The SPAR Group Limited
2008 Annual Report

Contents

Timeline

SPAR 45 YEARS IN SOUTH AFRICA

Years

2008

SPAR market share hits an all time high of 27.6%, with 825 stores trading under the SPAR banner.

TOPS at SPAR become the number 1 retail liquor chain in terms of store numbers and retail sales.

Build it store numbers reach 245.

New 33 550 m^2 Western Cape warehouse opened.

2004

SPAR lists on the Johannesburg stock exchange.

2000

TOPS at SPAR liquor stores launched.

1998

SUPERSPAR stores introduced to compete aggressively with major food chain stores.

1993

More than 1 300 SPAR retailers and suppliers attend SPAR's 30-year convention at Sun City.

1991

SPAR commissions new 16 500 m^2 Boksburg warehouse.

1990

KWIKSPAR stores launched to cement group's position in convenience market.

1985

"There's a friendly SPAR wherever you are" jingle heard for the first time.

1982

SPAR stores introduce wine departments.

1980

SPAR's market share assessed at 5.5%.

Total retail selling area 191 646 m^2.

1972

First SPAR members' convention held in Swaziland.

1970

Launch of SPAR Foodliners and SPAR Foodmarkets.

Self-service and service departments in stores becomes the norm.

Full scratch bakeries introduced to SPAR stores.

1963

SPAR SA (Pty) Limited registered and awarded SPAR rights.

First country outside Europe to join SPAR organisation.

Initial membership 500 stores, average store selling area 150 m^2.

Store Formats

SUPERSPAR

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

KWIKSPAR

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

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

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

Business Profile

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

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

The relationship between The SPAR Group Limited and its independent retailers is one of a “voluntary trading” partnership, the philosophy being that all will benefit from united co-operation. The company actively drives and manages its brands and provides a full range of support services to independent retailers.

The company’s vision is… “to provide world class support to independent retailers in Southern Africa to enable our brands to be number 1 in the markets we serve”.

Voluntary trading – a marriage between wholesaler and retailer. “All will benefit from united co-operation”

Financial Highlights

23.2%
Turnover

29.9%
Headline earnings per share

30.3%
Attributable profit

37.8%
Final dividend per share 155 cents

Retail Highlights

6.9%
SPAR retail trading space

27.6%
SPAR national market share

New Stores Opened

37
SPAR

31
Build it

69
TOPS at SPAR

Chairman's and Chief Executive's Report

Mike Hankinson
Chairman

Financial Overview

The group produced a strong set of trading results driven by an excellent retail performance and aggressive marketing. Earnings for 2008 of R681.6 million increased 30.3% on the prior year, while headline earnings per share of 405.7 cents, rose 29.9%. The dividend cover was again reduced which resulted in a 37.8% increase in the annual dividend declaration. Cash generation remained strong, notwithstanding the group's substantial capital expenditure programme.

Turnover of R26.7 billion was up 23.2%, with this being a year of two differing halves. During the first six months inflation ran at moderate levels and the group experienced good volume growths. The second six months saw volumes slow as inflation increased sharply. SPAR stores achieved good turnover increases (+20.7%) and increased national market share to 27.6% of the measured market. The group's liquor division had an exceptional year on the back of substantial store openings and good organic growth. Build it achieved satisfactory growth despite a slowdown in the building industry.

The competitive environment and a changed sales mix resulted in the gross margin declining slightly from 8.2% in 2007 to 8.1% in 2008. Gross profit of R2.2 billion increased 21.5%.

Warehouse expenditure continued to reflect the efficiencies obtained from the implementation of new technologies. Distribution costs however, increased markedly as a result of the dramatic rise in the cost of fuel.

Wayne Hook
Chief Executive

Annual dividend increase 37.8%

Net interest earned of R26.6 million (2007: R22.0 million) reflected higher interest received on positive cash balances and outstanding retailer loans. The group reviewed its policy of funding retailer loans and during the latter half of the year discounted a number of existing loans with its bankers. The group will continue to assist retailers to secure loan facilities for store purchase and revamp purposes.

The group maintained its investment in Zimbabwe. Trading conditions in that country remained extremely difficult although, in general, SPAR outperformed the market.

The effective rate of taxation, inclusive of STC, was 31.7% (2007: 34.2%), the change being attributable to a reduction in the rate of company taxation and decrease in the rate of STC levied on dividends.

The group invested R365.3 million in expansionary and R60.8 million in replacement capital expenditure. In addition to the expenditure on the Western Cape facility of R106 million, approximately R126 million was spent on expanding the South Rand warehouse and R49 million on the purchase of property in KwaZulu-Natal. The group continued to invest in the upgrading and modernisation of its transport fleet.

The group proceeded with a limited share buyback programme. Prior to the September year-end close, 163 200 shares had been purchased at a cost of R8.1 million. A further 719 800 shares have been purchased since year-end. The average cost of all shares purchased was R48.67 per share. Proceeds from the exercising of share options amounted to R37.7 million.

The overdraft position at year-end of R310.0 million (2007: cash balance R389.2 million) was influenced by a substantial decrease in creditor finance as a result of a cut-off impact. The group remains in the enviable position of being able to self-fund its capital expenditure programme, whilst at the same time lowering its dividend cover and buying back shares.

The group reduced the dividend cover to a multiple of 1.6, and declared a final dividend of 155 cents per share.

SPAR Retail

Another extremely active year was experienced at retail, with 37 new stores being opened and 21 stores changing formats. The group serviced 825 stores at year-end. The ongoing programme of upgrading stores resulted in 144 stores undertaking major revamps. Retail trading space increased 6.9% to 834 290 m^2 and sales at retail topped R35.1 billion.

The group opened 25 SUPERSPAR and 12 SPAR stores with a further 13 SPAR stores and 8 KWIKSPAR stores converting to the SUPERSPAR format. The store upgrade programme included the rollout of exclusive merchandising concepts in personal care, general merchandise and magazines.

Chairman's and Chief Executive's Report

(continued)

It is anticipated that a further 30 new stores will open during 2009, which together with store revamps will add 5% to retail trading space.

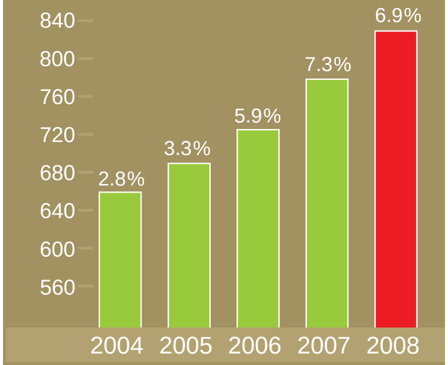
Increased worldwide demand and pressure on input costs resulted in unprecedented upward volatility in commodity prices and consequently a sharp rise in food inflation, particularly in the second half of the year. The highly competitive environment at retail resulted in stock profits being passed on to consumers by way of reduced pricing.

SPAR branded products continued to perform well with year-on-year sales growth of 44%. A number of new SPAR branded products were introduced. The group will continue to drive its housebrand range aggressively as a profitable differentiating factor.

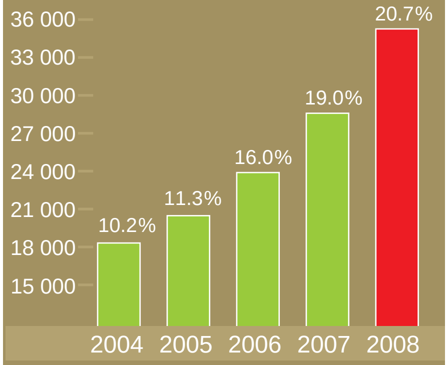
Initiatives put in place to harness group buying power in produce, bakery and meat categories began to show results. The FRESHLINE brand, encompassing both produce and bakery lines, grew sales in excess of 30%, whilst the TENDER and TASTY meat range achieved a 23% turnover growth. These product categories together with the home meal replacement category remain areas of focus.

The retail category management programme gained momentum, providing improved stock availability, higher stock turns and consequently improved retailer cash flow.

SPAR Retail Selling area m^2 + growth %



SPAR Retail Sales (Rmillion) + growth %



SPAR Retail store numbers	2004	2005	2006	2007	2008
SUPERSPAR	113	123	145	172	218
SPAR	464	474	478	477	457
KWIKSPAR	185	185	176	161	150
Total	762	783	799	810	825

Geographic spread of stores

Serviced by	SUPERSPAR	SPAR	KWIKSPAR	TOPS	Build it
South Rand DC	43	139	47	83	50
North Rand DC	55	110	17	73	44
KwaZulu-Natal DC	50	80	27	75	67
Western Cape DC	34	66	29	56	19
Eastern Cape DC	20	48	25	52	36
Lowveld DC	16	14	5	13	29
Total	218	457	150	352	245

TOPS – Growing up

now the biggest liquor chain nationally

Number 1 in store numbers

Number 1 in turnover

Number 1 in media spend

Successful growth at retail is reliant on effective media exposure. To this end SPAR continued to make use of leaflets, innovative press, radio and television advertising, backed up by strong in-store promotions.

TOPS at SPAR

The South African measured liquor market grew at approximately 5% during the year, with inflation in the category running at approximately 8.5%. Liquor turnover (ex warehouse and via direct store delivery) topped R1.3 billion and grew 42.2% year on year.

With SPAR continuing to offer financial assistance and encouraging SPAR retailers to open TOPS liquor outlets, 69 new outlets were opened during the year. The group now services 352 outlets throughout South Africa, Botswana and Namibia. Retail selling space increased 27% to 48,178 m^2.

Considerable success was achieved with the opening of larger format stores in rural areas, where the TOPS brand was well received. TOPS can now boast to being the biggest liquor chain nationally, being number 1 in store numbers, turnover and media spend.

With continued emphasis placed on the marketing of the brand, growth in market share was achieved. In excess of one million leaflets were distributed monthly, and TOPS advertising dominated in television, press and share of voice media spend. The TOPS "Crouch, touch, pause and engage" television commercial was well received. The TOPS exclusive malt whisky and wine ranges achieved good sales penetration.

The group anticipates another solid trading performance in the year ahead and expects to open 40 stores during financial year 2009.

	TOPS at SPAR store numbers	
	2007	2008
South Rand	69	83
North Rand	64	73
KwaZulu-Natal	65	75
Western Cape	45	56
Eastern Cape	33	52
Lowveld	11	13
Total	287	352

Chairman's and Chief Executive's Report
(continued)

Build it

The Build it division experienced a challenging year but nevertheless achieved good sales growth, with 2008 sales of R2.5 billion up 29.1% on the prior year. Competition for both sales and new stores remained fierce.

At retail, higher interest rates and a reduction in building activity made for a very challenging trading environment. Retailer turnover for 2008 amounted to R3.9 billion (2007: R3 billion). Inflation averaged 11 – 12% over the year.

The division opened a further 31 stores and serviced 245 stores at year-end. Thirteen stores lost their Build it membership either for financial reasons, inadequate standards or resigned from the group. The "Changing Face" store upgrade campaign has had a positive effect on the sales of those retailers who invested in their stores. The programme will continue to be rolled out in 2009.

The availability of cement improved and our relationship with our suppliers remains excellent. The division has embarked on a category management programme aimed at capturing sales at retail. It is anticipated that this will have a positive effect on Build it's business.

National promotions and increased television and radio advertising continued to assist in driving sales. Housebrand sales, particularly paint sales, showed significant growth. A comprehensive Build it tool range will be introduced in the new year.

Build it is targeting to open a further 25 stores in 2009 and, despite a tough trading environment, anticipates achieving satisfactory growth.

	Build it store numbers	
	2007	2008
South Rand	44	50
North Rand	41	44
KwaZulu-Natal	64	67
Western Cape	20	19
Eastern Cape	34	36
Lowveld	24	29
Total	227	245

Distribution

The strong performance by SPAR at retail resulted in volume increases flowing through the group's facilities. Volumes have increased by 36% over the last three years, which has put considerable pressure on the group's distribution centres and necessitated the hiring of offsite storage facilities. Capacity issues are being addressed by improving processes and driving efficiencies within warehouses, moving the delivery of goods to retailers to distribution centres with available capacity, establishing local "satellite" warehouses for fast-moving lines and expanding distribution centre facilities.

All distribution centres showed efficiency improvements driven mainly by the introduction of new technologies. Radio frequency and voice technologies have led to improvements in the speed and accuracy of receiving and picking processes.

New processes relating to the movement of fast-moving lines and "break bulk" packs are being piloted at the group's Western Cape facility and where appropriate will be rolled out to other distribution centres. A labour management control module has been purchased and is currently being installed at the group's Eastern Cape warehouse. It is anticipated that once fully operational across the group, labour efficiencies will be achieved.

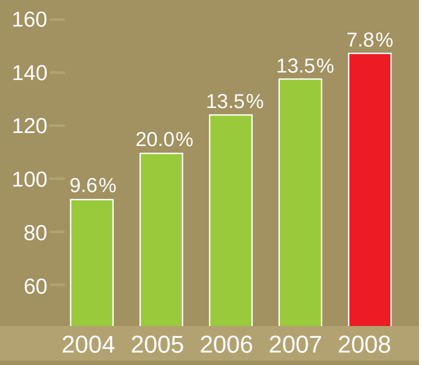
Considerable expenditure and a concentrated effort has been made over the past three years to reduce the average age of the fleet and the benefits of this are now being seen in reduced vehicle fuel usage, repair and maintenance costs, downtime and external hire charges. The newer fleet is also more fuel efficient and environmentally friendly. Focus continues to be given to reducing fuel costs and a driver training programme is in place, complemented by efficient route planning and fleet monitoring systems.

Facilities

The group took occupation of its new 33 550 m² Western Cape distribution centre in April 2008, with trading from the facility commencing shortly thereafter. The final cost of the facility is estimated at R270 million. The move to the new facility allowed the division to consolidate its operations onto a single site and to terminate the leases it had over various temporary warehouse premises. Post year-end the group disposed of its Montague Gardens, Cape Town premises for R93 million.

Construction of a 23 500 m² dry goods extension and upgrade of the existing perishable goods facility at the group's South Rand facility is well advanced. Since year-end occupation has been taken of the first phase of the extension, some 18 000 m² of dry goods area. The balance of the dry goods facility is due for handover by March 2009. Thereafter construction will commence on the upgrading and expansion of the existing perishable goods facility, which will result in the facility being expanded from approximately 7 000 m² to 12 500 m². Estimated cost of the total project remains R265 million with final handover of the facility in early 2010.

Cases distributed
(millions + growth %)



Chairman's and Chief Executive's Report
(continued)

Earthworks have commenced on site at the group's new 10 000 m^2 KwaZulu-Natal perishable goods facility. It is anticipated that construction will be completed and trading from this facility will commence in November 2009. The estimated construction cost of the facility is R190 million.

The group is currently considering the purchase of land in Port Elizabeth in order to accommodate the future construction of a slow-moving product warehouse.

Information Technology

The group's Virtual Private Network (VPN), rolled out to stores in 2007, significantly improved store communications. The VPN provides a highly reliable infrastructure for group related data communications between stores, distribution centres, banks and other third parties.

The rollout of new Windows-based back office software (SIGMA) at retail outlets is progressing well. The software, which offers enhanced backoffice application facilities, has been well received by retailers, notwithstanding some initial teething problems. It is anticipated that the software rollout will take some twenty-four months to complete, with end 2010 being the target date for all retailers to be using the software.

The group's "direct delivery to store" software programme is now being installed on the back of the rollout of the SIGMA software. The direct delivery to store software will streamline the ordering and receipt of goods processes and will improve the accuracy and speed in the processing of transactions. Substantial reductions will occur in the number of documents that will need to be manually captured.

Executive Management

No changes to the board or executive committee have taken place subsequent to those reported in the 2007 annual report.

SPAR's senior management continues to be highly motivated and committed to leading the group into a challenging year. The group has good depth of management and succession for all key positions in the group.

Prospects

The group expects 2009 to be a challenging year. High interest rates, a weaker rand, ongoing high levels of inflation and a slowing economy will put pressure on consumers' disposable income. Management are however confident that they will be able to produce a satisfactory level of earnings growth for the year. Focus areas will be driving sales, cost control and improvements in operational efficiencies.

Cash generation during 2009 will remain strong and will accommodate the group's capital expenditure requirements, forecast at R480 million, as well as providing for dividends and share buybacks.

Appreciation

It is again appropriate after such a successful year to pay tribute to all who contributed to this result. Our sincere thanks go to the board of directors for their guidance, to the executive committee for their leadership and commitment and to all staff members for their personal contribution to this team effort. To our suppliers for their co-operation and assistance and most importantly to our committed retailers for their tremendous support and enthusiasm in driving our brands, thank you.

Mike Hankinson
Chairman

Wayne Hook
Chief Executive

Directorate

NON-EXECUTIVE DIRECTORS

Michael John Hankinson (59)
B.Com, CA(SA)
(Independent non-executive chairman)
Appointed to the board: September 2004

David Braidwood Gibbon (66)
CA(SA)
(Independent non-executive director)
Appointed to the board: October 2004

Peter Kilby Hughes (62)
C.I.S.
(Non-executive director)
Appointed to the board: September 1989

Rowan James Hutchison (61)
B.Com (Hons), MBA
(Independent non-executive director)
Appointed to the board: October 2004

Mziwakhe Phinda Madi (41)
B.Proc (Law)
(Independent non-executive director)
Appointed to the board: October 2004

Phumla Mnganga (40)
BA, B.ED, MBL
(Independent non-executive director)
Appointed to the board: January 2006

Harish Kantilal Mehta (58)
B.Sc, MBA
(Independent non-executive director)
Appointed to the board: October 2004

EXECUTIVE DIRECTORS

Wayne Allan Hook (52)
CA(SA)
(Chief Executive)
Appointed to the board: October 2006

Rodney Walter Coe (59)
CA(SA)
(Group Financial Director)
Appointed to the board: November 1990

Roelf Venter (50)
B.Com (Hons), MBA
(Group Retail Operations and Marketing Director)
Appointed to the board: February 2007

From left to right: Michael Hankinson, David Gibbon, Peter Hughes, Rowan Hutchison and Phinda Madi

Executive Management

SPAR DISTRIBUTION CENTRES

Ian Gillespie – MD SPAR South Rand

Brett Botten – MD SPAR North Rand

Rob Philipson – MD SPAR KwaZulu-Natal

Bill Brown – MD SPAR Western Cape

Conrad Isaac - MD SPAR Eastern Cape

Rob De Vos – MD SPAR Lowveld

GROUP SERVICES

Wayne Hook – Chief Executive

Rodney Coe – Financial Director

Trevor Currie – Logistics Executive

Kevin O'Brien – Company Secretary

Mike Prentice – Merchandise Executive

Enno Stelma – Information Technology Executive

Thuli Tabudi – Human Resources Executive

Roelf Venter – Chairman The SPAR Guild and Retail Operations Director

BUILD IT

Ray Whitmore – MD Build it

From left to right: Phumla Mnganga, Kevin O'Brien, Wayne Hook, Rodney Coe, Harish Mehta and Roelf Venter

Corporate Governance

The SPAR Group Limited is committed to the principles of transparency, integrity, accountability and openness in its dealings with all its stakeholders and endorses the Code of Corporate Practices and Conduct as embodied in the King II report. The board is of the opinion that the group complies in all material respects with the principles embodied in the aforementioned code. The board is committed to ensuring that compliance with these principles remains an integral part of the manner in which the group conducts its business.

Responsibility for the Annual Financial Statements

The directors are required in terms of the Companies Act to prepare annual financial statements, which fairly present the state of affairs of the group. The directors' approval of the annual financial statements appears elsewhere in this report. The directors have no reason to believe that the group's business will not continue as a going concern in the year ahead.

Board of Directors

Composition

The company has a unitary board of directors which comprises six independent non-executive directors, one non-executive director and three executive directors. An independent non-executive director acts as the chairman of the board. The roles of the chairman and the chief executive are separated and a clear division of authority exists between these roles. The non-executive directors represent a wide range of skills and have financial and commercial experience, and are aware of their duties to ensure that the group maintains a high standard of corporate governance. The executive directors include a competent financial director. The Directors are individuals of high calibre with diverse backgrounds and expertise. Qualifications of the directorate are provided in this report. There are no contracts of service between the non-executive directors and the company or any group company. One third of the directors retire each year, on a rotation basis, in terms of the company's Articles of Association.

Board Charter and Responsibilities

The board operates in terms of a Board Charter which sets out its role and responsibilities.

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 board of directors is responsible for the performance and the affairs of the group, and retains full and effective control over the group. The board determines the strategic direction of the group and monitors executive management in the implementation and execution thereof.

The board has put in place various Levels of Authority policies within which the executive management may operate. The board acts as the guardian of the values and ethics of the group.

Board Meetings

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

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

Board Evaluation

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

The board has undertaken the following evaluations:

- board self-evaluation;
- evaluation of chairman's performance by directors;
- self-evaluation of individual performance by director; and
- evaluation of the financial director.

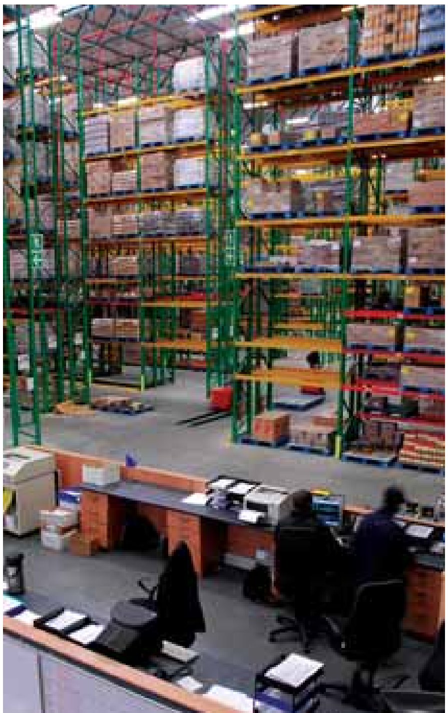
Delegation of Authority

The daily management of the group's affairs is the responsibility of the chief executive, who co-ordinates the implementation of board policy through the executive committee which he chairs.

Board Sub-committees

The board has constituted two committees, the Audit and Risk Committee and the Remuneration and Nominations Committee, to address matters requiring specialised attention. 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.

Corporate Governance (continued)



Audit and Risk Committee

The activities and responsibilities of the committee are set out in the group's Audit and Risk Committee Charter, which has been approved by both the board and the committee. In accordance with the charter requirements, the committee has three independent non-executive directors as committee members.

Activities and responsibilities include:

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

The committee is required to meet formally at least twice a year. The chief executive, financial director and a representative of both the external and internal auditors are required to attend meetings. The group's internal audit manager and the external auditors have unfettered access to members of the committee and the chief executive and attend all formal committee meetings. Members of the group's executive management team attend meetings as required. The committee reports on its findings to the board after each formal committee meeting.

	Audit and Risk Committee Attendance	
Director	Attended	Held
RW Coe (by invitation)	3	3
DB Gibbon (Chairman)	3	3
MJ Hankinson	3	3
WA Hook (by invitation)	3	3
HK Mehta	2	3

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

The Audit and Risk Committee recommends to the board the appointment of the external auditors. The committee also considers the independence of the external auditors, and has set principles for the use of external auditors in providing non-audit services. Consultation and co-operation between the external and internal auditors is extensive and encouraged by the board.

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

Remuneration and Nominations Committee

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

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

	Remuneration and Nomination Committee Attendance	
Director	Attended	Held
MJ Hankinson (chairman)	2	2
WA Hook	2	2
RJ Hutchison	2	2
HK Mehta	2	2

Corporate Governance (continued)

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

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

The committee is responsible for making recommendations to the board on all fees payable to non-executive directors for membership of the board and any sub-committee. The committee gives consideration to the composition of the board and will make appropriate representations to the board.

Company Secretary

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

Risk Management

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

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

Code of Ethics

The group is committed to a policy of dealing fairly and with integrity in the conduct of its affairs. The company has in place a Code of Ethics which reflects the group's position on ethics and integrity. Compliance with the Code of Ethics is required of all group employees.

SPAR seeks to conduct its business in an honourable manner, and truthfulness, honesty and modesty are paramount. Matters of fair trade are essential to sustainability, and SPAR prides itself on its relationships with both its retailers and suppliers.

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

Fraud Policy

The board has adopted a Fraud Policy to protect the organisation from any form of dishonest or unethical conduct, including financial and/or other unlawful gains.

Dealing in Company Shares

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

Sustainability Report

SPAR remains committed to sustainable business practices and is aware that its current and future success depends on creating an organisation that is conscious of its impact on the environment and of its contribution to the lives of its various stakeholders.

This report deals with sustainability from a social, transformation and operational impact perspective.

Social

Corporate Citizenship

Being a good corporate citizen is fundamental to the group's growth strategy and SPAR is committed to behaving and operating in a socially responsible manner. In its dealings with staff, retailers, suppliers, shareholders, consumers, local communities and government departments the highest levels of ethical behaviour and integrity are observed.

Employment and Labour Practices

Employment policies are non-discriminatory and sensitive towards the equal treatment of employees. Human resource strategies include:

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

Freedom of association and the right to bargain collectively is entrenched within the group. External surveys indicate that SPAR's conditions of employment rank high in the sector, and internal surveys show that the group provides meaningful jobs with a high degree of job satisfaction.

SPAR believes that its employment practices are instrumental in its ability to attract and retain talent. The group aspires to being an employer of choice with market related conditions of service. A succession planning process has been implemented and a graduated development process aimed at creating potential for each level of leadership is in place.

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

Representation of Indians, Coloureds and Africans within SPAR			
Occupational levels as per the Department of Labour	Category	2008	2007
Board of directors	Executive and non-executive directors Paterson Grades EU & F	30.0%	30.0%
Senior management	Group and divisional executives and specialised group functions Paterson Grade EL	14.5%	10.0%
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL & DU	38.0%	35.6%
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL & CU	67.0%	65.5%
Semi-skilled and discretionary decision-making	Operators and clerical staff Paterson Grade B	92.0%	90.6%
Unskilled and defined decision-making	Defined decision-making positions Paterson Grade A	98.0%	99.0%
Total permanent black employees as a percentage of total employees		77.0%	75.0%

Corporate Social Investment

Corporate social investment is an important way of alleviating poverty and hardship in communities and remained core to SPAR's upliftment programme. The group's CSI spend of 1% (R6.9 million) of post tax profits goes towards assisting previously disadvantaged communities and individuals, with the strategy broadly focusing on:

- poverty alleviation;
- health and hunger; and
- safety/crime reduction.

Sustainability Report (continued)

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

Examples of the group's community participation are:

- the Miles for Smiles campaign – this campaign saw sponsored runners raise funds for children in need of surgery to repair cleft palate abnormalities; and
- partnering with Tiger Brands Limited in the "Unite against Hunger" programme.

Beneficiaries of SPAR's CSI programme include:

- Gozololo;
- Cotlands;
- Hillcrest Aids Centre; and
- Ethelbert Children's Home.

Economic Performance

The year under review was SPAR's 45th year of operation in South Africa and its fourth year as a JSE-listed company. Since listing SPAR had been able to report consistent growth in earnings and dividends and its value-added statement can be found elsewhere in this report. The success of SPAR has enabled employees, retailers, suppliers, local communities and government departments to share in the wealth created by the company.

Transformation

South African business requires that transformation must progress employment equity and black economic empowerment to create a new business platform. Transformation is a group imperative, and progress continues to be steady.

Broad-based Black Economic Empowerment (BBBEE)

The principles of BBBEE are embraced by the group. The group is a level 7 contributor (2007: level 7) with a 50% recognition level (2007: 50%). Based on current equity plans in place, this rating will continue to improve. Empowerdex have been appointed to confirm the group's latest rating.

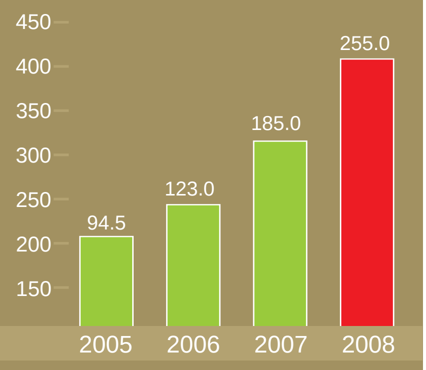
Ownership

The executive committee continue to investigate and explore proposals in respect of direct ownership of SPAR equity and with the approval of shareholders, plans to have concluded a BBBEE transaction prior to termination of the 2009 financial year.

Enterprise Development

The creation and nurturing of new enterprises, specifically new independent retail stores, is an imperative for the group. The identification and facilitation of new entrants into the economy is one of the primary contributions to BBBEE that the group can make to

Headline earnings and dividends (cents per share)



transformation. The development of black enterprises as retail members of the SPAR voluntary trading system under its three existing banners, namely, SPAR, TOPS at SPAR and Build it, provides a meaningful growth opportunity for genuine empowerment.

New stores create employment which contributes to social sustainability and poverty alleviation. SPAR's value proposition is attractive to potential retail members. Sustainable and world class services and assistance for successful modern retailing, encompassing functional and technical requirements, including access to finance, are provided by SPAR.

At the end of September 2008 there were 132 black-owned stores (including neighbouring countries), trading under the different banners, up from 118 black-owned stores at the end of September 2007.

Preferential Procurement

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

The importance of preferential procurement to BBBEE is acknowledged.

As information on suppliers' BBBEE accreditation has been difficult to obtain, the services of EMEX, a recognised rating agency, have been employed to assist in securing this data. The group will shortly be in a position to more accurately measure the level of preferential procurement in the supplier base.

Operational

The Environment

Environmental considerations and action points extend across the scope of the entire organisation. In order to properly co-ordinate and manage the process, an internal cross functional as well as geographically diverse team has been assembled to drive pertinent issues. This "Green Team" has undergone an introductory process involving presentations on environmental issues. The team will initially focus on three major areas, namely fuel usage and emissions, energy savings and waste management. An external environmental consultant is assisting the Green Team.

Recognising our role in the broader community and the opportunities afforded by our communications and logistics competencies, the group will look for opportunities where these competencies can be leveraged to the benefit of the environment and environment education. To this end the group is working with the United Nations Environment Programme and the British Council to develop environmental education kits that will be distributed to primary school pupils via SPAR's distribution network.

To cater for consumers who wish to base their purchasing decisions on environmental considerations, a range of "green" products is under development within SPAR's housebrand range. The "green" label will highlight products that have positive environmental attributes.

Sustainability Report (continued)

Resource conservation is a focus area in the fleet management programme. New vehicles bought into the fleet comply with strict European standards relating to emissions. Efficient route determination and delivering outside of peak traffic hours will save on fuel usage and reduce costs.

Environmental issues are taken into account in distribution centre design, with improvements being seen in energy efficiencies where attention has been given to upgrading warehouse lighting, battery charging and refrigeration design. Building management systems will be installed in all new distribution centres, which will reduce energy consumption.

The group is committed to ensuring food safety throughout the supply chain. A cold chain "best practice" has been developed and is monitored for compliance.

Crime

The high levels of crime being experienced at retail stores continue to be a cause for concern. In an attempt to minimise the impact of crime on retailers' stores and customers, programmes have been developed to identify and monitor potential crime incidents. The group works actively with the Consumer Goods Council of South African Crime Prevention Programme, Business Against Crime and the local police. Distribution centres have appointed dedicated managers responsible for the analysis of crime incidents. The group provides a counselling service to the victims of crime.

Safety and Health

A comprehensive risk management programme is in place, which is audited on a regular basis by a risk management service. The five components of the programme are emergency planning, health and safety, transport, fire and security.

The risk programme is updated on a regular basis to ensure that the group complies with relevant Health and Safety legislation. Reviews of the results are conducted regularly and are monitored by the group's Audit and Risk Committee.

Sector Collaboration

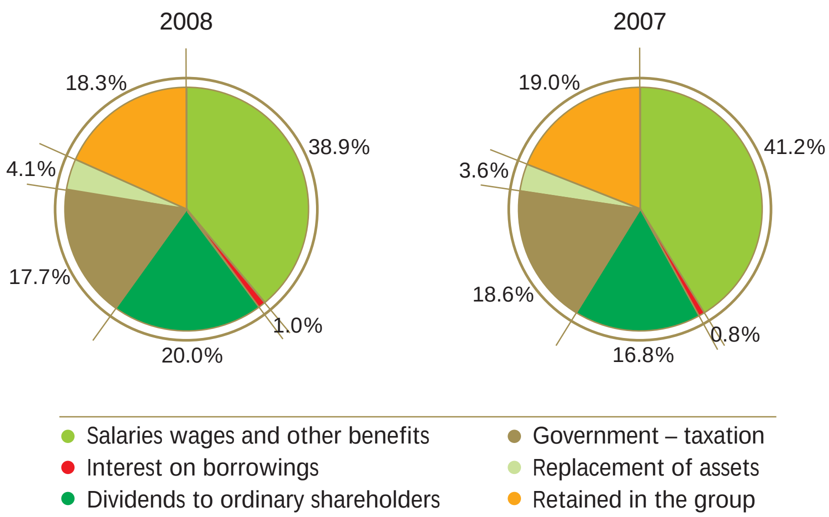
SPAR actively represents its interests and participates at the following forums:

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

Value-added Statement

Value added is the measure of the wealth the group has created.

	2008 Rm	% of Revenue	%	2007 Rm	% of Revenue	%
Revenue	26 993			21 920		
Less: Net cost of product and services	25 253			20 490		
Value added	1 740			1 430		
Add: Income from investments and associates	46			30		
Wealth created	1 786	7	100	1 460	7	100
Applied to:						
Employees						
Salaries, wages and other benefits	695		38.9	602		41.2
Providers of capital	375		21.0	256		17.6
Interest on borrowings	19		1.0	10		0.8
Dividends to ordinary shareholders	356		20.0	246		16.8
Government – taxation	317		17.7	272		18.6
Replacement of assets	73		4.1	53		3.6
Retained in the group	326		18.3	277		19.0
Wealth distributed	1 786		100.0	1 460		100.00



Five-year Review

Rmillion	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	SA GAAP 2004
Group Income Statements					
Revenue	26 993	21 920*	17 177	13 737	12 105
Operating profit	972	775	603	499	395
Interest received	46	32	22	6	12
Interest paid	(19)	(10)	(6)	(5)	(3)
Share of equity accounted associate		(2)			
Net profit before taxation	999	795	619	500	404
Profit on disposal of discontinued operations					21
Taxation	(317)	(272)	(211)	(157)	(133)
Net profit attributable to ordinary shareholders	682	523	408	343	292
Group Balance Sheets					
Assets					
Property, plant and equipment	1 083	736	519	370	295
Goodwill	246	246	246	246	247
Loans and investments	56	118	57	17	25
Finance lease receivables	20	9			
Operating lease receivables	125	115	105	64	
Other non-current assets	4	4			
Deferred taxation asset	16	15		8	7
Current assets	4 284	3 815	2 702	2 053	1 683
Total assets	5 834	5 058	3 629	2 758	2 257
Equity and liabilities					
Capital and reserves	1 488	1 110	892	751	437
Deferred taxation liability			6		
Post retirement medical aid provision	61	55	50	46	37
Long-term borrowings			1	1	2
Operating lease payables	124	115	104	64	
Current liabilities	4 161	3 778	2 576	1 896	1 781
Total equity and liabilities	5 834	5 058	3 629	2 758	2 257
Group Cash Flow Statements					
Cash flows from operating activities	(25)	1 171	560	421	354
Dividends paid	(355)	(246)	(191)	(51)	(383)
Cash flows from investing activities	(356)	(394)	(237)	(61)	(308)
Cash flows from financing activities	29	(118)	(94)	(2)	(6)
Net (decrease)/increase in cash and cash equivalents	(707)	413	38	307	(343)

* refer note 1

Ratios and Statistics

		2008	2007	2006	2005
Share performance					
Number of ordinary shares in issue (net of treasury shares)	millions	168.4	166.4	167.2	169.3
Headline earnings per share	cents	405.7	312.3	240.0	203.8
Dividends per share	cents	255.0	185.0	123.0	94.5
Dividend cover	multiple	1.59	1.69	1.95	2.15
Net asset value per share	cents	883.5	666.9	533.5	443.6
Income Statement information					
Gross margin	%	8.1	8.2	8.4	8.8
Operating profit margin	%	3.6	3.6	3.5	3.7
Headline earnings	Rmillion	680.3	521.9	406.7	344.4
Profitability returns					
Return on equity	%	52.5	52.3	49.6	57.7
Return on net assets	%	84.5	111.4	75.1	67.1
Employee statistics					
Number of employees at year-end		2 570	2 393	2 277	2 221
Stock exchange statistics					
Market price per share					
– at year-end	cents	5 050	5 511	3 635	3 090
– highest	cents	6 200	5 699	4 020	3 090
– lowest	cents	4 450	3 551	2 751	1 925
Number of share transactions		53 673	38 761	26 121	25 867
Number of shares traded	millions	131.7	120.7	107.8	180.1
Number of shares traded as a percentage of total issued shares	%	78.2	72.5	64.5	106.4
Value of shares traded	Rmillion	6 938	5 403	3 717	4 069
Earnings yield at year-end	%	8.0	5.7	6.6	6.6
Dividend yield at year-end	%	5.0	3.4	3.4	3.1
Price earnings ratio at year-end	multiple	12.4	17.6	15.1	15.2
Market capitalisation at year-end (net of treasury shares)	Rmillion	8 504	9 170	6 078	5 229
Market capitalisation to shareholders' equity at year-end	multiple	5.7	8.3	6.8	7.0

Definitions

SHAREHOLDERS' RATIOS

Basic earnings per share

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

Basic earnings per share – diluted

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

Headline earnings per share

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

Headline earnings per share – diluted

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

Dividend cover

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

Net asset value per share

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

INCOME STATEMENT INFORMATION

Gross margin

Gross profit expressed as a percentage of turnover.

Operating profit margin

Operating profit expressed as a percentage of turnover.

Headline earnings

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

PROFITABILITY RETURNS

Return on equity

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

Return on net assets

Operating profit expressed as a percentage of average net assets.

Annual Financial Statements

for the year ended 30 September 2008

Contents

Directors' Approval of Annual Financial Statements

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

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

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2008 and the results of their operations for the year under review.

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

The annual financial statements were approved by the board of directors on 11 November 2008 and are signed on its behalf by:

MJ Hankinson
Chairman

WA Hook
Chief Executive

11 November 2008

Certificate by Company Secretary

I certify that the company has lodged with the Registrar of Companies all returns that are required of a public company in terms of section 268G(d) of the Companies Act in respect of the year ended 30 September 2008 and that all such returns are true, correct and up to date.

KJ O'Brien
Company Secretary

11 November 2008

Independent Auditor's Report

TO THE MEMBERS OF THE SPAR GROUP LIMITED

Report on the Financial Statements

We have audited the annual financial statements and group annual financial statements of The SPAR Group Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 September 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 79.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company and of the group as at 30 September 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte + Touche

Deloitte & Touche
Registered Auditors
Per JAR Welch
Partner – Audit KZN

11 November 2008

2 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban

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

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

Directors' Statutory Report

Principal Activity of the Company

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

Financial Results

The net profit attributable to ordinary shareholders for the year ended 30 September 2008 amounted to R681.6 million (2007: R523.0 million). This translates into headline earnings per share of 405.7 cents (2007: 312.3 cents) based on the weighted average number of shares (net of treasury shares) in issue during the year.

Share Capital

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

During the year, The SPAR Group Limited Employee Share Trust (2004) purchased 163 200 shares (2007: 1 845 153) in The SPAR Group Limited for R8.1 million (2007: R92.1 million). At year-end, these shares were accounted for as treasury shares (refer note 21).

Share Option Scheme

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

	2008	2007
Shares under option at the beginning of the year	15 021 316	14 433 719
Options granted	781 000	1 925 000
Options exercised and paid in full	(2 225 782)	(1 035 203)
Options lapsed or cancelled	(218 150)	(302 200)
Shares under option as at year-end (refer note 20.2)	13 358 384	15 021 316
Options available for issue	6 289 632	7 070 632

Details of options granted are set out in note 20.2.

Dividends

A final dividend of 112.5 cents in respect of 2007 was declared on 13 November 2007 and paid on 10 December 2007. An interim dividend of 100 cents per share was declared on 13 May 2008 and paid on 9 June 2008. A final dividend of 155 cents per share was declared on 11 November 2008, payable on 8 December 2008.

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

Last day to trade cum-dividend	Friday, 28 November 2008
Shares to commence trading ex-dividend	Monday, 1 December 2008
Record date	Friday, 5 December 2008
Payment of dividend	Monday, 8 December 2008

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 1 December 2008 and Friday, 5 December 2008, both days inclusive.

Directorate

Details of the directors of the company at the date of this report are disclosed on page 14.

In terms of the company's articles of association, one third of the non-executive directors retire annually by rotation at the annual general meeting ("AGM"). Accordingly Mr DB Gibbon and Mr PK Hughes retire at the AGM to be held on 11 February 2009, but offer themselves for re-appointment.

At 30 September 2008 the directors beneficially held 64 100 (2007: 23 800) shares in the company and unexercised options to acquire a total of 1 346 400 (2007: 1 282 900) ordinary shares in the company (refer note 31.3 and 32).

Subsidiaries

The interest of the company in the aggregate net profit after taxation of subsidiaries was R12.1 million (2007: R7.1 million). Details of the company's subsidiaries are set out in note 37.

Events Subsequent to Balance Sheet Date

The transfer of the Montague Gardens, Cape Town distribution centre, was effected on 28 October 2008 for R93 million.

The directors are not aware of any other 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 operation.

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. Except for the adoption of the Interpretations and Circulars detailed below, the principal accounting policies adopted are consistent with those of the previous year.

Adoption of New and Revised Standards

The group has considered all new Standards, Interpretations, amendments to existing Standards, and SAICA circulars that are effective as at the date of these financial statements. The following relevant new Interpretations and Standards have been adopted in the current year:

Standard		Annual periods beginning on or after
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IAS 1	Presentation of Financial Statements — Amendment to add disclosures about an entity's capital management	1 January 2007
IAS 32	Financial Instruments: Presentation — Disclosure requirements replaced by IFRS 7	1 January 2007
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006

The adoption of the aforementioned has not had a material impact on the financial statements.

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

Standard		Annual periods beginning on or after
IFRS 2	Share Based Payments	1 January 2009
IFRS 3	Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements	1 January 2009
IAS 23	(Revised) – Borrowing Costs	1 January 2009
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
IAS 28	Investments in Associates	1 July 2009
IAS 31	Interests in Joint Ventures	1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement	1 July 2009
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

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

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

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

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

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

Vehicles	10.0% to 25.0% per annum
Plant and equipment	8.3% to 33.3% per annum
Furniture and fittings	20.0% to 33.3% per annum
Computer equipment	10.0% to 33.3% per annum

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

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

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

Business Combinations

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

Accounting Policies (continued)

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 or 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 or loss on disposal.

Investments in Subsidiaries

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

Investment in Associates

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

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

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

Impairment (excluding goodwill)

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

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

Share Based Payments

The group has applied the requirements of IFRS 2 – Share Based Payments. In accordance with the transitional provisions, IFRS 2 has been applied 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 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 has been adjusted, based on management's best estimate of the effect of non-market vesting conditions.

Taxation

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

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

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

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

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

Inventories

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

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

Post Retirement Medical Aid Provision

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

Provisions

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

Retirement Benefits

The group contributes to pension and provident funds which are governed by the Pension Funds Act, 1956. The defined contribution funds are reviewed annually by consulting actuaries. Contributions are charged against income as incurred. The defined benefit fund is actuarially valued every three years with the last valuation occurring on 1 March 2008. If the fair value of the plan liabilities exceeds the fair value of the plan assets, the resultant obligation is recognised. The projected unit credit method of valuation is used to calculate the fair value of the plan assets and liabilities.

Accounting Policies (continued)

Revenue Recognition

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

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

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

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

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

Non-current Assets Held For Sale

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

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

Foreign Currencies

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

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

Financial Instruments

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

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

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

Financial Guarantees

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

Leased Assets

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

In the capacity of lessor:

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

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

Accounting Policies (continued)

In the capacity of lessee:

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

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

Foreign Investments in Hyperinflationary Economies

Foreign subsidiaries and associate investments which operate in a hyperinflationary economy are adjusted for hyperinflation using a general price index. This is in particular applicable to the group's investment in its Zimbabwean associate.

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.

Post Employment Benefits

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

Key Sources of Estimation Uncertainty

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

Income Statements

for the year ended 30 September 2008

		GROUP		COMPANY	
Rmillion	Notes	2008	2007	2008	2007
Revenue	1	26 992.5	21 919.8	26 540.3	21 616.5
Operating profit	3	971.9	774.7	965.5	769.7
Interest received	4	45.9	32.3	45.9	32.3
Interest paid	4	(19.3)	(10.3)	(19.3)	(10.1)
Share of equity accounted associate	12		(2.0)		
Profit before taxation		998.5	794.7	992.1	791.9
Taxation	5	(316.9)	(271.7)	(311.3)	(267.2)
Profit for the year attributable to ordinary shareholders		681.6	523.0	680.8	524.7
Earnings per share (cents)	6				
Basic		406.5	313.0		
Diluted		390.5	299.0		

Balance Sheets

at 30 September 2008

		GROUP		COMPANY	
Rmillion	Notes	2008	2007	2008	2007
Assets					
Non-current assets		1 549.6	1 242.5	1 505.4	1 201.2
Property, plant and equipment	9	1 083.3	736.2	1 037.2	693.0
Goodwill	10	245.6	245.6	245.6	245.6
Investment in subsidiaries	37			2.3	2.3
Investment in associate	12	3.5	3.5	3.1	3.1
Finance lease receivables	13	20.4	9.3	20.4	9.3
Operating lease receivables	11	125.2	115.3	125.2	115.3
Loans	14	52.6	114.0	52.6	114.0
Other non-current assets		3.3	4.1	3.3	4.1
Deferred taxation asset	15	15.7	14.5	15.7	14.5
Current assets		4 284.3	3 815.0	4 222.0	3 841.3
Inventories	16	795.7	594.5	795.7	594.5
Trade and other receivables	17	3 341.4	2 677.9	3 259.9	2 624.8
Prepayments		24.2	17.8	23.7	17.6
Finance lease receivables	13	5.5	2.2	5.5	2.2
Operating lease receivables	11	13.4	10.3	13.4	10.3
Loans	14	15.9	31.1	93.5	185.4
Bank balances and cash	18		389.2		378.8
Bank balances – Guilds	18	57.9	64.3		
		4 254.0	3 787.3	4 191.7	3 813.6
Non-current assets held for sale	19	30.3	27.7	30.3	27.7
Total assets		5 833.9	5 057.5	5 727.4	5 042.5
Equity and liabilities					
Capital and reserves		1 487.8	1 109.7	1 554.4	1 253.9
Share capital and premium	20	13.4	13.4	13.4	13.4
Treasury shares	21	(77.6)	(154.4)		
Share based payment reserve	22	78.4	30.2	78.4	30.2
Retained earnings		1 473.6	1 220.5	1 462.6	1 210.3
Non-current liabilities		184.7	169.8	184.7	169.8
Post retirement medical aid provision	23	60.8	54.8	60.8	54.8
Operating lease payables	11	123.9	115.0	123.9	115.0
Current liabilities		4 161.4	3 778.0	3 988.3	3 618.8
Trade and other payables	25	3 707.0	3 691.9	3 517.3	3 532.9
Borrowings	24		0.4		0.4
Operating lease payables	11	14.4	10.9	14.4	10.9
Provisions	26	8.7	3.5	8.2	3.4
Taxation	28	121.3	71.3	121.1	71.2
Bank overdrafts	18	310.0		327.3	
Total equity and liabilities		5 833.9	5 057.5	5 727.4	5 042.5

Statements of Changes in Equity

for the year ended 30 September 2008

Rmillion	Share capital and premium	Treasury shares	Share based payment reserve	Retained earnings	Attributable to ordinary shareholders
Group					
Total capital and reserves at 30 September 2006	13.4	(99.8)	35.0	943.8	892.4
Profit for 2007				523.0	523.0
Recognition of share based payments			21.1		21.1
Take-up of share options		37.5	(25.9)		11.6
Share repurchases		(92.1)			(92.1)
Dividends declared				(246.3)	(246.3)
Total capital and reserves at 30 September 2007	13.4	(154.4)	30.2	1 220.5	1 109.7
Profit for 2008				681.6	681.6
Recognition of share based payments			22.3		22.3
Take-up of share options		84.9	(47.2)		37.7
Transfer arising from take up of share options			73.1	(73.1)	–
Share repurchases		(8.1)			(8.1)
Dividends declared				(355.4)	(355.4)
Total capital and reserves at 30 September 2008	13.4	(77.6)	78.4	1 473.6	1 487.8
Company					
Total capital and reserves at 30 September 2006	13.4		34.8	941.3	989.5
Profit for 2007				524.7	524.7
Recognition of share based payments			21.3		21.3
Contribution to Employee Share Trust			(25.9)		(25.9)
Dividends declared				(246.3)	(246.3)
Divisionalisation of subsidiary				(9.4)	(9.4)
Total capital and reserves at 30 September 2007	13.4		30.2	1 210.3	1 253.9
Profit for 2008				680.8	680.8
Recognition of share based payments			22.3		22.3
Contribution to Employee Share Trust			(47.2)		(47.2)
Transfer arising from take up of share options			73.1	(73.1)	–
Dividends declared				(355.4)	(355.4)
Total capital and reserves at 30 September 2008	13.4		78.4	1 462.6	1 554.4

Cash Flow Statements

for the year ended 30 September 2008

		GROUP		COMPANY	
Rmillion	Notes	2008	2007	2008	2007
Cash flows from operating activities		(379.7)	924.7	(382.8)	926.3
Cash generated from operations	27	217.7	1 387.2	209.1	1 384.2
Interest received		45.4	32.0	45.4	32.0
Interest paid		(19.3)	(10.3)	(19.3)	(10.1)
Taxation paid	28	(268.1)	(237.9)	(262.6)	(233.5)
Dividends paid	8	(355.4)	(246.3)	(355.4)	(246.3)
Cash flows from investing activities		(356.3)	(393.8)	(322.9)	(487.1)
Investment to maintain operations		(55.6)	(20.7)	(55.7)	(20.6)
– Replacement of property, plant and equipment		(60.8)	(38.7)	(60.8)	(38.6)
– Proceeds on disposal of property, plant and equipment		5.2	18.0	5.1	18.0
Investment to expand operations		(365.3)	(275.9)	(361.3)	(275.2)
Divisionalisation of subsidiary					(13.7)
Net movement on loans and investments		64.6	(97.2)	94.1	(177.6)
Cash flows from financing activities		29.2	(118.1)	(0.4)	(37.6)
Proceeds from exercise of share options		37.7	11.6		
Share repurchases	21	(8.1)	(92.1)		
Repayment of long-term borrowings		(0.4)	(37.6)	(0.4)	(37.6)
Net (decrease)/increase in cash and cash equivalents		(706.8)	412.8	(706.1)	401.6
Net cash and cash equivalents/(overdrafts) at beginning of year		453.5	41.5	378.8	(22.8)
Effects of exchange rate changes on the balance of cash held in foreign currencies		1.2	(0.8)		
Net (overdrafts)/cash and cash equivalents at end of year	18	(252.1)	453.5	(327.3)	378.8

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
1. Revenue				
Turnover	26 742.2	21 704.0	26 278.8	21 393.8
Other income	250.3	215.8	261.5	222.7
Advertising and promotional revenues	244.3	215.1	244.2	215.1
Other receipts	6.0	0.7	6.0	0.7
Dividends received			11.3	6.9
Total revenue	26 992.5	21 919.8	26 540.3	21 616.5

During the current financial year various other income receipts and expense items have been reclassified. Accordingly, the 2007 group and company comparative figures for revenue and advertising and promotional revenues have each been increased by R16.7 million.

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. Operating profit

Operating profit is arrived at after taking into account:

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Turnover	26 742.2	21 704.0	26 278.8	21 393.8
Cost of sales	(24 582.5)	(19 926.9)	(24 133.6)	(19 625.3)
Gross profit	2 159.7	1 777.1	2 145.2	1 768.5
Other income (refer note 1)	250.3	215.8	261.5	222.7
Operating expenses	(1 438.1)	(1 218.2)	(1 441.2)	(1 221.5)
Warehousing and distribution expenses	(756.1)	(609.3)	(756.1)	(609.3)
Marketing and selling expenses (refer note 1)	(378.9)	(337.1)	(372.7)	(331.7)
Administration and information technology expenses	(303.1)	(271.8)	(312.4)	(280.5)
Operating profit	971.9	774.7	965.5	769.7

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
3. Operating profit (continued)				
Operating expenses include the following:				
Auditors' remuneration:	3.6	3.2	3.6	3.2
Audit fees	3.6	3.0	3.6	3.0
Expenses		0.1		0.1
Other fees		0.1		0.1
Depreciation:	73.0	53.4	72.0	52.3
Buildings and leasehold improvements	7.1	6.2	6.1	5.2
Plant, equipment and vehicles	65.9	47.2	65.9	47.1
Impairment of property, plant and equipment		0.5		0.5
Fair value adjustment	1.5		1.5	
Net foreign exchange losses	0.4	0.1	0.4	0.1
Operating lease charges:				
Immovable property	10.0	6.2	9.7	5.9
Lease rentals payable	167.8	138.0	167.5	137.7
Sub-lease recoveries	(157.8)	(131.8)	(157.8)	(131.8)
Plant, equipment and vehicles	8.7	12.9	8.7	12.9
Net profit on disposal of property, plant and equipment	(1.8)	(2.1)	(1.8)	(2.1)
Post retirement medical aid provision	6.0	5.0	6.0	5.0
Retirement contributions				
Defined contribution plan expenses	44.0	38.1	43.9	37.9
Defined benefit plan expenses	0.5	0.5	0.5	0.5
Share based payments charge	22.3	21.1	22.3	21.1
Staff costs	695.3	601.7	693.0	599.4
Technical and consulting fees	4.0	3.1	4.0	3.1

Notes to the Financial Statements

for the year ended 30 September 2008

		GROUP		COMPANY	
Rmillion		2008	2007	2008	2007
4. Net interest received					
Interest received					
Bank deposits		17.4	16.2	17.4	16.2
Loans and investments		21.3	12.4	21.3	12.4
Overdue debtors		5.9	3.3	5.9	3.3
Other		1.3	0.4	1.3	0.4
Total interest received		45.9	32.3	45.9	32.3
Interest paid					
Fixed asset financing and security deposits		1.7	0.1	1.7	0.1
Bank overdraft		16.6	6.5	16.6	6.5
Other		1.0	3.7	1.0	3.5
Total interest paid		19.3	10.3	19.3	10.1
Net interest received		26.6	22.0	26.6	22.2
5. Taxation					
South African normal taxation					
Current taxation	– current year	284.2	235.7	278.5	231.9
	– prior year	(1.8)	25.9	(1.8)	23.9
Deferred taxation	– current year	4.7	4.4	4.7	4.4
	– prior year	(6.6)	(25.0)	(6.6)	(23.7)
	– rate change	0.7		0.7	
Secondary tax on companies		35.6	30.7	35.6	30.7
Foreign withholding tax		0.1		0.2	
Total taxation		316.9	271.7	311.3	267.2
Reconciliation of effective taxation rate		%	%	%	%
Standard taxation rate		28.0	29.0	28.0	29.0
Disallowable expenses/(exempt income)		0.9	1.2	0.6	0.8
Prior year (over)/under provision		(0.9)	0.2	(0.9)	
Secondary tax on companies		3.6	3.9	3.6	3.9
Rate change – deferred tax asset		0.1		0.1	
Tax effect of share of associate			(0.1)		
Effective rate of taxation		31.7	34.2	31.4	33.7

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
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 167 666 960 (2007: 167 075 611). In respect of diluted earnings per share the weighted average number of ordinary shares (net of treasury shares) was 174 535 945 (2007: 174 862 368).				
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)	681.6	523.0	680.8	524.7
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	167 667	167 076	167 667	167 076
Effect of diluted potential ordinary shares:				
Share options	6 869	7 786	6 869	7 786
Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	174 536	174 862	174 536	174 862

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
7. Headline earnings				
Profit for the year attributable to ordinary shareholders	681.6	523.0	680.8	524.7
Adjusted for:				
Profit on sale of property, plant and equipment	(1.3)	(1.5)	(1.3)	(1.5)
– Gross	(1.8)	(2.1)	(1.8)	(2.1)
– Tax effect	0.5	0.6	0.5	0.6
Impairment of property, plant and equipment		0.4		0.4
– Gross		0.5		0.5
– Tax effect		(0.1)		(0.1)
Headline earnings	680.3	521.9	679.5	523.6
Headline earnings per share (cents)				
Basic	405.7	312.3		
Diluted	389.8	298.4		
8. Dividends paid				
2007 Final dividend declared 13 November 2007				
– paid 10 December 2007	187.3	125.5	187.3	125.5
2008 Interim dividend declared 13 May 2008				
– paid 9 June 2008	168.1	120.8	168.1	120.8
Total dividends	355.4	246.3	355.4	246.3
2007 Final dividend per share declared 13 November 2007				
– paid 10 December 2007 (cents)	112.5	75.0	112.5	75.0
2008 Interim dividend per share declared 13 May 2008				
– paid 9 June 2008 (cents)	100.0	72.5	100.0	72.5
Total dividends per share (cents)	212.5	147.5	212.5	147.5

The final dividend for the year ended 30 September 2008 of 155 cents per share declared on 11 November 2008 and payable on 8 December 2008 has not been accrued.

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

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. Property, plant and equipment (continued)				
Group – 2007				
Carrying value at 30 September 2006	314.2	1.3	203.6	519.1
Additions	155.2	(0.3)	159.7	314.6
Disposals at net book value	(13.0)		(2.9)	(15.9)
Impairments			(0.5)	(0.5)
Depreciation	(5.8)	(0.4)	(47.2)	(53.4)
Category reclassifications	(0.4)	0.1	0.3	–
Reclassification of assets as held for sale at net book value (refer note 19)	(26.7)		(1.0)	(27.7)
Carrying value at 30 September 2007	423.5	0.7	312.0	736.2
Analysed as follows:				
Cost	466.4	1.5	571.5	1 039.4
Accumulated depreciation	(42.9)	(0.8)	(259.5)	(303.2)
Company – 2007				
Carrying value at 30 September 2006	270.7	0.7	192.8	464.2
Additions	154.6	(0.3)	159.5	313.8
Disposals at net book value	(13.0)		(2.9)	(15.9)
Impairments			(0.5)	(0.5)
Depreciation	(4.8)	(0.4)	(47.1)	(52.3)
Category reclassifications	(0.5)	0.2	0.3	–
Reclassification of assets as held for sale at net book value (refer note 19)	(26.7)		(1.0)	(27.7)
Transfer in – divisionalisation of subsidiary		0.5	10.9	11.4
Carrying value at 30 September 2007	380.3	0.7	312.0	693.0
Analysed as follows:				
Cost	416.2	1.5	571.1	988.8
Accumulated depreciation	(35.9)	(0.8)	(259.1)	(295.8)

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 2008 is R661.6 million (2007: R481 million). The valuation was based on a net yield of 14%.

As required by IAS 16, the group has reviewed the useful lives and residual values of property, plant and equipment. The review did not highlight a requirement to significantly adjust the residual values and useful lives in the current year.

Rmillion		GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
10. Goodwill					
Opening balance		245.6	245.6	245.6	
Divisionalisation of subsidiary					245.6
Closing balance		245.6	245.6	245.6	245.6
During the year the group reviewed goodwill for possible impairment. Goodwill is attributable to the Lowveld distribution centre operation. The "value in use" discounted cash flow model was applied in assessing the carrying value of goodwill.					
The following assumptions were applied in determining the value in use:					
Discount rate	(%)			13.5	12
Sales growth rate	(%)			5 – 6	5 – 6
Terminal value growth rate	(%)			3	3
The group prepares ten-year cash flow projections based on the most recent budgets approved by management and extrapolations of cash flows for the remaining periods. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market.					
At 30 September 2008 the carrying value of goodwill was not considered to be impaired.					
11. Operating lease receivables/payables					
Operating lease receivables		138.6	125.6	138.6	125.6
Less current portion		(13.4)	(10.3)	(13.4)	(10.3)
Non-current operating lease receivables		125.2	115.3	125.2	115.3
Operating lease payables		138.3	125.9	138.3	125.9
Less current portion		(14.4)	(10.9)	(14.4)	(10.9)
Non-current operating lease payables		123.9	115.0	123.9	115.0

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

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

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
12. Investment in associate				
SPAR Harare (Pvt) Limited				
Shares at cost	3.1	3.1	3.1	3.1
Cumulative share of post acquisition profit, net of dividend received	0.4	0.4		
Net investment in associate	3.5	3.5	3.1	3.1

The group has a 35% shareholding in SPAR Harare (Pvt) Limited.

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

Hyperinflationary accounting adjustments have been applied to the results of the Zimbabwean associate. However, due to the unreliability of economic data in Zimbabwe, no adjustment has been processed to the cumulative share of post acquisition profit in the current year.

Rates are as follows:

	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Purchase price index (in millions)			1 314 718	11 667
Rand/Zimbabwe Dollar exchange rate (in millions)			5 139	0.1

Summarised hyperinflationary adjusted financial statements of SPAR Harare (Pvt) Limited as at 30 June 2008 are as follows:

			Rmillion	Rmillion
Total assets			6.2	7.4
Total liabilities			2.8	4.7
Capital reserves			3.4	2.7
Revenue			10.6	30.9
(Loss)/profit for the year attributable to ordinary shareholders			(1.1)	6.1
Gain/(loss) on net monetary position for the year			2.2	(11.8)
Profit/(loss) for the year, net of hyperinflationary effect			1.1	(5.7)

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
13. Finance lease receivables				
The company has entered into finance lease arrangements with SPAR retail members in order to provide such retail members with a standardised and fully supported instore back office computer system. The terms of the finance leases entered into range from four to six years.				
Amounts receivable under finance leases	30.9	14.0	30.9	14.0
– receivable within one year	7.5	3.1	7.5	3.1
– receivable in the second to sixth years	23.4	10.9	23.4	10.9
Less unearned finance income	(5.0)	(2.5)	(5.0)	(2.5)
Present value of minimum lease receivables	25.9	11.5	25.9	11.5
Less current portion	(5.5)	(2.2)	(5.5)	(2.2)
Non-current finance lease receivables	20.4	9.3	20.4	9.3
14. Loans				
Retailer loans	68.5	145.1	68.5	145.1
Advance to The SPAR Group Limited Employee Share Trust (2004)			77.6	154.3
	68.5	145.1	146.1	299.4
Less current portion	(15.9)	(31.1)	(93.5)	(185.4)
Non-current loans	52.6	114.0	52.6	114.0

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

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 21). 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.

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
15. Deferred taxation asset				
Deferred taxation analysed by major category:				
Accelerated capital allowances	(40.7)	(29.0)	(40.7)	(29.0)
Provisions, claims and prepayments	56.4	43.5	56.4	43.5
Closing balance	15.7	14.5	15.7	14.5
Reconciliation of deferred taxation:				
Opening balance	14.5	(6.1)	14.5	(5.1)
Divisionalisation of subsidiary				0.2
Income statement effect	1.9	(1.2)	1.9	(2.4)
Rate change	(0.7)		(0.7)	
Revised 2005 assessment		21.8		21.8
Closing balance	15.7	14.5	15.7	14.5
16. Inventories				
Merchandise	822.5	607.6	822.5	607.6
Less provision for obsolescence	(26.8)	(13.1)	(26.8)	(13.1)
Total inventories	795.7	594.5	795.7	594.5
Shrinkages and damages written off	27.5	22.2	27.5	22.2

	GROUP		COMPANY	
Rmillion	2008	2007	2008	2007
17. Trade and other receivables				
Trade receivables	3 120.5	2 531.8	3 062.5	2 489.9
Allowance for doubtful debts	(52.4)	(33.7)	(51.5)	(32.9)
Net trade receivables	3 068.1	2 498.1	3 011.0	2 457.0
Other	273.3	179.8	248.9	167.8
Total trade and other receivables	3 341.4	2 677.9	3 259.9	2 624.8
Allowance for doubtful debts				
Allowance at 30 September 2007	(33.7)	(25.5)	(32.9)	(24.6)
Currency translation adjustment	(0.1)	0.1		
Increase in allowance	(18.6)	(8.3)	(18.6)	(8.3)
Allowance at 30 September 2008	(52.4)	(33.7)	(51.5)	(32.9)
Irrecoverable debts written off	22.4	20.3	22.4	20.3

Trade receivables

The group provides credit facilities to SPAR and Build it members. The recoverability of amounts owing by members to the group is regularly reviewed and assessed on an individual basis. At year-end 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; and

Ex direct supplier delivery – 31 days from weekly statement.

Build it

Ex direct supplier delivery – 38 days from weekly statement.

Included in trade receivable are debtors with a carrying amount of R35.3 million (2007: R23.5 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.

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
18. Overdrafts/cash balances				
For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.				
The group separately discloses bank balances between SPAR bank balances and Guild bank balances, with the latter classification identifying retailer funds held in trust and other cash deposits attributable to The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa.				
Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:				
Bank balances – SPAR		389.2		378.8
Bank balances – Guilds	57.9	64.3		
Bank overdrafts – SPAR	(310.0)		(327.3)	
(Overdrafts)/cash balances	(252.1)	453.5	(327.3)	378.8
19. Non-current assets held for sale				
Property, plant and equipment held for sale	30.3	27.7	30.3	27.7

The group's Montague Gardens, Cape Town distribution centre together with various plant and equipment is reflected as a non-current asset held for sale. The distribution centre is the subject of a conditional sale agreement. At 30 September 2008, various conditions remained unfulfilled. Post year-end all conditions have been fulfilled and the distribution centre has been disposed of for R93 million.

No impairment was recognised on the reclassification of the property.

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
20. Share capital and premium				
20.1 *Authorised*				
250 000 000 (2007: 250 000 000) ordinary shares of 0.06 cents (2007: 0.06 cents) each	0.2	0.2	0.2	0.2
Issued				
169 940 035 (2007: 169 940 035) ordinary shares of 0.06 cents (2007: 0.06 cents) each	0.1	0.1	0.1	0.1
Share premium account	13.3	13.3	13.3	13.3
Total share capital and premium	13.4	13.4	13.4	13.4

All authorised and issued shares are of the same class and rank *pari passu* in every respect. There are no conversion or exchange rights 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.

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 holder's requirements.

Notes to the Financial Statements

for the year ended 30 September 2008

20. Share capital and premium (continued)

20.2 *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 2008	2007
R5.02922	9 March 2008	–	16 900
R9.33601	19 May 2008	–	29 250
R6.43587	11 September 2008	–	23 300
R6.81538	22 September 2008	–	155 700
R7.82552	2 October 2008	500	5 500
R9.80803	24 June 2009	99 200	116 400
R7.96901	8 July 2009	20 100	30 000
R10.80873	8 November 2009	335 800	390 600
R10.88426	1 December 2009	–	1 700
R10.28006	18 April 2010	–	3 400
R9.6381	13 October 2010	5 000	5 000
R9.9402	14 November 2010	224 400	309 166
R11.61189	1 September 2011	5 000	6 700
R10.76224	29 January 2012	830 100	1 002 600
R11.93287	4 April 2012	–	800
R13.05818	3 February 2013	791 000	940 800
R13.05818	31 March 2013	213 134	259 400
R13.17147	8 August 2013	8 400	11 700
R15.10867	29 January 2014	970 000	1 114 700
R15.51273	28 February 2014	–	5 000
R21.04	14 December 2014	4 884 450	6 317 700
R29.00	13 November 2015	2 116 300	2 160 000
R31.36	10 January 2016	190 000	190 000
R46.22	8 March 2017	1 890 000	1 925 000
R58.10	3 December 2017	775 000	–
		13 358 384	15 021 316
Un-issued options under the control of the directors		6 289 632	7 070 632

	GROUP 2008	GROUP 2007

21. Treasury shares

During the year The SPAR Group Limited Employee Share Trust (2004) purchased 163 200 shares (2007: 1 845 153) in the company at an average purchase price of R49.62 per share (2007: R49.76). The trust holds these shares for the purpose of satisfying option holder requirements as and when option holders exercise their share option rights.

Cost of shares	2008 Rmillion	2007 Rmillion
Opening balance	154.4	99.8
Share repurchases	8.1	92.1
Shares sold to option holders on exercise of share option rights	(84.9)	(37.5)
Closing balance	77.6	154.4

Shares held in trust	Number of shares held 2008	Number of shares held 2007
Opening balance	3 554 775	2 740 725
Share repurchases	163 200	1 845 153
Shares sold to option holders on exercise of share option rights	(2 180 882)	(1 019 103)
Options exercised but shares not yet sold		(12 000)
Closing balance	1 537 093	3 554 775

Notes to the Financial Statements

for the year ended 30 September 2008

22. Share based payments

The company has in place a share option scheme which is operated through The SPAR Group Limited Share Employee Trust (2004) ("The Trust"). Options issued by the trust vest over a period of five years from grant date and expire 10 years from grant date. 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 are forfeited if the employee leaves the group before vesting date.

Share options outstanding at year-end are as follows:

	Number of options	
	2008	2007
Opening balance	15 021 316	14 433 719
New options granted *	781 000	1 925 000
Options taken up **	(2 225 782)	(1 035 203)
Options forfeited	(218 150)	(302 200)
Closing balance	13 358 384	15 021 316
* Weighted average price of options granted during the year	R58.10	R46.22
** Weighted average grant price of options taken up during the year	R17.19	R11.54
** Weighted average selling price of options exercised during the year	R55.92	R47.91

781 000 Share options were granted on 4 December 2007. The estimated fair value of the options granted was R10 988 670.

The fair values for 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 %
2008						
	4/12/2007	4/12/2010	4	25.00	3.25	10.53
	4/12/2007	4/12/2011	5	25.00	3.25	10.26
	4/12/2007	4/12/2012	6	25.00	3.25	10.04
2007						
	9/3/2007	9/3/2010	4	25.00	2.75	8.74
	9/3/2007	9/3/2011	5	25.00	2.75	8.65
	9/3/2007	9/3/2012	6	25.00	2.75	8.57

Rmillion		GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
23. Post retirement medical aid provision					
Opening balance – actuarial valuation		65.8	48.9	65.8	48.9
Recognised as an expense during the current year:		6.1	5.8	6.1	5.8
Interest cost		4.4	4.1	4.4	4.1
Current service cost		1.7	1.7	1.7	1.7
Employer contributions		(1.9)	(1.8)	(1.9)	(1.8)
Actuarial (gain)/loss		(5.6)	12.9	(5.6)	12.9
Actuarial valuation at end of the year		64.4	65.8	64.4	65.8
Unrecognised actuarial loss		(3.6)	(11.0)	(3.6)	(11.0)
Closing balance		60.8	54.8	60.8	54.8
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate	%	9.5	8.5	9.5	8.5
Health care cost inflation	%	7.5	5.5	7.5	5.5
Average retirement age		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 379 (2007: 407) pensioners and current employees who remain entitled to this benefit. The company has continued to adopt the corridor method of recognising actuarial gains and losses after the transition provision of IFRS 1 had been applied.

The last actuarial valuation was performed in September 2008 and the next valuation is expected to be performed during the 2010 financial year.

A 1% movement in the health care cost is not expected to yield a material movement in the recognised obligation, in light of the group adopting the corridor method of recognising actuarial gains and losses.

Notes to the Financial Statements

for the year ended 30 September 2008

	GROUP		COMPANY	
Rmillion	2008	2007	2008	2007
24. Borrowings				
Secured borrowings		0.4		0.4
Less current portion		(0.4)		(0.4)
Non-current borrowings		–		–
Borrowings were secured over movable assets with a net book value amounting to R664 288 in the 2007 financial year. All contracts were settled during the current financial year.				
The company has unlimited borrowing powers in terms of its Articles of Association.				
25. Trade and other payables				
Trade payables	2 873.5	2 956.6	2 831.4	2 936.2
Other	833.5	735.3	685.9	596.7
Trade and other payables	3 707.0	3 691.9	3 517.3	3 532.9
26. Provisions				
Supplier claims	8.7	3.5	8.2	3.4
Total provisions	8.7	3.5	8.2	3.4
Balance at the beginning of the year	3.5	64.4	3.4	58.1
Provision reversed		(61.6)		(56.9)
Divisionalisation of subsidiary				1.4
Provisions raised	5.9	2.6	5.5	2.7
Provisions utilised	(0.7)	(1.9)	(0.7)	(1.9)
Balance at the end of the year	8.7	3.5	8.2	3.4

The supplier claim provision represents management's best estimate of the group's liability to suppliers in respect of disputed deliveries and other issues. Claims are considered doubtful based on the age of the claims and specific circumstances.

	GROUP		COMPANY	
Rmillion	2008	2007	2008	2007
27. Cash generated from operations				
Operating profit	971.9	774.7	965.5	769.7
Adjusted for:				
Depreciation	73.0	53.4	72.0	52.3
Net profit on disposal of property, plant and equipment	(1.8)	(2.1)	(1.8)	(2.1)
Post retirement medical aid provision	6.0	5.0	6.0	5.0
Impairment of property, plant and equipment		0.5		0.5
Impairment loss recognised on loans and trade receivables	16.2	12.4	16.2	12.4
Amortisation of prepaid cost	0.8		0.8	
Share based payments charge	22.3	21.1	22.3	21.1
Lease smoothing adjustment	(0.6)	0.3	(0.6)	0.3
Cash generated from operations before:	1 087.8	865.3	1 080.4	859.2
Net working capital changes	(870.1)	521.9	(871.3)	525.0
Increase in inventories	(201.2)	(145.2)	(201.2)	(145.2)
Increase in trade and other receivables	(686.7)	(545.5)	(659.3)	(536.2)
Increase in trade payables and provisions	17.8	1 212.6	(10.8)	1 206.4
Cash generated from operations	217.7	1 387.2	209.1	1 384.2
28. Taxation paid				
Balance unpaid at the beginning of the year	71.3	16.9	71.2	13.3
Divisionalisation of subsidiary				4.9
Income statement charge	318.1	292.3	312.5	286.5
Balance unpaid at the end of the year	(121.3)	(71.3)	(121.1)	(71.2)
Total taxation paid	268.1	237.9	262.6	233.5
29. Contingent liabilities				
Guarantees issued in respect of the finance obligations of SPAR retailer members	226.9	123.5	226.9	123.5
– Loan guarantees	201.1	97.7	201.1	97.7
– Rental guarantees	25.8	25.8	25.8	25.8
Guarantee issued in respect of the finance obligation of Nelspruit Wholesalers (Proprietary) Limited to its banker				13.7

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
30. Commitments				
30.1 *Operating lease commitments*				
Future minimum lease payments due under non-cancellable operating leases are as follows:				
Land and buildings				
Payable within one year	223.8	189.1	223.4	188.7
Payable later than one year but not later than five years	862.3	749.2	862.2	749.0
Payable later than five years	617.8	601.7	617.8	601.7
Total land and buildings operating lease commitments	1 703.9	1 540.0	1 703.4	1 539.4
Other				
Payable within one year	0.8	1.1	0.8	1.1
Payable later than one year but not later than five years	1.3	1.2	1.3	1.2
Total other operating lease commitments	2.1	2.3	2.1	2.3
30.2 *Operating lease receivables*				
Future minimum sub-lease receivables due under non-cancellable property leases are as follows:				
Receivable within one year	213.6	184.0	213.6	184.0
Receivable later than one year but not later than five years	852.4	738.6	852.4	738.6
Receivable later than five years	617.8	601.7	617.8	601.7
Total operating lease receivables	1 683.8	1 524.3	1 683.8	1 524.3
30.3 *Capital commitments*				
Contracted	248.7	281.8	248.7	281.8
Approved but not contracted	117.7	192.5	117.7	192.5
Total capital commitments	366.4	474.3	366.4	474.3

Capital commitments will be financed from group resources.

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel allowance and other benefits[1]	Share option gains	Total
31. Directors' remuneration and interests report						
31.1 *Emoluments 2008*						
Executive directors						
WA Hook	1 838	1 764	244	289		4 135
RW Coe	1 380	1 325	182	215	571	3 673
R Venter	1 380	1 325	184	358	699	3 946
Non-executive director						
PK Hughes				225		225
Total emoluments	4 598	4 414	610	1 087	1 270	11 979
Emoluments 2007						
Executive directors						
WA Hook	1 634	1 523	211	193		3 561
RW Coe	1 298	1 219	167	160		2 844
R Venter	849	864	109	98		1 920
Non-executive director						
PK Hughes	313	–	38	38		389
Total emoluments	4 094	3 606	525	489		8 714

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

	2008	2007
31.2 *Fees for services as non-executive directors (R'000)*		
MJ Hankinson (chairman) [a b]	567	514
DB Gibbon [a]	220	185
PK Hughes	135	100
RJ Hutchison [b]	167	147
MP Madi	135	120
HK Mehta [a b]	207	179
P Mnganga	167	120
Total fees	1 598	1 365

(a) Member of Audit and Risk Committee

(b) Member of Remuneration and Nomination Committee

Notes to the Financial Statements

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	2008	2007
31. Directors' remuneration and interests report (continued)		
31.3 *Directors' interests in the share capital of the company*		
Executive directors		
WA Hook – direct beneficial holding	4 200	4 200
RW Coe – direct beneficial holding	13 300	–
R Venter – direct beneficial holding	1 600	1 600
Non-executive directors		
MJ Hankinson – held by associates	2 800	2 800
PK Hughes – direct beneficial holding	12 000	12 000
RJ Hutchison – indirect beneficial holding	25 000	–
HK Mehta – direct beneficial holding	8 000	6 000

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

31.4 *Declaration of disclosure*

Other than as disclosed above and in note 32, 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 2008.

	Date of option issue	Option price Rand	Number of options held 2008	2007
32. 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. One third of the options are exercisable per year after each of the third, fourth and fifth years from date of issue. Option holders have ten years from date of issue to exercise their option rights.				
Options held over shares in The SPAR Group Limited				
Executive directors				
WA Hook	24/6/1999	9.80803	6 500	6 500
	8/11/1999	10.80873	8 400	8 400
	14/11/2000	9.9402	5 000	5 000
	29/1/2002	10.76224	16 000	16 000
	3/2/2003	13.05818	20 000	20 000
	29/1/2004	15.10867	9 000	9 000
	13/12/2004	21.04	51 000	51 000
	14/11/2005	29.00	70 000	70 000
	9/3/2007	46.22	120 000	120 000
	4/12/2007	58.10	60 000	–
			365 900	305 900
RW Coe	22/9/1998	6.81538	–	13 300
	24/6/1999	9.80803	8 000	8 000
	8/11/1999	10.80873	23 000	23 000
	14/11/2000	9.9402	5 000	5 000
	29/1/2002	10.76224	17 000	17 000
	3/2/2003	13.05818	23 000	23 000
	29/1/2004	15.10867	14 000	14 000
	13/12/2004	21.04	51 000	51 000
	11/1/2006	31.36	80 000	80 000
	9/3/2007	46.22	80 000	80 000
	4/12/2007	58.10	35 000	–
			336 000	314 300
R Venter	22/9/1998	6.81538	–	15 900
	24/6/1999	9.80803	8 000	8 000
	8/11/1999	10.80873	23 000	23 000
	14/11/2000	9.9402	5 000	5 000
	29/1/2002	10.76224	15 000	15 000
	3/2/2003	13.05818	21 000	21 000
	29/1/2004	15.10867	14 000	14 000
	13/12/2004	21.04	51 000	51 000
	14/11/2005	29.00	70 000	70 000
	9/3/2007	46.22	80 000	80 000
	4/12/2007	58.10	35 000	–
			322 000	302 900

Notes to the Financial Statements

for the year ended 30 September 2008

	Date of option issue	Option price Rand	Number of options held 2008	2007
32. Directors' share option scheme interests (continued)				
Non-executive director				
PK Hughes	8/11/1999	10.80873	–	37 300
	14/11/2000	9.9402	20 000	20 000
	29/1/2002	10.76224	53 000	53 000
	3/2/2003	13.05818	35 000	35 000
	29/1/2004	15.10867	37 000	37 000
	13/12/2004	21.04	66 000	66 000
	11/1/2006	30.36	111 500	111 500
			322 500	359 800

On 12 August 2008, RW Coe exercised his rights to 13 300 options at an option price of R6.81538 per option. The market price of the shares on exercise was R49.75 resulting in a gain to RW Coe of R571 030.

On 7 August 2008, R Venter exercised his rights to 15 900 options at an option price of R6.81538 per option. The market price of the shares on exercise was R50.77 resulting in a gain to R Venter of R698 879.

On 24 June 2008, PK Hughes exercised his rights to 37 300 options at an option price of R10.80873 per option. The market price of the shares on exercise was R52.00 resulting in a gain to PK Hughes of R1 536 434.

33. Retirement benefit funds

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

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

In terms of their rules, the defined contribution funds have annual financial reviews, which are performed by the funds' consulting actuaries. At the date of their last reviews the funds were judged to be financially sound. Contributions of R44.0 million (2007: R38.1 million) and R43.9 million (2007: R37.9 million) were expensed for the group and company respectively during the year. Contributions to fund obligations for the payment of retirement benefits are charged against earnings when due.

The SPAR Group Limited Defined Benefit Pension Fund was valued as at 1 March 2008, using the projected unit credit method, and the fund was found to be in a sound financial position. At that date the actuarial fair value of the plan assets (R10.3 million) over plan liabilities (R8.2 million) of the defined benefit fund amounted to R2.1 million.

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

Pre-retirement discount rate:	10.83% p.a. net of retirement funds tax
Inflation:	6.52% p.a.
Salary escalation:	8.6% p.a.
Post retirement discount rate:	5% p.a.
Post retirement mortality assumption:	1% p.a.
Marriage rates:	90% of fund membership is married
Spouse age difference	Husbands are 4 years older than wives

The next actuarial valuation of this fund will take place on 1 March 2011. This fund is closed to further membership. Contributions of R0.5 million (2007: R0.5 million) and R0.5 million (2007: R0.5 million) were expensed for the group and company respectively during the year.

Notes to the Financial Statements

for the year ended 30 September 2008

Rmillion	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
34. Financial risk management				
Net (bank overdrafts)/bank balances and cash*	(252.1)	453.5	(327.3)	378.8
Loans*	68.5	145.1	146.1	299.4
Trade and other receivables*	3 341.4	2 677.9	3 259.9	2 624.8
Trade and other payables**	3 707.0	3 691.9	3 517.3	3 532.9
Finance lease receivables*	25.90	11.50	25.90	11.50
FEC asset/(liability)***	0.4	(0.2)	0.4	(0.2)

* These financial instruments are all classified under IAS 39 as loans and receivables.

** These financial instruments are all classified under IAS 39 as financial liabilities measured at amortised cost.

*** These financial instruments are classified under IAS 39 as financial assets or liabilities at fair value through profit or loss.

The company's and group's financial instruments consist primarily of bank balances and overdraft funding from the 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. Executive management meets on a regular basis to analyse these risks and to re-evaluate financial management strategies. Other than forward exchange contracts, used to hedge foreign currency liabilities, the group has no financial instruments that are classified as fair value through profit and loss. FEC's represent an insignificant portion of the group's financial instruments and amounted to a net asset of R0.4 million in the current year (2007: R0.2 million liability). The group does not speculate in or engage in the trading of derivates or other financial instruments.

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

Currency risk

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

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

It is the group's policy to cover its material foreign currency exposure, which amounted to R8 million at year-end 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.

34. Financial risk management (continued)

Foreign exchange contracts

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

	GROUP				COMPANY			
	Average contract rate	Commitment (Rm)	Fair value of FEC 2008 (Rm)	Fair value of FEC 2007 (Rm)	Average contract rate	Commitment (Rm)	Fair value of FEC 2008 (Rm)	Fair value of FEC 2007 (Rm)
Imports								
USD	8.13	8.0	0.4	(0.2)	8.13	8.0	0.4	(0.2)

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

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 net interest received from net cash deposits was R0.8 million (2007: R9.7 million) and interest received from loans was R21.3 million (2007: R12.4 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 performed.

Credit risk

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

Trade receivables consist entirely of SPAR and Build it member debts, comprising 1 070 stores with an average trading exposure of R2.9 million per store at the reporting date.

The group grants loans out of cash resources to existing and prospective retailers to assist them to acquire or open SPAR, TOPS at SPAR or Build it stores and for purposes of upgrading or revamping of stores.

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

Notes to the Financial Statements

for the year ended 30 September 2008

34. Financial risk management (continued)

Credit risk (continued)

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

The group assists retail members suffering financial stress in order to ensure the continued operation of the store, thereby preserving the recoverability of trade and loan receivable balances (refer note 29).

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 group's 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	2008	2007
Unsecured bank overdraft facilities, reviewed annually and at call:		
– Utilised as at year-end	321	–
– Unutilised	829	1 400
Total available overdraft/call facilities	1 150	1 400

The group reduced its overdraft facility requirements during the current year. The majority of the trade payables at year-end will be paid within 30 days of year-end from available facilities or cash received from members.

The group has no long-term borrowings giving rise to cash payment obligations.

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 remains unchanged from 2007. The strategy entails a philosophy of tight risk management and minimum use of derivative instruments.

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

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

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

35. 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:

35.1 *Company*

During the year, the following related party transactions occurred:

- SPAR PE Property (Pty) Limited is a property-owning company. This property is rented by The SPAR Group Limited. During the year rentals of R10 182 000 (2007: R9 603 972) were incurred by the company to SPAR PE Property (Pty) Limited. Dividends of R6 306 452 (2007: R5 841 044) were paid by SPAR PE Property (Pty) Limited to The SPAR Group Limited. The intercompany liability with The SPAR Group Limited as at 30 September 2008 amounted to R34 590 838 (2007: R31 702 860). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Namibia (Pty) Limited and SPAR Group Botswana (Pty) Limited have accounting services provided to them by The SPAR Group Limited. During the year dividends of R3 300 000 (2007: R780 000) and R1 700 000 (2007: R300 000) and management fees of R1 210 000 (2007: R800 000) and R900 000 (2007: R600 000) were paid to The SPAR Group Limited by SPAR Namibia (Pty) Limited and SPAR Group Botswana (Pty) Limited respectively. The intercompany liability with The SPAR Group Limited as at 30 September 2008 amounted to R12 032 555 (2007: R18 240 453) and R4 159 304 (2007: R2 126 991) for SPAR Namibia (Pty) Limited and SPAR Botswana (Pty) Limited respectively. These liabilities are interest-free, unsecured and no date has been set for repayment.
- SPAR South Africa (Pty) Limited, Savemor Products (Pty) Limited, Nelspruit Wholesalers (Pty) Limited and SPAR Academy of Learning (Pty) Limited, are all dormant companies.
- The SPAR Guild of Southern Africa and the Build it Guild of Southern Africa are non-profit-making companies set up to co-ordinate and develop SPAR in Southern Africa. The members of the Guild consist of SPAR Retailers (who are independent store owners) and SPAR Distribution Centres. The members pay subscriptions to the Guild, which uses these monies to advertise and promote SPAR.

  During the year subscriptions of R2 966 683 (2007: R2 679 480) were paid to The SPAR Guild of Southern Africa. The intercompany liability/(asset) with The SPAR Group Limited as at 30 September 2008 amounted to R6 091 152 (2007: (R5 718 388)) and R3 501 815 (2007: R2 038 232) 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 requirements. As at 30 September 2008, R77 646 077 (2007: R154 295 171) was advanced to the Trust for the purposes of purchasing these shares (refer note 14 and 21).

No interest is charged on the intercompany loan balances.

35.2 *Investment in associate*

Refer note 12 where details of the investment in the associate have been disclosed.

35.3 *Shareholders*

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

Notes to the Financial Statements

for the year ended 30 September 2008

35. Related party transactions (continued)

35.4 *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 31 and 32 as well as in the Directors' Statutory Report.

Key management personnel remuneration comprises:

Rmillion	2008	2007
Directors' fees	1.6	1.4
Remuneration for management services	18.8	16.4
Retirement contributions	2.1	1.8
Medical aid contributions	0.4	0.5
Performance bonus	14.0	8.7
Fringe and other benefits	1.0	0.1
Expense relating to share options granted	6.8	2.7
Total	44.7	31.6

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

36. Segment reporting

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

	Issued share capital 2008 Rand	Issued share capital 2007 Rand	Effective holding 2008 %	Effective holding 2007 %	Cost of investment 2008 Rmillion	Cost of investment 2007 Rmillion
37. Investment in subsidiaries						
*Subsidiary**						
SPAR South Africa (Pty) Limited (2)	10 000	10 000	100	100		
SPAR Namibia (Pty) Limited** (1)	100	100	100	100		
The SPAR Group (Botswana) (Pty) (Limited)** (1)	136	136	100	100		
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		
The SPAR Guild of Southern Africa*** (1)						
The Build it Guild of Southern Africa*** (1)						
The SPAR Group Limited Employee Share Trust (2004) (1)						
Total					2.3	2.3
Directors' valuation					2.3	2.3

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

** All companies are incorporated in the Republic of South Africa unless otherwise indicated with an asterisk.

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

(1) Operating companies
(2) Dormant
(3) Property-owning company

Share Ownership Analysis

	Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholders' spread as at 30 September 2008				
Public shareholders	11 866	99.94	168 338 842	99.06
Non-public shareholders				
– The SPAR Group Limited Employee Share Trust (2004)	1	0.01	1 537 093	0.90
– Shares held by directors	6	0.05	64 100	0.04
	11 873	100.00	169 940 035	100.00
Type of shareholders				
Pension funds				19.27
Mutual funds				20.76
Private investors				6.31
Insurance companies				12.89
Other				40.77
				100.00
Beneficial owners holding in excess of 5% of the company's equity				
Public Investment Corporation				13.02
Old Mutual Life Assurance Company SA Limited				5.90
Fund managers holding in excess of 5% of the company's equity				
Allan Gray Investment Council				5.02
Coronation Fund Managers				6.88
PIC				11.84
Stanlib Asset Management				5.24
Old Mutual Asset Managers				7.06
Stock exchange statistics				
Market price per share				
– at year-end			cents	5 050
– highest			cents	6 200
– lowest			cents	4 450
Number of share transactions				53 673
Number of shares traded			millions	131.7
Number of shares traded as a percentage of total issued shares			%	78.2
Value of shares traded			Rmillion	6 938
Earnings yield at year-end			%	8.0
Dividend yield at year-end			%	5.0
Price earnings ratio at year-end			multiple	12.4
Market capitalisation at year-end net of treasury shares			Rmillion	8 504
Market capitalisation to shareholders' equity at year-end			multiple	5.7

Share Price Performance

The SPAR Group Limited Close
Monthly 30/09/2007 – 30/09/2008

Shareholders' Diary

Financial year-end	30 September
Annual general meeting	February

Reports and profit statements:

Interim report	May
Annual report	November
Annual financial statements issued	December

Dividends:

Interim	Declaration	May
	Payable	June
Final	Declaration	November
	Payable	December

Notice to Shareholders

Notice is hereby given that the annual general meeting of shareholders of The SPAR Group Limited will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Wednesday, 11 February 2009 at 09:00 for the purpose of conducting the following:

Ordinary business

1. To receive, consider and approve the annual financial statements for the year ended 30 September 2008.
2. To consider the re-election, as a director of the company, of Mr PK Hughes who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election.

   Mr Hughes was a previous chief executive and director of The SPAR Group Limited, a position he held for 17 years. Mr Hughes retired as chief executive in 2006, but has remained a non-executive director of the company.
3. To consider the re-election, as a director of the company, of Mr DB Gibbon who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election.

   Mr Gibbon is an independent non-executive director and current chairman of the audit committee of African Bank Investments Limited. He is a former partner of Deloitte & Touche. Mr Gibbon has been a non-executive director of The SPAR Group Limited since the company's listing.
4. To reappoint Messrs Deloitte & Touche as auditors of the company and to appoint Mr James Welch as the designated auditor to hold office until the next annual general meeting.
5. To approve the directors' remuneration for the year ended 30 September 2008 as reflected in the annual financial statements.

Special business

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

6. Special resolution number 1

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

   - that this general authority shall be valid until the next annual general meeting of the company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
   - that any general repurchases of shares in terms of this authority be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party (reported trades are prohibited);
   - that at any point in time, only one agent will be appointed to effect the repurchases on behalf of the company;
   - that the repurchase may only be effected if, after the repurchase, the company still complies with the minimum spread requirements stipulated in the JSE Listings Requirements;
   - that the acquisitions of shares in any one financial year shall be limited to 5% (five percent) of the issued share capital of the company as at the beginning of the financial year, provided that any subsidiary(ies) may acquire shares to a maximum of 5% (five percent) in the aggregate of the shares of the company;
   - that any acquisition of shares in terms of this authority may not be made at a price greater than 10% (ten per cent) above the weighted average market value of the shares over the 5 (five) business days immediately preceding the date on which the acquisition is effected;
   - the repurchase of shares may not be effected during a prohibited period, as defined in the JSE Listings Requirements;
   - the company and/or any subsidiary may not repurchase any shares during a prohibited period as defined in 3.67 of the JSE Listings Requirements, unless the company or subsidiary has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed, not subject to any variation, and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and

- that an announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, 3% (three per cent) of the number of shares in issue at the date of the general meeting at which this special resolution is considered and, if approved, passed, and for each 3% (three per cent), in aggregate, of the aforesaid initial number acquired thereafter."

Reasons and effect

The intention of this special resolution will be to grant the directors of the company the authority to acquire shares in the capital of the company if the cash resources of the company are in excess of its requirements, and/or to allow The SPAR Group Limited Share Option Trust (2004) to purchase and hold shares in the capital of the company for purposes of issuing such shares to SPAR share option holders as and when such option holders exercise their option rights.The board of directors will continually reassess the share purchase programme having regard to prevailing circumstances.

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

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

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

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

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

Directors and management – pages 14 and 15;
Major shareholders – page 80;
Directors' interests in securities – page 70; and
Share capital of the company – page 61.

Material change

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

Litigation statement

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

Directors' responsibility statement

The directors, whose names are set out on page 14 of this annual report, collectively and individually accept full responsibility for the accuracy of the information given in this resolution in relation to the company and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Notice to Shareholders (continued)

7. Ordinary resolution number 1

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

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

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

Voting and proxies

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms must be forwarded to reach the company's transfer secretaries, Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Monday, 9 February 2009. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with "own name" registration.

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

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

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

By order of the board

KJ O'Brien
Company Secretary

11 November 2008

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

Designed by motiv
Printed by INCE

Form of Proxy

The SPAR Group Limited
Registration number: 1967/001572/06
JSE code: SPP
ISIN: ZAE000058517
("SPAR or "the group")

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

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

For use by SPAR ordinary shareholders at the annual general meeting to be held at 22 Chancery Lane, Pinetown, Durban, South Africa on Wednesday, 11 February 2009 at 09:00.

I/We

of (address)

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

1. or failing him/her/it;

2. or failing him/her/it;

3. the chairman of the annual general meeting

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

	Number of votes (one vote per share)		
Ordinary business	For	Against	Abstain
1. Approval of annual financial statements			
2. Re-appointment of Mr PK Hughes as a director			
3. Re-appointment of Mr DB Gibbon as a director			
4. Approval of appointment of auditors			
5. Approval of remuneration payable to directors			
Special business 1. Special resolution number 1. To approve the acquisition by the company and /or its subsidiaries of shares in the company			
2. Ordinary resolution number 1. To place ordinary shares under the control of the directors for share option purposes			

Signed at this day of 2009

Signature

Completed forms of proxy must be received at the office of the company's transfer secretaries, Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Monday, 9 February 2009.

Notes

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

Corporate Information

Company Name
The SPAR Group Limited

Registration Number
1967/001572/06

JSE Code
SPP

ISIN
ZAE000058517

Group Secretary
KJ O'Brien
Appointed Group Secretary 2006

Business and Postal Address
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3600

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Facsimile
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Banker
First National Bank
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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
Rand Merchant Bank
(A division of FirstRand Bank Limited)
PO Box 786273
Sandton
2146

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