(2 065.7)	**(2 171.0)**	(1 939.1)
	Warehousing and distribution expenses	**(1 088.4)**	(968.9)	**(1 101.4)**	(978.9)
	Marketing and selling expenses	**(674.0)**	(595.2)	**(524.6)**	(466.9)
	Administration and information technology expenses	**(553.3)**	(501.6)	**(545.0)**	(493.3)
	Trading profit	**1 523.2**	1 417.3	**1 540.4**	1 438.6
	Operating expenses include the following:				
	Auditors' remuneration:	**6.1**	6.0	**5.0**	4.4
	Audit fees	**4.3**	4.6	**3.4**	3.2
	Other fees	**1.8**	1.4	**1.6**	1.2
	Depreciation:	**125.4**	122.5	**115.2**	115.3
	Buildings and leasehold improvements	**3.7**	10.2	**3.7**	9.7
	Plant, equipment and vehicles	**121.7**	112.3	**111.5**	105.6
	Fair value adjustment	**0.1**	(0.2)	**0.1**	(0.2)
	Net foreign exchange profits	**(0.1)**	(0.5)	**(0.1)**	(0.5)
	Operating lease charges:				
	Immovable property	**52.0**	35.2	**18.1**	11.7
	Lease rentals payable	**410.7**	337.6	**376.8**	314.1
	Sub-lease recoveries	**(358.7)**	(302.4)	**(358.7)**	(302.4)
	Plant, equipment and vehicles	**15.7**	13.9	**13.5**	12.8
	Net loss on disposal of plant and equipment	**1.5**	3.4	**1.5**	3.4
	Post retirement medical aid provision	**17.9**	12.9	**17.9**	12.9
	Retirement contributions:				
	Defined contribution plan expenses	**72.4**	67.2	**70.6**	66.5
	Defined benefit plan expenses		0.4		0.4
	Share based payments charge	**18.7**	17.8	**18.7**	17.8
	Staff costs	**1 127.4**	997.6	**1 058.7**	942.4
	Technical and consulting fees	**16.9**	12.1	**15.6**	11.8

Rmillion		GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
4. NET INTEREST					
Interest received					
Bank deposits		**22.3**	7.6	**21.6**	8.1
Loans		**1.7**	1.8	**1.7**	1.8
Overdue debtors		**8.6**	8.5	**8.5**	8.5
Other		**0.2**	0.3	**0.2**	0.3
Total interest received		**32.8**	18.2	**32.0**	18.7
Interest paid					
Security deposits		**(1.8)**	(2.5)	**(1.8)**	(2.5)
Bank overdraft		**(23.7)**	(22.0)	**(18.8)**	(21.6)
Other		**(2.3)**	(0.2)	**(2.3)**	(0.2)
Total interest paid		**(27.8)**	(24.7)	**(22.9)**	(24.3)
Net interest received/(paid)		**5.0**	(6.5)	**9.1**	(5.6)
5. TAXATION					
Current taxation					
– current year		**413.4**	395.7	**403.4**	386.6
– prior year		**(0.2)**	2.8	**(0.3)**	2.7
Deferred taxation					
– current year		**4.2**	(6.1)	**3.6**	1.9
– prior year		**1.4**	(3.3)	**1.4**	(3.3)
Secondary Tax on Companies		**40.4**	62.5	**40.4**	62.5
Foreign withholding tax		**0.6**	0.4		
Total taxation		**459.8**	452.0	**448.5**	450.4
Reconciliation of effective taxation rate					
Standard taxation rate	(%)	**28.0**	28.0	**28.0**	28.0
Permanent differences	(%)	**(1.1)**	(0.2)	**(1.5)**	(0.7)
Tax loss not provided for	(%)	**0.7**			
Prior year overprovision	(%)	**0.1**		**0.1**	
Secondary Tax on Companies	(%)	**2.6**	4.4	**2.6**	4.4
Effective rate of taxation		**30.3**	32.2	**29.2**	31.7

Rmillion		GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
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 171 992 577 (2011: 171 444 814). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 185 565 578 (2011: 182 689 548).					
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)		**1 058.9**	952.6	**1 088.0**	969.7
Number of shares					
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	**171 993**	171 445	**171 993**	171 445
Effect of diluted potential ordinary shares:					
Share options and BBBEE shares	('000)	**13 573**	11 245	**13 573**	11 245
Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	('000)	**185 566**	182 690	**185 566**	182 690

Rmillion		GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
7. HEADLINE EARNINGS					
Profit for the year attributable to ordinary shareholders		**1 058.9**	952.6	**1 088.0**	969.7
Adjusted for:					
Loss on sale of property, plant and equipment		**1.1**	2.5	**1.1**	2.5
– Gross		**1.5**	3.4	**1.5**	3.4
– Tax effect		**(0.4)**	(0.9)	**(0.4)**	(0.9)
Headline earnings		**1 060.0**	955.1	**1 089.1**	972.2
Add BBBEE transactions		**13.0**	12.9	**13.0**	12.9
Headline earnings before BBBEE transactions		**1 073.0**	968.0	**1 102.1**	985.1
Headline earnings per share					
Basic	(cents)	**616.3**	557.1		
Diluted	(cents)	**571.2**	522.8		
Before BBBEE transactions					
Basic	(cents)	**623.9**	564.6		
Diluted	(cents)	**578.2**	529.9		
8. DIVIDENDS PAID					
2011 Final dividend declared 8 November 2011					
– paid 5 December 2011		**403.9**	380.9	**403.9**	380.9
2012 Interim dividend declared 8 May 2012					
– paid 11 June 2012		**266.6**	243.7	**266.6**	243.7
Total dividends		**670.5**	624.6	**670.5**	624.6
2011 Final dividend per share declared 8 November 2011					
– paid 5 December 2011	(cents)	**235.0**	222.0	**235.0**	222.0
2012 Interim dividend per share declared 8 May 2012					
– paid 11 June 2012	(cents)	**155.0**	142.0	**155.0**	142.0
Total dividends per share	(cents)	**390.0**	364.0	**390.0**	364.0

The final dividend for the year ended 30 September 2012 of 275 cents per share declared on 13 November 2012 and payable on 10 December 2012 has not been accrued.

	Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9.	**PROPERTY, PLANT AND EQUIPMENT**				
	GROUP – 2012				
	Carrying value at 30 September 2011	**940.7**	**1.1**	**608.6**	**1 550.4**
	Additions	**3.7**	**0.5**	**162.6**	**166.8**
	Disposals at net book value			**(3.8)**	**(3.8)**
	Depreciation	**(3.4)**	**(0.3)**	**(121.7)**	**(125.4)**
	Carrying value at 30 September 2012	**941.0**	**1.3**	**645.7**	**1 588.0**
	Analysed as follows:				
	Cost	**1 028.3**	**3.2**	**1 279.7**	**2 311.2**
	Accumulated depreciation and impairments	**(87.3)**	**(1.9)**	**(634.0)**	**(723.2)**
	COMPANY – 2012				
	Carrying value at 30 September 2011	**871.1**	**1.0**	**561.2**	**1 433.3**
	Additions	**4.3**	**0.1**	**153.6**	**158.0**
	Disposals at net book value			**(3.8)**	**(3.8)**
	Depreciation	**(3.4)**	**(0.3)**	**(111.5)**	**(115.2)**
	Carrying value at 30 September 2012	**872.0**	**0.8**	**599.5**	**1 472.3**
	Analysed as follows:				
	Cost	**948.7**	**2.8**	**1 213.1**	**2 164.6**
	Accumulated depreciation	**(76.7)**	**(2.0)**	**(613.6)**	**(692.3)**
	GROUP – 2011				
	Carrying value at 30 September 2010	922.5	1.4	597.1	1 521.0
	Additions	28.1		131.4	159.5
	Disposals at net book value			(3.7)	(3.7)
	Impairment			(3.9)	(3.9)
	Depreciation	(9.9)	(0.3)	(112.3)	(122.5)
	Carrying value at 30 September 2011	940.7	1.1	608.6	1 550.4
	Analysed as follows:				
	Cost	1 024.6	2.7	1 144.1	2 171.4
	Accumulated depreciation and impairments	(83.9)	(1.6)	(535.5)	(621.0)
	COMPANY – 2011				
	Carrying value at 30 September 2010	878.4	1.3	578.0	1 457.7
	Additions	2.1		92.5	94.6
	Disposals at net book value			(3.7)	(3.7)
	Depreciation	(9.4)	(0.3)	(105.6)	(115.3)
	Carrying value at 30 September 2011	871.1	1.0	561.2	1 433.3
	Analysed as follows:				
	Cost	944.4	2.7	1 088.8	2 035.9
	Accumulated depreciation	(73.3)	(1.7)	(527.6)	(602.6)

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 2012 is R1 491.8 million (2011: R1 287.9 million). The valuation is based on a net yield of 12% (2011: 12%).

As required by IAS 16, the group has reviewed the useful lives and residual values of property, plant and equipment.

Rmillion	GROUP 2012	2011	COMPANY 2012	2011
10. GOODWILL				
Opening balance	**381.9**	299.7	**245.6**	245.6
Business combination	**9.1**	82.2		
Closing balance	**391.0**	381.9	**245.6**	245.6
Closing balance analysis:				
SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
Retail stores	**145.4**	136.3		
	391.0	381.9	**245.6**	245.6

10.1 At 30 September 2012, the carrying value of goodwill attributable to the SPAR Lowveld distribution centre operation was not considered to be impaired. The price/earnings model was applied in determining the value in use of the goodwill.

10.2 During the current year a further retail store was acquired. These acquisitions 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:

		2012	2011
Discount rate	(%)	**7.3**	11.2
Sales growth rate	(%)	**6.0**	6.0

The group prepares five-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 2012, the carrying value of goodwill arising on the acquisition of retail stores was not considered to be impaired.

Rmillion	GROUP 2012	2011	COMPANY 2012	2011
11. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	**147.0**	156.0	**164.5**	167.9
Less current portion	**(34.3)**	(36.7)	**(34.3)**	(36.7)
Non-current operating lease receivables	**112.7**	119.3	**130.2**	131.2
Operating lease payables	**164.4**	167.4	**164.4**	167.2
Less current portion	**(35.4)**	(37.0)	**(35.4)**	(37.0)
Non-current operating lease payables	**129.0**	130.4	**129.0**	130.2

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 statement of comprehensive income on the straight-line basis, which is consistent with the prior year.

Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
12. INVESTMENT IN ASSOCIATES				
SPAR Harare (Pvt) Limited				
Shares at cost	**3.1**	3.1	**3.1**	3.1
Further capital invested	**14.4**		**14.4**	
Cumulative share of post-acquisition profit, net of dividend received	**8.8**	6.5		
Investment in SPAR Harare (Pvt) Limited	**26.3**	9.6	**17.5**	3.1
Tracim SA (Pty) Limited				
Shares at cost				
Loan to Tracim SA (Pty) Limited	**12.0**	12.0	**12.0**	12.0
Cumulative share of post-acquisition profit, net of dividend received	**1.7**	0.5		
Investment in Tracim SA (Pty) Limited	**13.7**	12.5	**12.0**	12.0
Total investment in associates	**40.0**	22.1	**29.5**	15.1
Summarised financial statements of the group's share of associates:				
Total assets	**46.6**	44.4		
Total liabilities	**(45.2)**	(36.1)		
Net assets	**1.4**	8.3		
Revenue	**229.0**	193.0		
Profit for the year attributable to ordinary shareholders	**3.5**	2.7		

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 2012 have been utilised.

In the current year, SPAR Harare (Pvt) Limited recapitalised its business. This resulted in a cash injection of US$5 million by its shareholders in proportion to current shareholding. The group increased the cost of its interest by R14.4 million.

	2012	2011
Rates of exchange utilised are:		
Rand/United States dollar exchange rate at year-end	**8.18**	6.76

12.2 The group has a 49.9% shareholding in Tracim SA (Pty) Limited, which 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 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
13. LOANS				
Retailer loans	**62.9**	49.7	**62.9**	49.7
Advance to The SPAR Group Limited Employee Share Trust (2004)			**6.9**	27.8
Loan to Group Risk Holdings (Pty) Limited	**0.5**	0.4	**0.5**	0.4
	63.4	50.1	**70.3**	77.9
Less current portion	**(4.4)**	(15.3)	**(11.3)**	(43.1)
Non-current loans	**59.0**	34.8	**59.0**	34.8

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 During the current year, as part of The SPAR Group Limited's ongoing membership of the Group Risk Holding (Pty) Limited captive insurance scheme, the group acquired a further 300 shares (thus resulting in 8.9% of total shareholding) for a net value of R459 426. A further loan of R163 969 was also required to maintain the group's proportionate shareholding in the scheme. The loan is unsecured, interest-free and has no fixed repayment terms.

Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
14. DEFERRED TAXATION				
Asset				
Deferred taxation asset analysed by major category:				
Accelerated capital allowances		(92.1)		(92.1)
Provisions, claims and prepayments	**10.9**	105.3		94.3
Closing balance	**10.9**	13.2	**–**	2.2
Reconciliation of deferred taxation asset:				
Opening balance	**13.2**	3.2	**2.2**	0.8
Statement of comprehensive income effect	**(2.3)**	10.0	**(2.2)**	1.4
Closing balance	**10.9**	13.2	**–**	2.2
Liability				
Deferred taxation liability analysed by major category:				
Accelerated capital allowances	**(106.9)**	(0.6)	**(105.8)**	
Provisions, claims and prepayments	**103.0**		**103.0**	
Closing balance	**(3.9)**	(0.6)	**(2.8)**	–
Reconciliation of deferred taxation liability:				
Opening balance	**(0.6)**	–	**–**	–
Statement of comprehensive income effect	**(3.3)**	(0.6)	**(2.8)**	
Closing balance	**(3.9)**	(0.6)	**(2.8)**	–
Total net asset/(liability)	**7.0**	12.6	**(2.8)**	2.2

Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
15. INVENTORIES				
Merchandise	**1 444.0**	1 157.8	**1 404.4**	1 122.3
Less provision for obsolescence	**(28.4)**	(22.8)	**(28.4)**	(22.8)
Total inventories	**1 415.6**	1 135.0	**1 376.0**	1 099.5
Shrinkages and damages written off	**33.9**	36.3	**33.9**	36.3
16. TRADE AND OTHER RECEIVABLES				
Trade receivables	**4 963.4**	4 473.2	**4 825.5**	4 357.3
Allowance for doubtful debts	**(104.7)**	(95.4)	**(103.6)**	(94.6)
Net trade receivables	**4 858.7**	4 377.8	**4 721.9**	4 262.7
Other receivables	**482.4**	490.0	**364.9**	471.7
Total trade and other receivables	**5 341.1**	4 867.8	**5 086.8**	4 734.4
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 2011	**(95.4)**	(99.0)	**(94.6)**	(98.2)
(Increase)/decrease in allowance	**(9.3)**	3.6	**(9.0)**	3.6
Allowance at 30 September 2012	**(104.7)**	(95.4)	**(103.6)**	(94.6)
Irrecoverable debts written off net of recoveries	**36.8**	39.5	**36.8**	39.5

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 R144.2 million (2011: R87.5 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	**2012**	2011	**2012**	2011
Bank balances – Guilds	**89.2**	96.4		
Bank balances/(overdrafts) – SPAR	**752.4**	(114.9)	**765.7**	(125.5)
Net balances/(overdrafts)	**841.6**	(18.5)	**765.7**	(125.5)

18. STATED CAPITAL

18.1 Authorised

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
250 000 000 (2011: 250 000 000) ordinary shares	**0.2**	0.2	**0.2**	0.2
30 000 000 (2011: 30 000 000) redeemable convertible preference shares				
Issued				
172 377 704 (2011: 171 936 604) ordinary shares	**54.5**	49.6	**54.5**	49.6
18 911 349 (2011: 18 911 349) redeemable convertible preference shares				
	54.5	49.6	**54.5**	49.6

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

Per the resolution passed at the annual general meeting, all shares of par value were converted to no par value.

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. STATED CAPITAL continued

18.2 Shares 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 2012	2011
R10.76224	29 January 2012		395 600
R13.05818	3 February 2013	**341 700**	452 100
R13.05818	31 March 2013	**129 134**	141 834
R15.10867	29 January 2014	**536 600**	608 000
R21.04	14 December 2014	**729 074**	1 042 600
R29.00	13 November 2015	**691 900**	874 300
R30.36	10 January 2016	**110 000**	110 000
R46.22	8 March 2017	**939 600**	1 400 000
R58.10	3 December 2017	**560 600**	693 100
R50.23	11 November 2018	**1 006 400**	1 142 000
R66.42	10 November 2019	**1 020 000**	1 025 000
R95.11	16 November 2020	**738 000**	744 000
R99.91	8 December 2020	**130 000**	130 000
R96.46	8 November 2021	**1 013 000**	
		7 946 008	8 758 534
Unissued options under the control of the directors		**2 206 632**	3 219 632

19. TREASURY SHARES

During the year The SPAR Group Limited Employee Share Trust (2004) purchased 1 072 308 (2011: 1 050 000) shares in the company at an average purchase price of R115.27 per share (2011: R93.14). 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 2012	2011
Cost of shares		
Opening balance	**27.8**	10.8
Share repurchases	**123.6**	97.8
Share issues to trust on exercise of share option rights	**4.9**	16.2
Shares sold to option holders on exercise of share option rights	**(149.4)**	(97.0)
Closing balance	**6.9**	27.8

	Number of shares held 2012	2011
Shares held in trust		
Opening balance	**310 800**	131 409
Share repurchases	**1 072 308**	1 050 000
Share issues to trust on exercise of share option rights	**441 100**	766 591
Shares sold to option holders on exercise of share option rights	**(1 769 026)**	(1 637 200)
Closing balance	**55 182**	310 800

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 2012	2011
Opening balance		**8 758 534**	9 457 534
New options granted*		**1 013 000**	874 000
Options taken up**		**(1 818 226)**	(1 574 900)
Options forfeited or reinstated		**(7 300)**	1 900
Closing balance		**7 946 008**	8 758 534
*	Weighted average price of options granted during the year	**R96.46**	R95.82
**	Weighted average grant price of options taken up during the year	**R34.24**	R29.36
**	Weighted average selling price of options exercised during the year	**R108.34**	R92.82

1 013 000 Share options were granted on 8 November 2011.

The estimated fair value of the options granted was R21 386 050.

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 %
2012					
8/11/2011	**8/11/2014**	**4**	**23.77**	**4.17**	**6.23**
8/11/2011	**8/11/2015**	**5**	**23.77**	**4.17**	**6.64**
8/11/2011	**8/11/2016**	**6**	**23.77**	**4.17**	**7.01**
2011					
16/11/2010	16/11/2013	4	25.08	3.89	6.67
16/11/2010	16/11/2014	5	25.08	3.89	6.95
16/11/2010	16/11/2015	6	25.08	3.89	7.16
8/12/2010	8/12/2013	4	25.05	3.91	7.14
8/12/2010	8/12/2014	5	25.05	3.91	7.52
8/12/2010	8/12/2015	6	25.05	3.91	7.80

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 in profit and loss on a straight-line basis over the vesting period. The cost relating to SPAR retailer employees was recognised in profit and loss in the 2009 financial year as these beneficiaries are not classified as employees of The SPAR Group Limited.

		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 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
21.	**POST RETIREMENT MEDICAL AID PROVISION**					
	Opening balance – actuarial valuation		**98.7**	82.2	**98.7**	82.2
	Recognised as an expense during the current year		**12.4**	9.2	**12.4**	9.2
	Interest cost		**8.1**	6.6	**8.1**	6.6
	Current service cost		**4.3**	2.6	**4.3**	2.6
	Employer contributions		**(4.3)**	(4.0)	**(4.3)**	(4.0)
	Actuarial loss		**11.5**	11.3	**11.5**	11.3
	Actuarial valuation at end of the year		**118.3**	98.7	**118.3**	98.7
	Unrecognised actuarial loss		**(14.9)**	(13.2)	**(14.9)**	(13.2)
	Closing balance		**103.4**	85.5	**103.4**	85.5
	The principal actuarial assumptions applied in the determination of fair values include:					
	Discount rate	(%)	**7.5**	8.4	**7.5**	8.4
	Health care cost inflation	(%)	**6.4**	6.8	**6.4**	6.8
	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 411 (2011: 399) 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 2012 and the next valuation is expected to be performed during the 2013 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 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
22.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**5 513.9**	4 308.9	**5 322.6**	4 170.0
	Other payables	**1 258.7**	1 082.6	**958.8**	846.8
	Trade and other payables	**6 772.6**	5 391.5	**6 281.4**	5 016.8
	Deposits received by The SPAR Guild of Southern Africa from SPAR retail members are included in other payables.				
23.	**PROVISIONS**				
	Supplier claims	**6.7**	11.6	**6.1**	9.7
	Total provisions	**6.7**	11.6	**6.1**	9.7
	Balance at the beginning of the year	**11.6**	5.8	**9.7**	4.6
	Provisions raised	**0.8**	6.2	**0.1**	5.5
	Provisions utilised	**(5.7)**	(0.4)	**(3.7)**	(0.4)
	Balance at the end of the year	**6.7**	11.6	**6.1**	9.7

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.

Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
24. CASH GENERATED FROM OPERATIONS				
Operating profit	**1 510.2**	1 404.4	**1 527.4**	1 425.7
Adjusted for:				
Depreciation	**125.4**	122.5	**115.2**	115.3
Net loss on disposal of property, plant and equipment	**1.5**	3.4	**1.5**	3.4
Post retirement medical aid provision	**17.9**	12.9	**17.9**	12.9
BBBEE transaction	**12.4**	12.4	**12.4**	12.4
Share based payments	**18.7**	17.8	**18.7**	17.8
Provision against loans and trade receivables	**(8.0)**	(3.9)	**1.3**	4.6
Amortisation of prepaid cost	**0.6**	0.9	**0.6**	0.9
Lease smoothing adjustment	**6.0**	6.5	**0.6**	1.0
Cash generated from operations before:	**1 684.7**	1 576.9	**1 695.6**	1 594.0
Net working capital changes	**622.4**	204.3	**622.8**	142.9
Increase in inventories	**(280.6)**	(175.9)	**(276.5)**	(157.4)
Increase in trade and other receivables	**(473.2)**	(452.2)	**(361.7)**	(470.4)
Increase in trade payables and provisions	**1 376.2**	832.4	**1 261.0**	770.7
Cash generated from operations	**2 307.1**	1 781.2	**2 318.4**	1 736.9
24.1 Net movement in loans and investments	**(48.4)**	(17.4)	**(138.4)**	(191.7)
Investment acquired	**(19.4)**		**(0.4)**	
Further capital invested in associate	**(14.4)**		**(14.4)**	
Net movement on retailer and subsidiary loans	**(14.6)**	(5.4)	**(144.5)**	(107.5)
Loan to The SPAR Group Limited Employee Share Trust (2004)			**20.9**	(72.2)
Loan to associate		(12.0)		(12.0)
25. TAXATION PAID				
Payable/(receivable) at the beginning of the year	**40.6**	(9.6)	**40.6**	(9.7)
Statement of comprehensive income charge	**454.2**	461.5	**443.5**	451.8
Payable at the end of the year	**(6.7)**	(40.6)	**(7.5)**	(40.6)
Total taxation paid	**488.1**	411.3	**476.6**	401.5

Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
26. CONTINGENT LIABILITIES				
Guarantees issued in respect of the finance obligations of SPAR retailer members	**386.8**	415.6	**386.8**	415.6
– Loan guarantees	**278.9**	321.1	**278.9**	321.1
– Rental guarantees	**7.9**	14.1	**7.9**	14.1
– IT retail computer equipment lease scheme	**100.0**	80.4	**100.0**	80.4
The board has limited guarantee facilities to R456 million (2011: R467 million).				
The company has guaranteed the finance obligations of Klipakkers (Pty) Limited and Kaplian Trading (Pty) Limited to its bankers.				
These guarantees commenced 15 April 2011 and 25 July 2011 respectively and are for an indefinite period.			**47.0**	18.2
27. COMMITMENTS				
27.1 Operating lease commitments				
Future minimum lease payments due under non-cancellable operating leases:				
Land and buildings				
Payable within one year	**534.2**	432.1	**533.7**	431.6
Payable later than one year but not later than five years	**1 839.7**	1 575.9	**1 839.5**	1 575.9
Payable later than five years	**961.1**	909.2	**961.1**	909.2
Total land and buildings operating lease commitments	**3 335.0**	2 917.2	**3 334.3**	2 916.7
Other				
Payable within one year	**1.4**	4.9	**1.4**	4.9
Payable later than one year but not later than five years	**1.2**	2.4	**1.2**	2.4
Total other operating lease commitments	**2.6**	7.3	**2.6**	7.3
27.2 Operating lease receivables				
Future minimum sub-lease receivables due under non-cancellable property leases:				
Receivable within one year	**431.2**	385.6	**473.8**	420.2
Receivable later than one year but not later than five years	**1 441.2**	1 389.6	**1 628.8**	1 544.8
Receivable later than five years	**786.9**	794.2	**874.0**	909.2
Total operating lease receivables	**2 659.3**	2 569.4	**2 976.6**	2 874.2
27.3 Capital commitments				
Contracted	**161.4**	130.3	**161.4**	130.3
Approved but not contracted	**56.5**	16.1	**56.5**	16.1
Total capital commitments	**217.9**	146.4	**217.9**	146.4

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
2012						
Executive directors						
WA Hook	**2 702**	**2 183**	**355**	**453**		**5 693**
MW Godfrey	**1 558**	**1 244**	**202**	**339**		**3 343**
R Venter	**1 956**	**1 541**	**271**	**333**	**2 538**	**6 639**
Total emoluments	**6 216**	**4 968**	**828**	**1 125**	**2 538**	**15 675**
2011						
Executive directors						
WA Hook	2 425	696	331	356	1 335	5 143
MW Godfrey	1 283	361	175	330		2 149
R Venter	1 802	501	258	307	893	3 761
Total emoluments	5 510	1 558	764	993	2 228	11 053

(1) *Other benefits include medical aid contributions and a long service award.*

28.2 Fees for services as non-executive directors

R'000	**2012**	2011
MJ Hankinson (chairman)[bc]	**809**	730
DB Gibbon[ac]*	**371**	351
PK Hughes[a]	**226**	186
RJ Hutchison[b]	**272**	231
MP Madi	**220**	186
HK Mehta[abc]	**390**	336
P Mnganga[d]	**276**	186
CF Wells[acd]	**404**	137
Total fees	**2 968**	2 343

a *Member of Audit Committee*
b *Member of Remuneration and Nominations Committee*
c *Member of Risk Committee*
d *Member of Social and Ethics Committee*
* *DB Gibbon retired in August 2012*

28.3 Directors' interests in the share capital of the company

	2012 Shares	2011 Shares
Executive directors		
WA Hook – direct beneficial holding	**4 200**	4 200
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	**64 400**	52 000
RJ Hutchison – indirect beneficial holding	**10 000**	10 000
HK Mehta – direct beneficial holding	**10 000**	10 000
HK Mehta – indirect beneficial holding	**1 784**	1 000
CF Wells – direct beneficial holding	**1 100**	1 100

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 2012.

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 2012	2011
Executive directors				
WA Hook	03/02/2003	13.06	**20 000**	20 000
	29/01/2004	15.11	**9 000**	9 000
	13/12/2004	21.04	**51 000**	51 000
	14/11/2005	29.00	**70 000**	70 000
	09/03/2007	46.22	**120 000**	120 000
	04/12/2007	58.10	**60 000**	60 000
	11/11/2008	50.23	**100 000**	100 000
	10/11/2009	66.42	**50 000**	50 000
	08/12/2010	99.91	**50 000**	50 000
	08/11/2011	96.46	**55 000**	
			585 000	530 000
R Venter	03/02/2003	13.06		10 000
	29/01/2004	15.11		14 000
	13/12/2004	21.04	**51 000**	51 000
	14/11/2005	29.00	**70 000**	70 000
	09/03/2007	46.22	**80 000**	80 000
	04/12/2007	58.10	**35 000**	35 000
	11/11/2008	50.23	**50 000**	50 000
	10/11/2009	66.42	**38 000**	38 000
	08/12/2010	99.91	**35 000**	35 000
	08/11/2011	96.46	**35 000**	
			394 000	383 000
MW Godfrey	13/12/2004	21.04	**26 100**	26 100
	14/11/2005	29.00	**25 000**	25 000
	09/03/2007	46.22	**20 000**	20 000
	04/12/2007	58.10	**8 000**	8 000
	11/11/2008	50.23	**12 000**	12 000
	10/11/2009	66.42	**12 000**	12 000
	08/12/2010	99.91	**25 000**	25 000
	08/11/2011	96.46	**35 000**	
			163 100	128 100
Non-executive director				
PK Hughes	29/01/2002	10.76		20 000
	03/02/2003	13.06		35 000
	29/01/2004	15.11		37 000
	13/12/2004	21.04	**66 000**	66 000
	14/11/2005	29.00	**1 500**	1 500
	11/01/2006	30.36	**110 000**	110 000
			177 500	269 500

29. DIRECTORS' SHARE OPTION SCHEME INTERESTS continued

29.2 Options exercised

	Date option exercised	Number of options exercised	Option price Rand	Market price on exercise	Gain
R Venter	29/08/2012	10 000	13.06	120.00	1 069 418
	29/08/2012	14 000	15.11	120.00	1 468 479
PK Hughes	25/11/2011	8 400	10.76	103.00	774 797
	25/11/2011	11 600	13.06	103.00	1 043 325
	16/01/2012	11 600	10.76	111.38	1 167 164
	12/03/2012	23 400	13.06	117.00	2 432 239
	12/03/2012	24 600	15.11	117.00	2 506 527
	29/08/2012	12 400	15.11	119.53	1 294 824

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 R72.4 million (2011: R67.2 million) and R70.6 million (2011: R66.5 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 28 February 2011, 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 represent 100% of the plan liabilities.

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

Pre-retirement discount rate	11.01% per annum net of retirement fund's tax
Inflation	5.98% per annum
Salary escalation	6.98% per annum
Net post retirement discount rate	5% per annum
Post retirement mortality	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 28 February 2014. This fund is closed to further membership. Contributions of Rnil million (2011: R0.4 million) and Rnil million (2011: R0.4 million) were expensed for the group and company respectively during the year.

Rmillion	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
31. FINANCIAL RISK MANAGEMENT				
Financial instruments classification				
Net bank balances/(overdrafts)	**841.6**	(18.5)	**765.7**	(125.5)
Loans*	**63.4**	50.1	**70.4**	77.9
Trade and other receivables*	**5 341.1**	4 867.8	**5 086.8**	4 734.4
Trade and other payables**	**(6 772.6)**	(5 391.5)	**(6 281.4)**	(5 016.7)
FEC (liability)/asset***	**(0.1)**	1.4	**(0.1)**	1.4

* *Classified under IAS 39 as loans and receivables.*

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

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

The company 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 (FECs), 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 R0.1 million in the current year (2011: net asset of R1.4 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 R10.1 million at year-end (2011: R11.8 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 Average contract rate	GROUP Commit-ment (Rm)	GROUP **Fair value of FEC 2012 (Rm)**	GROUP Fair value of FEC 2011 (Rm)	COMPANY Average contract rate	COMPANY Commit-ment (Rm)	COMPANY **Fair value of FEC 2012 (Rm)**	COMPANY Fair value of FEC 2011 (Rm)
Imports								
USD	8.42	10.1	**(0.1)**	1.4	8.42	10.1	**(0.1)**	1.4

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

Interest rate risk

The group is exposed to interest rate risk on its cash deposits and loan receivables which impact on the cash flows arising from these instruments. In the current year, interest paid on overdrafts net of cash deposits was R1.4 million (2011: R14.4 million) and interest received from loans was R1.7 million (2011: R1.8 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.

31. FINANCIAL RISK MANAGEMENT continued

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 1 149 (2011:1 128) stores with an average trading exposure of R4.3 million (2011: R4.0 million) per store at year-end.

Overdue receivables balances, representing 5.4% (2011: 4.09%) of the total trade receivables and loans balances, amounted to R247.1 million (2011: R182.9 million) at the reporting date. Allowances for doubtful debts totalling R104.7 million (2011: R95.4 million) have been raised against overdue balances. It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure and at 30 September 2012, security representing 73.43 % (2011: 71.67%) 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.

In 2009, 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, 864 SPAR stores, 397 TOPS at SPAR stores, 2 Pharmacy at SPAR stores and 2 Build it stores were participants in the IT retail scheme, with an average debt of R97 911 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	**2012**	2011
Unsecured bank overdraft facilities, reviewed annually, and at call:		
– Utilised as at year-end		245
– Unutilised	**1 750**	1 505
Total available overdraft/call facilities	**1 750**	1 750

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

The group has no long-term borrowings giving rise to cash payment obligations. The company has unlimited borrowing powers in terms of the Memorandum of Incorporation.

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 2012. 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 R15 642 000 (2011: R12 480 000) were paid by the company to SPAR P.E. Property (Pty) Limited. Dividends of R11 262 288 (2011: R8 467 205) were paid by SPAR P.E. Property (Pty) Limited to The SPAR Group Limited. The intercompany liability due to The SPAR Group Limited as at 30 September 2012 amounted to R61 693 601 (2011: R61 750 622). 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 R8 500 000 (2011: R8 500 000) and R2 946 690 (2011: R2 478 173) and management fees of R2 100 000 (2011: R1 460 000) and R1 636 886 (2011: R1 434 859) 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 2012 amounted to R18 842 272 (2011: R19 932 379) and R19 194 056 (2011: R13 254 860) 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 R4 136 720 (2011: R3 940 040) were paid to The SPAR Guild of Southern Africa. The intercompany (asset)/liability with The SPAR Group Limited as at 30 September 2012 amounted to (R14 233 573) (2011: (R2 311 164)) and R2 831 566 (2011: R3 909 863) 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 2012, funds had been advanced by the company to the Trust to the amount of R6 955 348 (2011: R27 808 895) (refer notes 13 and 19).

  No interest is charged on the intercompany loan balances.
- 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 R535 889 051 (2011: R445 034 526). The intercompany liability due to The SPAR Group Limited as at 30 September 2012 amounted to R173 100 000 (2011: R142 100 000).
- Kaplian Trading (Pty) Limited is a subsidiary of The SPAR Group Limited. During the year The SPAR Group Limited made sales to Kaplian Trading (Pty) Limited to the value of R56 194 925 (2011: R29 009 402).The intercompany liability due to The SPAR Group Limited as at 30 September 2012 amounted to R15 000 026 (2011: R13 329 105).
- 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 R107 132 271 (2011: R102 263 091) were made to the Gateway SUPERSPAR.
- SPAR South Africa (Pty) Limited, Savemor Products (Pty) Limited, Nelspruit Wholesalers (Pty) Limited, Rubean Trading (Pty) Limited and SPAR Academy of Learning (Pty) Limited, are all dormant companies.
- Dividends from SPAR Harare (Pvt) Limited of Rnil (2011: R615 043) were received during the year.

32. RELATED PARTY TRANSACTIONS continued

32.2 Investment in associate

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

32.3 Shareholders

Details of major shareholders of the company appear on page 101.

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. The board has determined that prescribed officers in accordance with the Companies Act are the executive and non-executive directors only.

Key management personnel remuneration comprises:

Rmillion	**2012**	2011
Directors' fees	**3.0**	2.3
Remuneration for management services	**27.8**	23.9
Retirement contributions	**3.2**	2.6
Medical aid contributions	**0.9**	0.8
Performance bonuses	**18.0**	13.7
Fringe and other benefits	**0.5**	0.3
Expense relating to share options granted	**40.7**	12.8
Total	**94.1**	56.4

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 segment.

	Issued share capital		Effective holding		Cost of investment	
	2012	2011	**2012**	2011	**2012**	2011
	Rand	Rand	**%**	%	**Rmillion**	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	**100**	100	**186.1**	155.1
Kaplian Trading (Pty) Limited(1)	**120**	120	**100**	89	**15.0**	13.3
Rubean Trading (Pty) Limited(2)	**235**	235	**100**	100		
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					**203.4**	170.7
Directors' valuation					**203.4**	170.7

* *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. 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 (BBBEE) transaction. The participants in the transaction are:

- all fulltime employees of the company as at 12 August 2009, but excluding Paterson 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 180 408 417 (2011: R1 171 608 263).

The shares issued to the trusts are subject to restrictions on transferability for a period of seven years from issue date. Thereafter the trusts will be required to settle their notional loans by way of surrendering such number of redeemable convertible preference shares at the then market value as will be required to 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 were 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 (2011: R12.9 million).

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

	GROUP		COMPANY	
Rmillion	**2012**	2011	**2012**	2011
BBBEE transaction costs				
The SPAR BBBEE Retailer Employee Trust				
The SPAR BBBEE Employee Trust	**12.4**	12.4	**12.4**	12.4
Legal and other costs	**0.6**	0.5	**0.6**	0.5
	13.0	12.9	**13.0**	12.9

36. BUSINESS COMBINATIONS

36.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred in cash Rmillion
2012				
Kaplian Trading (Pty) Limited (including one SPAR store)	**Retail**		**11**	**1.7**
2011				
Kaplian Trading (Pty) Limited (including one SPAR store)	Retail	01/04/2011	89	13.3
Rubean Trading (Pty) Limited (dormant company)	Dormant	21/06/2011	100	

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

	2012 R'000	2011 R'000
Retail stores		
Non-current assets	**3 757**	17 100
Property, plant and equipment	**3 592**	17 100
SPAR development fund	**165**	
Non-current liabilities	**(1 902)**	(6 885)
Operating lease liability	**(902)**	(5 155)
Loan	**(1 000)**	(1 730)
Goodwill	**9 145**	82 155
	11 000	92 370
Additional Investments	**21 700**	
Purchase price	**32 700**	92 370

36.3 Net cash outflow on acquisition of subsidiary

Consideration paid in cash	**32 700**	92 370
	32 700	92 370

36.4 Impact of retail stores on the results of the group

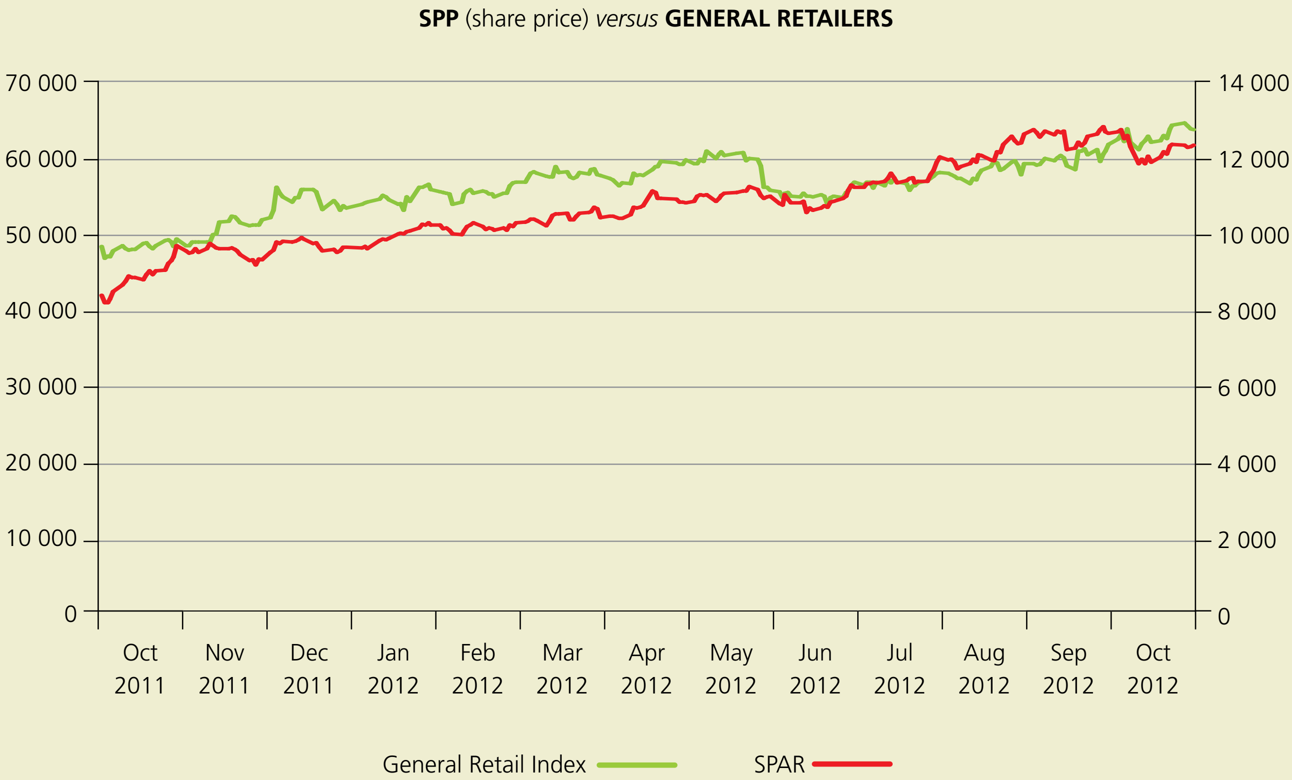
Included in the group operating profit for the year is a loss of R33.1 million (2011: R23.1 million) attributable to the retail businesses. Consolidated turnover (net of intergroup sales) for the period includes R187.5 million (2011: R166.2 million) in respect of these retail operations.

Share ownership analysis

Rmillion	Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholder spread as at 30 September 2012				
Public shareholders	**15 984**	**99.96**	**172 226 638**	**99.91**
Non-public shareholders	**6**	**0.04**	**151 066**	**0.09**
– shares held by directors	**5**	**0.03**	**95 884**	**0.06**
– shares held by The SPAR Group Limited Employee Share Trust (2004)	**1**	**0.01**	**55 182**	**0.03**
	15 990	**100.00**	**172 377 704**	**100.00**
Type of shareholders				
Pension funds	**159**	**0.99**	**43 710 903**	**25.36**
Mutual funds	**64**	**0.40**	**36 539 612**	**21.20**
Private investors	**10 831**	**67.74**	**13 732 590**	**7.96**
Insurance companies	**70**	**0.44**	**14 081 127**	**8.17**
Other	**4 866**	**30.43**	**64 313 472**	**37.31**
Beneficial owners holding in excess of 5% of the company's equity				
GEPF Equity (PIC)			**36 779 379**	**21.34**
First State Investments			**12 777 389**	**7.41**
Government of Singapore Investment Corporation			**11 062 332**	**6.42**
Fund managers holding in excess of 5% of the company's equity				
PIC			**27 164 884**	**15,76**
First State Investments			**15 464 334**	**8.97**
Government of Singapore Investment Corporation			**11 050 032**	**6.41**
Stock exchange statistics				
Market price per share				
– at year-end			cents	**12 800**
– highest			cents	**13 091**
– lowest			cents	**9 283**
Number of share transactions				**188 043**
Number of shares traded			millions	**112.7**
Number of shares traded as a percentage of total issued shares			%	**65.5**
Value of shares traded			Rmillion	**12 651**
Earnings yield at year-end			%	**4.9***
Dividend yield at year-end			%	**3.4**
Price earnings ratio at year-end			multiple	**20.5***
Market capitalisation at year-end net of treasury shares			Rmillion	**22 057**
Market capitalisation to shareholders' equity at year-end			multiple	**7.8**

* *Based on headline earnings excluding BBBEE cost.*

Share price performance



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 The SPAR Group Limited ("the company") will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 12 February 2013 at 09:00 for the purpose of conducting the following:

ANNUAL GENERAL MEETING OF THE COMPANY
ORDINARY BUSINESS

1. To receive, consider and approve the annual financial statements of the company for the year ended 30 September 2012, including the reports of the directors, the Audit Committee and the auditors, which annual financial statements are included in the integrated annual report of which this notice forms part.

2. To consider the re-election, as a director of the company, of:

2.1 Mr MJ Hankinson who retires in accordance with the Memorandum of Incorporation of the company, but being eligible, offers himself for re-election; and

2.2 Mr RJ Hutchison who retires in accordance with the Memorandum of Incorporation of the company, but being eligible, offers himself for re-election.

A brief CV of such directors can be found on pages 20 to 21 of the integrated annual report of which this notice forms part.

The Remuneration and Nominations Committee of the company has conducted an assessment of the performance of each of the retiring candidates, and the board accepted the results of that assessment. Accordingly, the board recommends their re-election.

3. To reappoint Deloitte & Touche as auditors of the company and to appoint Mr B Botes as the designated auditor to hold office until the next annual general meeting.

4. To confirm the appointment of:

4.1 Mr CF Wells, an independent non-executive director, as chairman of the company's Audit Committee;

4.2 Mr HK Mehta, an independent non-executive director, as a member of the company's Audit Committee; and

4.3 Mr PK Hughes, an independent non-executive director, as a member of the company's Audit Committee.

A brief CV of such directors can be found on pages 20 to 21 of the integrated annual report of which this notice forms part.

SPECIAL BUSINESS
Shareholders will be requested to consider and, if deemed fit, to pass the following special resolutions and ordinary resolution:

1. Proposed special resolution number 1 – Financial assistance to related or inter-related companies
"Resolved that the directors, in terms of and subject to the provisions of Section 45 of the Act, are hereby authorised to cause the company to provide any financial assistance, whether by lending money, extending credit, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies, during the period of 1 March 2013 to 28 February 2014."

Reason and effect
This resolution is required in order to comply with the requirements of Section 45 of the Act as read with Section 7(6) of the transitional arrangements which are set out in Schedule 5 of the Act. In terms of the said provisions, a company cannot render financial assistance to a related or inter-related company or corporation unless the board of the company is authorised thereto either in terms of an employee share scheme that satisfies the requirements of Section 97 of the Act, or pursuant to a special resolution of the shareholders. It is the intention that the company should be authorised to render financial assistance to its subsidiary companies or other related or inter-related companies from time to time and to facilitate this by way of a general authority, a special resolution is required.

2. **Proposed special resolution number 2 – Basis of remuneration payable to non-executive directors for the period 1 March 2013 to 28 February 2014**

   "Resolved that the directors' fees payable to the non-executive directors of the company, for the period 1 March 2013 to 28 February 2014, will be determined by reference to the following:

   - Chairman of the board of directors (including his participation on committees) – R910 000
   - Members of the board of directors – R257 000
   - Chairman of the Audit Committee – R156 000
   - Members of the Audit Committee – R75 000
   - Chairmen of other board committees (excludes Audit) – R91 000
   - Members of the board committees – R59 000"

   Reasons and effect

   This special resolution is required in order to comply with the requirements of the Act which came into effect on 1 May 2011. In this respect, Section 65(11) (h) provides that a special resolution is required to authorise the basis for compensation to directors of a profit company, as required by Section 66(9).

   Section 66(9) provides that remuneration may be paid to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

   Section 66(9) applies only to the remuneration paid to directors for their services as such. Unlike the non-executive directors of the company, the executive directors do not receive any fees/remuneration for their services as directors; their remuneration is for their services as employees of the company.

   The company's annual general meeting is held in February of each year and it is the intention that the basis of determining the remuneration payable to directors for their services as such is determined annually in advance for the then forthcoming period that commences at the beginning of March and ends at the end of the following February.

   The effect of this special resolution, if passed, will be the authorisation of the abovementioned fees. The proposed fees have been determined pursuant to a benchmarking exercise undertaken by the Remuneration and Nominations Committee.

3. **Proposed ordinary resolution number 1 – Authority to issue shares for the purpose of share options**

   Pursuant to the granting of share options by The SPAR Group Limited Employee Share Trust (2004), and in the event of any of the option holders exercising his/their 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."

   Reasons and effect

   The reason for, and the effect of, this resolution is to facilitate, in terms of the requirements of Article 2.2(2) of the Memorandum of Incorporation of the company, the issue of the requisite number of ordinary shares to the abovementioned Trust so as to enable it to meet its obligations to holders of the relevant share options when such options are exercised.

NON-BINDING ADVISORY VOTE

"Resolved that the remuneration policy of the company, which is annexed hereto marked "A", be and is hereby approved."

Reason

This is a recommended practice in terms of the King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009 (together "King III") and in line with sound corporate governance.

PERCENTAGE OF VOTING RIGHTS REQUIRED FOR RESOLUTIONS

1. **Special resolutions**

   The percentage of voting rights that will be required for the adoption of each special resolution to be adopted is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

2. **Ordinary resolutions**

   The percentage of voting rights that will be required for the adoption of each ordinary resolution to be adopted is the support of more than 50% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

RECORD DATE

The record date that has been set by the board for the purpose of determining which shareholders are entitled to participate in, and vote at, the meeting, is Friday, 1 February 2013. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the meeting is 1 February 2013.

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, 8 February 2013. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with "own name" registration. A proxy form is attached.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. Subject to the rights and other terms associated with any class of shares, 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.

IDENTIFICATION

Section 63(1) of the Act requires meeting participants to provide the person presiding the meeting with satisfactory identification.

By order of the board

KJ O'Brien

Company Secretary

13 November 2012

Annexure A: Remuneration policy

1. **POLICY STATEMENT**

   The SPAR Group Limited is committed to paying fair and market-related remuneration to ensure that the organisation is able to attract and retain top quality people. Our remuneration policy therefore seeks to:

   - Acknowledge the contribution of individual employees in ensuring the successful achievement of the company's goals and objectives.
   - Position the remuneration levels appropriately and competitively in comparison with the labour market.

2. **GUIDING PRINCIPLES**

   2.1. The SPAR Group Limited will strive to ensure that remuneration is free of unfair discrimination. Fair differentiation based on performance and skills shortage will be applied.

   2.2. The company takes cognisance of its external environment through an understanding of national remuneration trends and by regular benchmarking against comparable companies. To this end, the company will strive to remunerate key positions and those positions where there is a shortage of skills (as defined annually) on the 75th percentile of the market and the rest of the positions at least on the 50th percentile.

   2.3. The use of a performance management system ensures that there is a correlation between individual/team performance and remuneration earned.

   2.4. Management is tasked with managing remuneration responsibly and thus ensuring the sustainability of the company.

   2.5. Salary scales are based on the Paterson grading system, will be informed by market comparisons and are used to provide remuneration guidelines rather than definite salaries.

   2.6. Remuneration packages consist of guaranteed pay, short-term incentives and add-on benefits applicable to different levels.

3. **GUARANTEED PAY AND BENEFITS**

   3.1. Bands A to C receive a monthly salary and a guaranteed 13th cheque.

   3.2. Bands D and above receive a monthly salary.

   3.3. Other pensionable remuneration applicable to bands D and above includes a car allowance, vehicle insurance and fuel usage which are paid by the company.

   3.4. Other variable remuneration, such as allowances, will be paid where applicable in accordance with the legislation as well as collective agreements entered into with the union(s).

   3.5. From date of engagement, permanent employees at all levels become members of one of the available retirement funds.

   3.6. Membership of a medical aid scheme is not compulsory but those who wish to become members can choose from a number of medical aid schemes available. The Tiger Brands medical aid is a group scheme whilst a number of other medical aids have been negotiated at Distribution Centre level.

4. **SHORT-TERM INCENTIVES**

   A performance bonus may be paid at the end of the financial year and is based on the achievement of financial and functional objectives.

   Non-management staff (A to C band)

   A performance bonus of up to 50% of a monthly salary or part thereof may be paid at the end of the financial year, based on the achievement of set targets.

   Management staff (D band and above)

   The maximum incentive bonus which may be earned is as follows:

Patterson grade	Percentage of basic annual salary	Bonus split Financial:Functional
F	100%	75:25
EU	100%	75:25
EL	60%	50:50
DU	30%	30:70
DL	15%	30:70

4.1 The **financial component** of the short-term incentives for divisional managers is based on divisional profit before tax growth compared to the previous year. For central office managers, this is based on the group profit after tax growth on the previous year.

4.2 The **functional component** comprises objectives which include corporate objectives (for example transformation), and individual objectives which are specific to a manager's sphere of influence. The achievement of these objectives will result in a bonus payout subject to the achievement of a minimum profit level, determined to be the profit level achieved in the previous year. Profit is defined under paragraph 4.1 above.

This incentive scheme is solely at the discretion of the company and can be changed or withdrawn at any time.

5. LONG-TERM INCENTIVES

The board may from time to time authorise the issue of share options to management employees as part of the long-term retention strategy. The quantum of options issued is recommended by the Remuneration Committee with reference to the following guidelines:

5.1 The cumulative value of unvested options at the strike price may approximate the following multiples of gross annual basic salary:

- Chief Executive Officer 7
- Executive management 6
- Senior management 4

5.2 Additional options may be granted to reward exceptional performance.

5.3 The company will seek to remain competitive against comparable companies.

6. NON-EXECUTIVE DIRECTORS' REMUNERATION

The non-executive directors' remuneration consists of a guaranteed basic annual fee. Additional fees are paid to various directors based on their membership of board committees. The Remuneration Committee, in conjunction with the CEO, makes recommendations on non-executive directors' remuneration and the shareholders approve these.

7. AUTHORISATION AND TIMING

Salary increases for the group are authorised as follows:

7.1 The Remuneration Committee is responsible for recommending salary increases of non-executive/executive directors and the Executive Management Committee;

7.2 The Chief Executive Officer, together with the Executive Management Committee, is responsible for authorising increases for all employees below EU.

7.3 The Remuneration Committee to authorise overall percentage increases for staff below EU.

7.4 Salary increases will be implemented as follows:

- 1 January each year for all staff below E band who are not members of the bargaining unit;
- 1 October each year for staff graded E band and above;
- 1 March each year for non-executive directors; and
- As per collective agreements with the union(s) for employees in the bargaining unit.

Corporate information

Company name
The SPAR Group Limited

Registration number
1967/001572/06

JSE code
SPP

ISIN
ZAE000058517

Company Secretary
KJ O'Brien
Appointed Company Secretary 2006

Business address
22 Chancery Lane
Pinetown
3610

Postal address
PO Box 1589 Pinetown, 3600

Telephone: +27 31 719 1900

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
One Capital
PO Box 784573
Sandton
2146

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 shareholders at the meeting of holders of ordinary shares of the company; the meeting of holders of preference shares of the company; and the annual general meeting of the company to be held at 22 Chancery Lane, Pinetown on Tuesday, 12 February 2013 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:

ORDINARY BUSINESS		**For**	**Against**	**Abstain**
1.	Approval of 2012 annual financial statements			
2.1	Re-appointment of Mr MJ Hankinson as a director			
2.2	Re-appointment of Mr RJ Hutchison as a director			
3.	Appointment of Deloitte as auditor and Mr B Botes as designated auditor			
4.1	Appointment of Mr CF Wells as chairman of the Audit Committee			
4.2	Appointment of Mr HK Mehta as a member of the Audit Committee			
4.3	Appointment of Mr PK Hughes as a member of the Audit Committee			
SPECIAL BUSINESS		**For**	**Against**	**Abstain**
1.	Special resolution number 1 – Financial assistance to related or inter-related companies			
2.	Special resolution number 2 – Basis of remuneration payable to non-executive directors for the period 1 March 2013 to 28 February 2014			
3.	Ordinary resolution number 1 – Authority to issue shares for the purpose of share options			
OTHER		**For**	**Against**	**Abstain**
	Non-binding advisory vote on the Remuneration Policy of the company			

Signed at this day of 2013

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, 8 February 2013.

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.

The SPAR Group Limited
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