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The SPAR Group Limited Annual Report 2007

SPAR

The SPAR Group Limited
2007 Annual Report

Contents

Voluntary trading –
a marriage between
wholesaler and retailer.

“All will benefit from
united co-operation”

Corporate Information

Company Name
The SPAR Group Limited

Registration Number
1967/001572/06

JSE Code
SPP

ISIN
ZAE000058517

Group Secretary
KJ O’Brien
Appointed Group Secretary 2006

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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

Business Profile

The **SPAR** group acts as a wholesaler and distributor of goods and services to **SPAR** retail grocery stores, **Build it** builder's merchandise outlets, and **TOPS** at SPAR liquor stores.

Six modern distribution centres, strategically located close to major metropolitan areas, provide goods and services to 1 340 retail stores across South Africa.

The SPAR philosophy that by working together in partnership, all will benefit from united cooperation, is as relevant today as it was when SPAR was founded some 75 years ago.

The objective of the group is to unite wholesalers and retailers allowing them to compete successfully against other competitive chains.

Financial Highlights

Turnover	R21.7 billion	▲	27.6%
Operating profit	R774.7 million	▲	28.5%
Headline earnings per share	312.3 cents	▲	30.1%
Strong Cash Generation			
Final dividend per share	112.5 cents	▲	50.0%
Market capitalisation	R9 170 billion	▲	50.9%

Operational Highlights

SPAR		32 stores opened
Retail trading space	▲	7.2%
National market share		26.9%
Build it		32 stores opened
TOPS at SPAR		73 stores opened

Chairman's and CEO's Report

Financial Overview

SPAR produced a solid set of trading results on the back of an excellent performance at retail, aggressive marketing, strong consumer spending and higher inflation. The group achieved earnings of R523 million, an increase of 28.3% on 2006. Headline earnings per share of 312.3 cents, increased 30.1%. The dividend cover, reduced to 1.7, resulted in a 50.4% increase in the annual dividend declaration. Notwithstanding the group's capital expenditure and share buyback programmes, cash generation remained strong.

"Annual dividend increased 50.4%"

Turnover up 27.6% reflected the group's effort to drive growth and the extremely strong trading environment which existed during the year under review. The group's liquor and Build it sales performances were particularly pleasing, showing growths of 48.2% and 37.3% respectively. Perishable product sales also showed above average growth. Internal inflation of between 7% – 8% meant that the group achieved substantial real growth during 2007.

In spite of a competitive environment, category gross margins were maintained, but as anticipated, the actual gross margin declined to 8.2% from 8.4% in 2006. This decline in the margin was caused by a change in the sales mix. Gross profit at R1.78 billion increased 24.4%.

Warehouse and distribution expenditure, up 18.2%, increased at a rate lower than the growth in ex-warehouse turnover. Efficiencies from the implementation of new warehouse technologies and fleet management were recorded.

Marketing costs increased 24.1% driven by increased television and radio advertising, additional promotional campaigns, SPAR brand product research and development costs and the recently announced sponsorship of the AmaZulu football club.

Mike Hankinson *Chairman*

Wayne Hook *CEO*

Administration and information technology expenditure rose 24.2%. This increase was driven, in the main, by the investment in warehouse technologies, the installation of a virtual private network and new retail back office software.

Net interest earned of R22.0 million (2006 R15.6 million) reflected the increased contribution received as a result of the group's additional financial assistance to retailers. Loans were primarily made for store purchase purposes.

Following upon the continued depreciation of the Zimbabwean Dollar, the group provided for a decrease of R2.0 million in the value of its 35% investment in SPAR Harare (Pvt) Ltd. The group's net investment in its Zimbabwean investment stands at R3.5 million. Notwithstanding difficult trading conditions in Zimbabwe, SPAR Harare traded profitably.

The effective rate of taxation, inclusive of STC, at 34.2% remained unchanged from that of 2006.

The group took advantage of its ability to warehouse stock and increased its stockholding compared to year-end 2006. This enabled the group to provide a marginally better in-stock position at retail. Trade debtor outstandings increased at a lesser rate than the rate of increase in turnover. Creditor finance remained directly linked to supplier trading terms and the substantial increase in creditor finance was due to the September 2007 year-end closing cutoff date falling on a weekend.

The group invested R314.6 million on expansionary and replacement capital expenditure and provided loan facilities to retailers of R77.6 million. The group continued to repurchase its shares. The cost of share purchases during the year was R92.1 million. Proceeds from the exercising of share options amounted to R11.6 million.

At year-end the group had cash holdings of R453.5 million (2006: R41.5 million) on hand.

The group held good on its commitment to reduce the dividend cover, with cover being reduced to 1.7 from 1.95 in 2006. A final dividend of 112.5 cents per share was declared. The annual dividend of 185 cents per share represented a 50.4% increase over the 2006 dividend.

Corporate Governance

The group continues to maintain high standards of corporate governance and remains committed to operating in a sustainable manner.

Share Purchase

The share purchase trust acquired a further 1 845 153 shares during the year under review. The shares will be held for purposes of satisfying option holders as and when such option holders exercise their option rights. At year-end the share purchase trust held 3 554 775 SPAR shares.

SPAR Retail

An extremely active year was experienced at retail. The group opened a further 32 stores, and 14 stores changed formats. The group serviced 810 stores at year-end. The ongoing programme of upgrading stores resulted in 129 stores undertaking major revamps. Retail trading space increased an impressive 7.2% to 780 294 m^2. Sales at retail grew 21% and topped R29 billion.

SPAR stores remain exciting, state-of-the-art shopping outlets providing a full spectrum of product offerings ranging from dry groceries, fresh produce, perishable foods,

SPAR Retail Store Numbers

	2003	2004	2005	2006	2007
SUPERSPAR	95	113	123	145	172
SPAR	473	464	475	478	477
KWIKSPAR	186	185	185	176	161
Total	**754**	**762**	**783**	**799**	**810**

"SPAR branded products achieved a milestone breaking through the R2.4 billion sales level"

kitchenware and personal care products. Sourcing and securing new development sites remains essential and to this end the group's new business managers play an extremely active and important role. It is anticipated that a further 25 stores will open during 2008 which together with store revamps will add 5% to retail trading space.

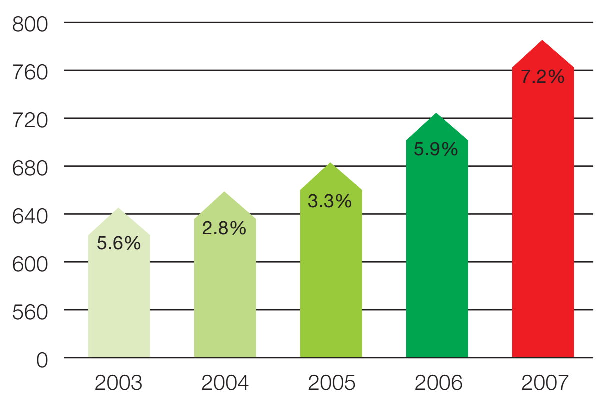
The group continued to focus on driving brand awareness, improving price perception, aspiring to being "best in fresh" and promoting a healthy lifestyle. SPAR branded products achieved a milestone during the year under review by breaking through the R2.4 billion sales level. Once again the group launched a number of new SPAR branded products. The Good Living range of kitchenware continued to trade successfully. Under the banner "As good as the best for less", SPAR branded products continued to play a vital role in changing the price perceptions of customers of the group. "SAVEMOR" branded commodity products likewise showed strong growth and remained an important contributor to the group's drive into the emerging market.

FRESH LINE fresh produce and bakery products showed further improvement in quality and are now a major contributor to SPAR's fresh offering. Improved product quality remains an objective and to this end the group is focusing on product sourcing.

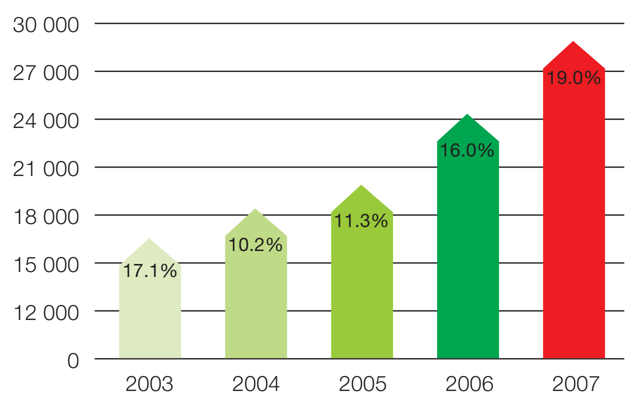
Sponsorship of women in sport, specifically hockey, netball and SPAR's 10 km challenges, together with extensive local community involvement, contributed to strengthening the brand. With excitement building towards the 2010 World Cup soccer tournament, SPAR broadened its sponsorship programme and signed a three-year sponsorship agreement with premier league soccer side, AmaZulu. It is anticipated that this sponsorship, which has been well received by the many loyal AmaZulu fans and soccer in general, will continue to keep the SPAR brand uppermost in consumers' minds.

Exciting and innovative marketing initiatives are planned for 2008, which initiatives will again be underpinned by the group's pay-off line "Good for You". The group will continue its drive to broaden the age band profile of its customers.

SPAR Retail Selling Area m^2 ('000) + growth %



SPAR Retail Sales (Rmillions) + growth %



TOPS at SPAR

With SPAR offering financial assistance and continuing to encourage SPAR retailers to open TOPS at SPAR liquor outlets, 73 new outlets were opened during the year. The group now services 287 outlets throughout South Africa, Botswana and Namibia.

The South African liquor market grew at approximately 11% during the year, with inflation in the category running at approximately 6 – 7%. SPAR liquor turnover (ex warehouse and via direct store delivery) topped R900 million and grew 48.2% year on year. Organic growth at TOPS retail outlets was substantial. TOPS media spend was increased and this played an important part in driving sales. The TOPS exclusive whisky and wine brands continued to achieve success.

With the purchase of liquor from traditional bottle stores being a male dominated event, a strategic objective of TOPS stores has been to make stores more appealing to the female shopper. To this end store design and cleanliness of stores plays an important role. Recent market surveys have revealed that TOPS stores have been well received by the public and in particular with female shoppers, with the ratio of female shoppers shopping at TOPS considerably exceeding that of the national average.

Legislative backlogs, affecting the granting of liquor licences in some of the provinces, have eased, with the result that TOPS is forecasting to open approximately 40 new stores during 2008. The group anticipates another solid trading performance in the year ahead.

Build it

Build it, as a division of The SPAR Group Limited, owns the "Build it" trade mark and provides the leadership and drive for this voluntary trading group of building materials retail outlets. The division, in return for carrying the suppliers account in respect of goods supplied on a direct delivery basis to Build it retailers, earns a margin on all orders fulfilled by suppliers. Build it stores carry a quality range of building material products specifically aimed at the communities they serve.

With building activity at a high level countrywide, 2007 was another expansionary year for Build it. At retail the Build it group experienced good new store growth and continued to establish itself as a leading brand in the building materials industry.

Store numbers increased to 243 with the opening of a further 32 new stores. Retail turnover approached the R3 billion mark, of which some R1.9 billion was sourced through the

Build it division of The SPAR Group Limited. This represented a wholesale turnover growth of 37.3% for the year under review. Existing Build it retailers achieved exceptional organic growth, in excess of 20% year on year, and notwithstanding the implementation of the National Credit Act in the latter part of the year. Inflationary pressures resulted in price increases of approximately 9%.

The supply of cement, a major product line, was at times erratic and affected the sales and profitability of retail stores. The division constantly monitors cement supply with the objective of ensuring that Build it retailers obtain their fair allocation of this vital product.

Build it's marketing strategy remains that of differentiation and a number of new house-branded products were successfully introduced.

At retail, Build it stores continue to drive the "Making Home Building Simple" concept, through the provision of superior product, expert advice, assistance with building plans and bills of quantities and access to consumer credit. The recently launched "Changing Face" campaign aimed at revamping Build it stores, will provide customers with an improved shopping experience.

Support mechanisms provided by the division ensure that Build it retailers remain at the forefront of the industry and markets in which they trade. The division continues to drive the brand through dynamic regional and national television and radio advertising programmes, national sponsorship, consumer promotions and competitions and competitive product pricing. The division further provides Build it retailers with training and people development programmes, benchmarking standards, a common IT platform, store development advice, look and learn experiences, rebates and incentives and a host of other beneficial value-added services.

Social responsibility forms the core of Build it's philosophy and community involvement remains a priority. Build it retailers play a positive role in the communities which have contributed to the growth of the brand.

Build it is targeting to open a further 30 stores in 2008, and barring unforeseen circumstances anticipates another year of good growth. Inflation appears likely to remain at the 8% – 9% level. The new credit regulations are not expected to have a material effect on sales, but meeting demand for cement will continue to be a challenge.

TOPS at SPAR Store Numbers

	2006	2007
South Rand	48	69
North Rand	51	64
KwaZulu-Natal	54	65
Western Cape	37	33
Eastern Cape	21	45
Lowveld	5	11
Total	**216**	**287**

Build it Store Numbers

	2006	2007
South Rand	41	49
North Rand	39	41
KwaZulu-Natal	62	64
Western Cape	27	31
Eastern Cape	30	34
Lowveld	22	24
Total	**221**	**243**

Distribution

The strong performance at retail resulted in significant volume increases flowing through the group's facilities. The group's six distribution centres handled approximately 137 million cases during the year, up 13.5% on 2006. Notwithstanding the considerable increase in activity, all distribution centres showed efficiency improvements. Pending completion of the group's new Western Cape distribution centre and the extension to the South Rand facility, the group will continue to make use of temporary warehouse storage facilities.

Whilst there has been a quantum increase in the number of cases handled, service levels to retail outlets remained satisfactory. This was achieved through the implementation of customer service drives. These programmes focused on improving service levels to retail stores. A concerted effort continues to be made to develop and enhance the ethic of teamwork and empowerment in all areas of operation. Comprehensive leadership training programmes are in place.

A consequence of the buoyant trading environment was the decline in "inbound" supplier service levels. Numerous suppliers suffered from capacity constraints which translated into out-of-stock positions. The group anticipates inbound service levels will improve during 2008.

Process improvements throughout the group continue with the roll out of new warehouse technologies. The initiatives, supported by radio frequency technologies, involve the scanning of inbound product and voice activated picking processes. With the exception of the group's Western Cape distribution centre, all divisions now utilise radio frequency technology for the receipt of goods and picking processes. Improvements are starting to be seen in inventory control and picking accuracy where these processes have been bedded down. Reductions in shrinkage figures have also been achieved.

The group invested heavily in its transport fleet with a substantial number of new truck tractors and trailers being purchased. A comprehensive maintenance programme remains in place to ensure optimal efficiency of the fleet. All new vehicles bought comply with strict European Union environmental standards. Increased focus continues to be given to driver training and fleet routing in an effort to bring down distribution costs.

Warehouse and distribution expenses increased 18.2% which was considerably lower than the increase in warehouse turnover, reflecting the improved efficiencies of the group's operations.

"The implementation of the latest developments in warehouse technology will result in improved operating efficiencies"

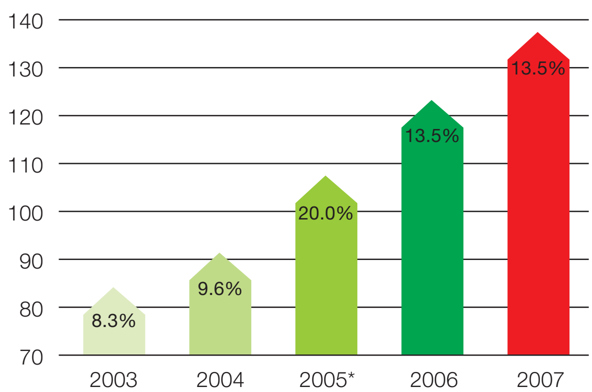
Distribution Centre

	m^2	Stores serviced
South Rand	32 000	229
North Rand	35 000	180
KwaZulu-Natal	39 000	152
Western Cape	21 000	125
Eastern Cape	24 000	89
Lowveld	14 000	35
Total	**165 000**	**810**

Facilities

Construction of the group's new 33 550 m^2 Western Cape distribution centre is progressing well with trading from this facility expected to commence in April 2008. This new R300 million facility will give SPAR Western Cape the ability to consolidate its present operations onto a single site and to grow its market share. The group has concluded a conditional sale agreement in respect of its present Montague Gardens premises and will vacate these premises in May 2008.

Cases Distributed (millions + growth %)



* includes acquisition of Nelspruit Wholesalers (Lowveld distribution centre)

Property adjoining the group's South Rand distribution centre has been acquired and construction of a 23 500 m^2 dry goods extension to the existing facility is underway. Once complete in November 2008, the existing perishable facility will be expanded from approximately 7 000 m^2 to 12 500 m^2. Estimated cost of the total project is R265 million.

The group has acquired a 42 000 m^2 site in Mount Edgecombe and planning is at an advanced stage for the construction thereon of a 13 000 m^2 dedicated perishable facility. It is anticipated that trading from this facility will commence early in 2009, whereafter the present perishable facility within the existing KwaZulu-Natal distribution centre will be converted to additional dry goods space.

Information Technology

The group continued to roll out its logistics initiatives during 2007. These initiatives which involve the use of new technologies are already yielding efficiencies and will over time result in better stock control and availability, as well as improved receiving, picking and despatch functions.

The group's "direct delivery to store" software programme has now been completed and will be rolled out over the next 24 months as and when retail stores upgrade their computer processing facilities. The 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.

The group has completed the installation of a Virtual Private Network (VPN) which provides reliable high bandwidth connectivity to stores. All data communications between stores, distribution centres, trading partners, service providers and banks now utilise this network. The VPN provides vastly improved reliability and resilience when compared to the group's previous fragmented solution.

The first installations of state-of-the-art Windows-based back office software, have been completed at a number of SPAR stores. This two-year project which initially involved the customisation, integration and testing of a software package from Superdata in Germany, will now be rolled out to all SPAR retail outlets.

Executive Management

Two long serving executives retired on 31 October 2007.

Brian Beavon, who served the group for 37 years, retired from the position of Group Retail Operations Executive. Brian served in a variety of senior executive positions during his tenure with the group and made an outstanding contribution to the growth of SPAR in South Africa.

Roelf Venter assumed the position of Group Retail and Marketing Director on Brian's departure with Mike Prentice being appointed to the position of Group Merchandising Executive.

Richard Dady, after 17 years with SPAR retired as Group Human Resources Executive. Richard left the group having played an active role in developing sound human resource practices at both wholesale and retail level and in ensuring the excellent employer/employee relationships that the group enjoys today. Thuli Tabudi took over as Human Resources Executive on Richard's departure.

The board, the executive committee, staff and retailer members wish Brian and Richard well in their retirement and thank them most sincerely for the important contribution they made to the group over many years of service.

SPAR's senior management continues to be extremely motivated and enthusiastic as they lead SPAR into another challenging year. There remains good depth of management and succession for all key positions within the group.

Prospects

The group expects the current favourable trading environment to continue into 2008, but at slightly lower activity levels, due to higher interest rates and an anticipated slowdown in consumer spending. Planned SPAR, TOPS and Build it store openings together with driving the growth of existing stores will translate into positive volume growths.

The group is confident that it will be able to maintain category margins, although a change in the sales mix and the drive into emerging markets may adversely affect the actual margin. Warehouse efficiencies arising from recently

implemented new warehouse technologies will continue to accrue, but increased information technology expenditure will be incurred. The capital expenditure programme will result in the depreciation charge increasing and the relocation of the group's Western Cape operation to its new distribution centre will mean an increased level of costs at that operation. Additional operating expenditure will be incurred by the South Rand distribution centre as the distribution centre copes with the considerable inconvenience of the facility expansion.

Cash generation during 2008 will remain strong and will accommodate the group's capital expansion requirements as well as providing for dividends and share buybacks. Net capital expenditure for 2008 (after receipt of the proceeds from the sale of the Montague Gardens property) is forecast at R400 million.

Appreciation

It is appropriate after such a successful trading 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 every staff member for their personal contribution to this team effort. To our suppliers for their cooperation and support and finally most importantly to our committed and passionate retailers for their support and enthusiasm in driving our wonderful brands, thank you!

Life's great at SPAR!

Mike Hankinson	**Wayne Hook**
Chairman	*Chief Executive*

Directorate

Left to right – standing: Harish Mehta, Dave Gibbon, Roelf Venter, Phinda Madi, Rowan Hutchison, Kevin O'Brien and Peter Hughes.
Left to right – seated: Phumla Mnganga, Wayne Hook, Mike Hankinson and Rodney Coe.

"The group expects the current favourable trading environment to continue into 2008, but at slightly lower activity levels"

Non-executive Directors

Michael John Hankinson (58) B.Com, CA(SA)

(Independent non-executive chairman)

Appointed to the board: September 2004
Director of companies.
Formerly chief executive of Dunlop Tyres International (Pty) Limited and Romatex Limited, Textile Federation president and board member of the SA Wool Board and International Wool Secretariat.

David Braidwood Gibbon (65) CA(SA)

(Independent non-executive director)

Appointed to the board: October 2004
An independent non-executive director and chairman of the audit committee of Africa Bank Investments Limited. and a director of Steinway Trustees (Pty) Limited.
A former partner of Deloitte & Touche.

Peter Kilby Hughes (61) C.I.S.

(Non-executive director)

Appointed to the board: September 1989
Retired as chief executive of SPAR on 30 September 2006 after serving in that capacity for seventeen years.
A former regional and divisional director within the Barlow Group.

Rowan James Hutchison (60) B.Com (Hons), MBA

(Independent non-executive director)

Appointed to the board: October 2004
Currently a non-executive director of RMB Asset Management (Pty) Limited and Momentum Group Limited. A member of the Momentum Group remuneration committee.
A former chief executive officer of RMB Asset Management (Pty) Limited.

Mziwakhe Phinda Madi (40) B.Proc (Law)

(Independent non-executive director)

Appointed to the board: October 2004
Deputy Chairman of All Care Medical Aid Administrators and a visiting professor of Rhodes University Business School. A founding member of the Black Economic Empowerment Commission and a director of Illovo Sugar Limited.
A former group managing director of Thebe Risks and Benefits Group and chairperson of Madi Sussens and Herdbouys.

Phumla Mnganga (39) BA, B.ED, MBL

(Independent non-executive director)

Appointed to the board: January 2006
Managing director of Lehumo Women's Investment Company.
A director of Gold Circle Racing and Gaming Company and the Council of the University of KwaZulu-Natal.
Previously worked in an executive capacity at Tongaat-Hulett Group and Gold Circle Racing and Gaming Group.

Harish Kantilal Mehta (57) B.Sc, MBA

(Independent non-executive director)

Appointed to the board: October 2004
Group managing director of Universal Print Group (Pty) Limited.
Chairman of Clearwater Capital (Pty) Limited and Madison Property Managers Limited.

Executive Directors

Wayne Allan Hook (51) CA(SA)

(Chief Executive)

Appointed to the board: 1 October 2006
Joined the group in 1984 and served in financial, information technology and logistics management before being appointed managing director of SPAR KwaZulu-Natal in 1997. Appointed Group Chief Executive on 1 October 2006.

Rodney Walter Coe (58) CA(SA)

(Group Financial Director)

Appointed to the board: November 1990
Financial Director since 1993, a former group development director. 22 years service with SPAR.
A former director of Holiday Inns Limited.

Roelf Venter (49) B.Com (Hons) MBA (Stellenbosch)

(Group Retail Operations and Marketing Director)

Appointed to the board: 7 February 2007
Joined the group in 1983 and served in various marketing and buying management positions before being appointed Managing Director of SPAR West Rand and subsequently SPAR South Rand.
Appointed Group Marketing Executive on 1 October 1999.

Executive Management

Chief Executive (1)
Wayne Hook

SPAR Distribution

- Divisional MD SPAR South Rand – Ian Gillespie (8)
- Divisional MD SPAR North Rand – Brett Botten (13)
- Divisional MD SPAR KwaZulu-Natal – Rob Philipson (12)
- Divisional MD SPAR Western Cape – Bill Brown (14)
- Divisional MD SPAR Eastern Cape – Conrad Isaac (6)
- Divisional MD SPAR Lowveld – Rob De Vos (10)

Group Services

- Chairman The SPAR Guild & Retail Operations Executive – Brian Beavon* (9)
- Information Services Executive – Enno Stelma (7)
- Financial Director – Rodney Coe (2)
- Marketing Director – Roelf Venter** (3)
- Human Resources Executive – Richard Dady*** (11)
- Logistics Executive – Trevor Currie (5)
- Company Secretary – Kevin O'Brien (4)

Build It

- Divisional MD – Ray Whitmore (15)

* Brian Beavon retired on 31 October 2007 and was replaced by Roelf Venter as Retail Operations and Marketing Director and Chairman of The SPAR Guild.

** Mike Prentice was appointed Group Merchandising Executive effective 1 October 2007.

*** Thuli Tabudi replaced Richard Dady as Group Human Resources Executive effective 1 November 2007.

"There remains good depth of management and succession for all key positions within the group"

Store Formats

SUPERSPAR

- Selling areas of 1300 m^2 +
- Aggressively priced
- Friendly and professional service
- Full range of groceries and general merchandise
- Extensive service departments such as fresh produce, in-store bakery, butchery, deli and meal solutions

SPAR

- Selling areas of 700 m^2 +
- Neighbourhood/rural supermarket shopping focus
- Competitively priced
- Friendly and professional service
- Comprehensive range of groceries
- Fresh produce, in-store bakery, butchery, deli and home-meal replacement departments

KWIKSPAR

- Selling areas of 250 m^2 to 600 m^2
- 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

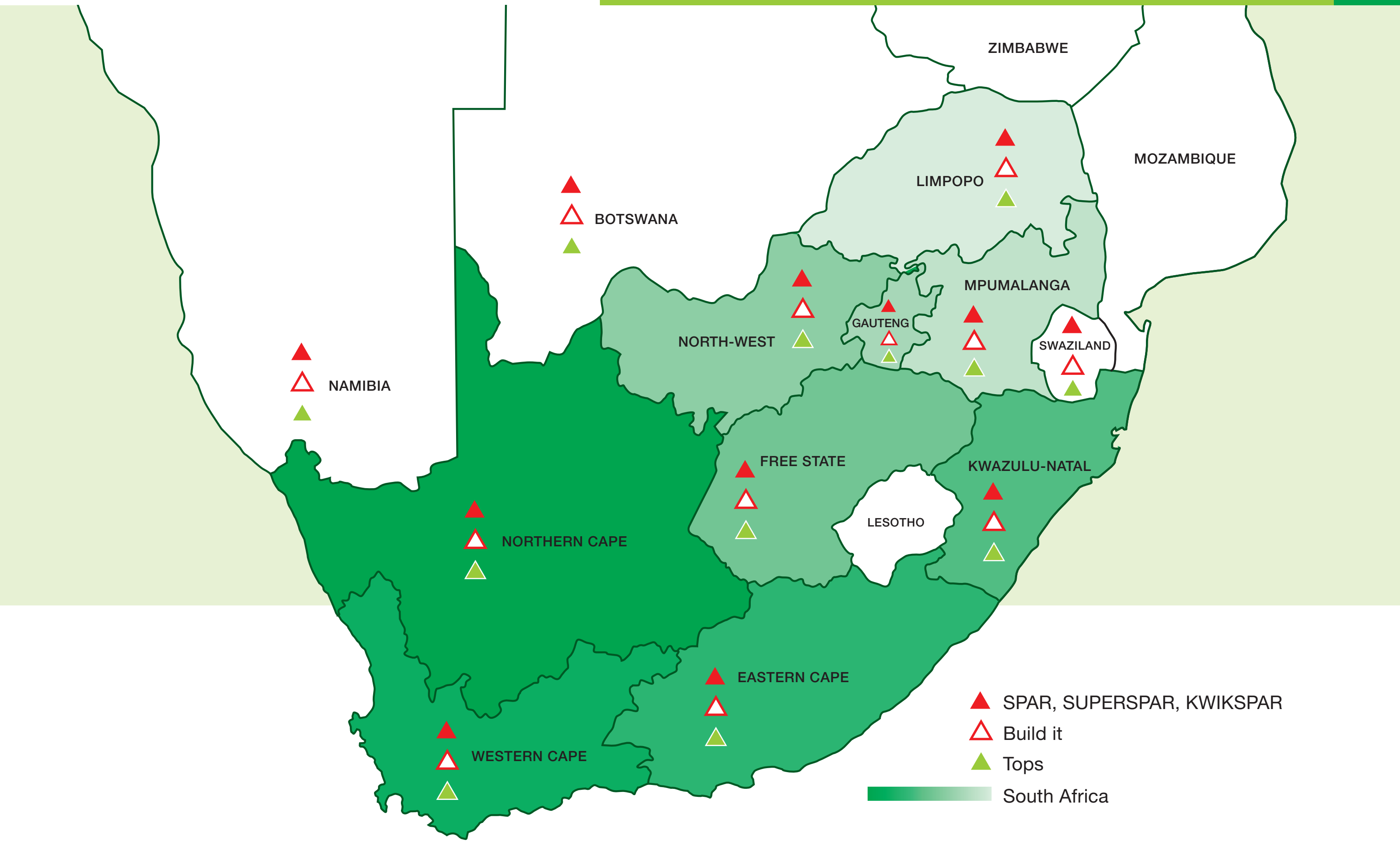
tops! at SPAR

- Stand-alone liquor store
- Full range of liquor products
- Located within close proximity of member's store
- Membership basis – 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 sectors
- Membership open – controlled by The Build it Guild

Geographical Presence



Serviced by	SUPERSPAR	SPAR	KWIKSPAR	TOPS	Build it
South Rand DC	39	140	50	69	49
North Rand DC	46	114	20	64	41
KwaZulu-Natal DC	34	89	29	65	64
Western Cape DC	27	69	29	45	31
Eastern Cape DC	12	49	28	33	34
Lowveld DC	14	16	5	11	24
Total	**172**	**477**	**161**	**287**	**243**

DC = Distribution centre

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 subscribes to 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

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. Details and 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.

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

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 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. 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.

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.

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 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.

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.

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.

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 finance 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.

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.

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, 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.

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.

Meeting Attendance

The following is a list of board and committee meetings attended by the directors:

	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B
RW Coe	4	4	3	3		
DB Gibbon	4	4	3	3		
MJ Hankinson	4	4	3	3	2	2
WA Hook	4	4	3	3	2	2
PK Hughes	4	4				
RJ Hutchison	4	4			2	2
MP Madi	4	4				
HK Mehta	4	3	3	3	2	2
P Mnganga	4	4				
R Venter	3	3				

A: Indicates the number of meetings held during the period for which the director was in office.

B: Indicates the number of meetings attended.

Audit and Risk Committee members: DB Gibbon (chairman), MJ Hankinson, HK Mehta.

Remuneration and Nominations Committee members: MJ Hankinson (chairman), WA Hook, RJ Hutchison, HK Mehta.

Code of Ethics

The group is committed to a policy of dealing fairly and with integrity in the conduct of its affairs. The group 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.

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

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 Stock 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's continued growth and competitiveness is only possible with the endorsement of its stakeholders. SPAR is committed to behaving in a socially responsible manner whilst creating value for its shareholders, retail members, staff, suppliers, consumers, the local communities in which it operates and those government departments with which it interacts. In short SPAR's sustainability is dependent on the sustainable welfare of the society in which it operates.

The development of processes, policies and practices within SPAR, encompasses a sustainable level of commitment beyond mere compliance and reflects the group's values and ethics.

SPAR is aware of the imperatives of being a socially responsible enterprise. 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.

SPAR accepts its responsibility to account to all stakeholders, and regards transparency of communication as a competitive advantage. There is not only an acceptance of the need to disclose, but rather a desire for prompt and accurate communication.

The business case for sustainability is made for, amongst other things, attracting, retaining and growing SPAR's talent pool, increasing market penetration, growing SPAR's footprint, continuously improving operational efficiencies, improving relationships with appropriate government departments, local communities and suppliers, and gaining general acceptance for SPAR's "licence" to trade. Central to this is ethical conduct. SPAR seeks to conduct its business in an honourable manner, and truthfulness and honesty are paramount. Matters of fair trade are essential to sustainability, and SPAR prides itself on its relationships with both its retailers and suppliers.

Congruent with this is the requirement to sustain and grow the base of independent SPAR retailers. New stores create employment and contribute 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. The independence of SPAR retailers and the maintenance of the voluntary trading model are critical to the growth SPAR.

Operational Efficiency

Central to SPAR's value proposition is the enhancement of customer service, improved efficiencies and cost reduction at both wholesale and retail.

People processes such as the "12 Ladders" and the "Work Structuring" process continue to be successfully applied, and team work is entrenched across all divisions. The "Amafela" teamwork initiative in the Eastern Cape is a world class showpiece example of teamwork participation. "SPARRING for Quality" has been successfully rolled out at a number of distribution centres.

Radio frequency and voice activated picking processes have improved efficiencies. The "direct delivery to store" software programme and new backdoor operating software should affect efficiencies both at group, retailer and supplier level.

Labour Practices and Staff Value Proposition

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. In addition to the importance of work, a balanced lifestyle is encouraged.

SPAR believes that its employment practices are instrumental in its ability to attract and retain talent. Significant strides have been taken to brand SPAR as an employer of choice. The group is committed to creating employment conditions whereby individual members of staff can "live the brand", and to market related conditions of service and service equity, from entry into the group to eventual retirement. A succession planning process has been implemented and a graduated development process aimed at preparing potential for each level of leadership is in place. As these initiatives unfold, so the aspirational needs of a greater number of SPAR's developing leaders will be satisfied. Recruitment continues to be focused towards achieving employment equity plans.

Employment Equity

SPAR subscribes to the concept of the dignity of all. Policies are non-discriminatory and sensitive towards the equal treatment of all employees and potential employees.

All distribution centres are compliant with the Employment Equity Act. Equality of opportunity is underpinned by an affirmative action programme and training and progress monitored.

Broad-based Black Economic Empowerment

The principles of Broad-based Black Economic Empowerment (BBBEE) are embraced by the group.

Following the finalisation of the Department of Trade and Industry's BBBEE Guide Lines and score card, SPAR's internal rating backed by the Financial Mail/EmpowerDex survey indicates that the group has progressed from a level 8 contributor to a level 7 contributor with a 50% recognition level.

Ownership

The executive committee continues to investigate and explore proposals in respect of direct ownership of SPAR equity.

Skills Development

All distribution centres are 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 maintained its accreditation with the Wholesale and Retail Sector Education and Training Authority, and its links to the Transport Education and Training Authority. Programmes developed by the Academy are Unit Standard Aligned.

Learnerships embarked on during the year at distribution centre level were:

National Certificates/Diplomas:

- Drivers (NQF 5)
- Information Technology (NQF4)
- Professional Driving (NQF3)
- Freight Handling (NQF 3)
- Certificate in Office Administration (NQF3)
- Certificate in Wholesale and Retail – Generalist (NQF2)
- Training Certificate in Servicing Vehicles (NQF2)
- Fork-lift Mechanic – Apprenticeship
- Management Development Programme
- Generic Management (NQF4)
- Freight Logistics (NQF5)
- Education, Training and Development (NQF5)

In 2008 the following will be added to the offerings made at distribution centre level:

- National Certificates:
- Operations Management (NQF5)
- Buyer Planner (NQF5)
- Operations (NQF2)

The following non-certificated SETA-approved programmes were conducted during the year:

- ABET
- Junior Leadership Programme
- Credit Risk Programme
- Driver Trainee Programme
- Inservice Training
- Fundamental Development Programme
- SPAR Leadership Development Programme
- Produce Master Programme

The following learnerships at retail were offered:

- Retail Shop-floor Practice Learnerships
- Bakery Learnership
- Butchery Learnership

Development is progressing on a National Certificate in Wholesale and Retail Distribution (NQF3).

95 bursaries were awarded for tertiary education to SPAR staff members or family members, with the bulk of the awards being made to blacks.

Management and Leadership Development

Building on the success of the two SPAR Leadership Development Programmes (SLDP) piloted during 2006, The SPAR Academy progressed seven senior high potential managers through the programme during 2007. The programme aims to prepare candidates for future executive positions through a process of personalised mentoring and coaching, self-assessment and structured behavioural change. The programme focuses on the personal, interpersonal and technical development needs of the individual.

Two further programmes will be rolled out in 2008. The first is aimed at filling the leadership pipeline and ensuring the continuity of the group's core competencies, talent management, knowledge transfer and management. 30% of the intended candidates will be black.

The second programme, piloted in 2007, targets the development of leaders at junior level and prepares them for entry into the leadership pipeline. The programme is intense and requires the submission of Portfolios of Evidence to prove understanding and competence. The 114 delegates of the 2007 programme – all black – met the relevant requirements for achieving competence. A further 47 delegates will be offered the programme during 2008.

Trainee Managers

The group has in place a trainee manager programme. Trainee managers undergo training from 18 to 24 months and are expected to be capable of filling a management position at the end of that period. This initiative has provided the group with a steady stream of high potential people during the 10 years of its existence.

SPAR Retail College

The SPAR Retail College's Management Induction Programme (MIP), developed for both SPAR and Build it retailers, enjoyed excellent support during 2007. From inception in 2002, 677 delegates have experienced the SPAR MIP, and, since it started in 2003, 272 delegates have attended the Build it MIP. A satellite training college established in Bloemfontein trained some 78 retail staff on a variety of programmes during the year under review.

Retail Management Programme

The Retail Management Programme is being updated to ensure that the material is relevant and satisfies the 16 retail specific unit standards. The development will be completed and certificated towards the end of 2008. Twenty candidates, of whom 95% are black, participate in the current programme.

The programme will also be offered as a long-distance learning programme for use by retailers to develop management talent in their stores.

Preferential Procurement

The importance of preferential procurement to BBBEE is acknowledged. With the finalisation of the BBBEE codes and in particular the score cards for multinationals, suppliers are now in a position to start being rated. To date, little information has been received from suppliers, and thus the real position in respect of supplier contributions to BBBEE remains largely unknown. Good progress has been made with smaller suppliers contracted into the production of SPAR Brands.

Enterprise Development

The creation and nurturing of new enterprises, specifically new independent SPAR stores, is an imperative for the group. The identification and facilitation of new entrants into the economy is one of the primary contributions that SPAR can make to transformation. The development of black enterprises as retail members of the SPAR voluntary trading system under its three banners, SPAR, TOPS and Build it provides a wonderful growth opportunity, and a means of creating jobs and alleviating poverty.

At the end of September 2007 there were 118 black-owned stores (including neighbouring countries), trading under the different banners, up from 107 at end September 2006.

Corporate Social Investment (CSI)

The CSI budget of 1% of post tax profit assists previously disadvantaged individuals and communities. The CSI spend is in addition to group sponsorships expenditure.

The CSI spend is allocated to the following:

- Specific HIV/AIDS related projects;
- Business Against Crime; and
- Other projects/charities at the discretion of the distribution centres in the areas of health, hunger and education.

The following institutions were supported in a variety of ways:

- Gozololo;
- Cotlands;
- Sparrow Ministries;
- Hillcrest AIDS Centre;
- Outreach Today;
- Arebaokeng Child Care Centre;
- Lebone House;
- The MCN Village Care Center;
- The JL Zwane Centre; and
- Ubuntu House.

Inclusive of sponsorships SPAR's CSI spend for 2007 was R17 million.

Safety and Health

A comprehensive risk management programme is in place, which is audited on a regular basis by an external risk management service. The programme covers emergency planning, health and safety, transport and fire and security.

The programme is updated on a regular basis to ensure compliance with Health & Safety Legislation. Reviews of the results are conducted regularly.

Environment

Resource conservation is a focus area in the fleet management programme. New vehicles brought into the fleet comply with strict European standards relating to emissions.

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

HIV/AIDS

The group includes HIV/AIDS in its Chronic Disease Policy. Awareness programmes in respect of chronic diseases are offered, and staff are encouraged to have age appropriate medical examinations.

Distribution centres provide clinic facilities for staff who have opted not to join the medical scheme. The clinics provide the channel through which the HIV/AIDS processes are maintained.

The HIV/AIDS processes dealt with onsite included voluntary CD4 count testing, pretest, post-test, and lifestyle counselling, provision of condoms, treatment of opportunistic infections and STDs and the provision of vitamin supplements. Each clinic establishes a relationship with a local hospital to ensure that ARVs appropriate to the infected individual's CD4 count are issued, and the clinic monitors adherence to the regime.

Crime

The unacceptably high levels of crime in the country inhibit growth and threaten the sustainability of business.

The group is actively involved in the Consumer Goods Council of South Africa Crime Prevention Programme, and with Business Against Crime.

Progress continues to be made on the analysis of crime incidents, and intersector co-operation has resulted in the proactive prediction of crime hot spots and modus operandi. The inclusion of the co-operating sectors with high-level police command structures is promising a more co-ordinated approach from authorities.

A national agreement with Trauma Assist provides professional counselling to crime victims, both staff and customers.

Sector Collaboration

The SPAR Group actively represents its interests and participates at such forums as:

- Consumer Goods Council of South Africa and its various sub-committees;
- The Retailers Association, and through their offices to Business Unity South Africa. 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.

"SPAR is committed to behaving in a socially responsible manner"

Five-year Review

Rmillion	**IFRS 2007**	IFRS 2006	IFRS 2005	SA GAAP 2004	SA GAAP 2003
GROUP INCOME STATEMENTS					
Revenue	**21 903**	17 177	13 737	12 105	10 121
Operating profit	**775**	603	499	395	349
Interest received	**32**	22	6	12	26
Interest paid	**(10)**	(6)	(5)	(3)	(4)
Share of equity accounted associate	**(2)**				
Net profit before taxation	**795**	619	500	404	371
Profit on disposal of discontinued operations				21	
Taxation	**(272)**	(211)	(157)	(133)	(118)
Net profit attributable to ordinary shareholders	**523**	408	343	292	253
GROUP BALANCE SHEETS					
ASSETS					
Property, plant and equipment	**736**	519	370	295	311
Goodwill	**246**	246	246	247	7
Loans and investments	**118**	57	17	25	38
Finance lease receivables	**9**				
Operating lease receivables	**115**	105	64		
Other non-current assets	**4**				
Deferred taxation asset	**15**		8	7	5
Current assets	**3 815**	2 702	2 053	1 683	1 415
Total assets	**5 058**	3 629	2 758	2 257	1 776
EQUITY AND LIABILITIES					
Capital and reserves	**1 110**	892	751	437	528
Deferred taxation liability		6			
Post retirement medical aid provision	**55**	50	46	37	33
Long-term borrowings		1	1	2	4
Operating lease payables	**115**	104	64		
Current liabilities	**3 778**	2 576	1 896	1 781	1 211
Total equity and liabilities	**5 058**	3 629	2 758	2 257	1 776
GROUP CASH FLOW STATEMENTS					
Cash flows from operating activities	**1 171**	560	421	354	(40)
Dividends paid	**(246)**	(191)	(51)	(383)	(69)
Cash flows from investing activities	**(394)**	(237)	(61)	(308)	(120)
Cash flows from financing activities	**(118)**	(94)	(2)	(6)	
Net increase/(decrease) in cash and cash equivalents	**413**	38	307	(343)	(229)

		IFRS 2007	IFRS 2006	IFRS 2005	SA GAAP 2004	SA GAAP 2003
SHARE PERFORMANCE						
Number of ordinary shares						
(net of treasury shares)	millions	**166.4**	167.2	169.3		
Headline earnings per share	cents	**312.3**	240.0	203.8		
Dividends per share	cents	**185.0**	123.0	94.5		
Dividend cover	multiple	**1.69**	1.95	2.15		
Net asset value per share	cents	**666.9**	533.5	443.6		
INCOME STATEMENT INFORMATION						
Gross margin	%	**8.2**	8.4	8.8	9.2	8.8
Operating profit margin	%	**3.6**	3.5	3.7	3.3	3.4
Headline earnings	Rmillion	**521.9**	406.7	344.4	284.1	260.6
SOLVENCY AND LIQUIDITY						
Return on equity	%	**52.3**	49.6	57.7	60.5	58.1
Return on net assets	%	**111.4**	75.1	67.1	65.1	122.1
EMPLOYEE STATISTICS						
Number of employees at year-end		**2 393**	2 277	2 221	2 260	2 536
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	cents	**5 511**	3 635	3 090		
– highest	cents	**5 699**	4 020	3 090		
– lowest	cents	**3 551**	2 751	1 925		
Number of share transactions		**38 761**	26 121	25 867		
Number of shares traded	millions	**120.7**	107.8	180.1		
Number of shares traded as a percentage of total issued shares	%	**72.5**	64.5	106.4		
Value of shares traded	Rmillion	**5 403**	3 717	4 069		
Earnings yield at year-end	%	**5.7**	6.6	6.6		
Dividend yield at year-end	%	**3.4**	3.4	3.1		
Price earnings ratio at year-end	multiple	**17.6**	15.1	15.2		
Market capitalisation at year-end net of treasury shares	Rmillion	**9 170**	6 078	5 229		
Market capitalisation to shareholders' equity at year-end	multiple	**8.3**	6.8	7.0		

As the SPAR Group Limited's shares listed on the JSE Limited on 18 October 2004 no stock exchange statistics were available for 2003 and 2004.

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) in issue during the year.

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 as determined by SAICA Circular 8/2007.

SOLVENCY AND LIQUIDITY

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 2007

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Directors' Approval of Annual Financial Statements

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

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

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2007 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 13 November 2007 and are signed on its behalf by:

MJ Hankinson
Chairman

WA Hook
Chief Executive

13 November 2007

Certificate by Company Secretary

I certify that the company has lodged with the Registrar of Companies all returns that are required of a public company in terms section 268G(d) of the Companies Act in respect of the year ended 30 September 2007 and that all such returns are true, correct and up to date.

KJ O'Brien
Company Secretary

13 November 2007

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 2007, 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 78.

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 2007, 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
Audit KZN
Registered Auditors
Per JAR Welch
Partner – Audit KZN

2 Pencarrow Crescent
La Lucia Ridge Office Estate
Durban
4001

13 November 2007

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)*, J Rhynes *(Deputy 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 2007 amounted to R523.0 million (2006: R407.6 million). This translates into headline earnings per share of 312.3 cents (2006: 240.0 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 1 845 153 shares (2006: 2 740 725) of The SPAR Group Limited for R92.1 million (2006: R99.8 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:

	2007	2006
Shares under option at the beginning of the year	**14 433 719**	13 121 819
Options granted	**1 925 000**	2 435 500
Options exercised and paid in full	**(1 035 203)**	(675 900)
Options lapsed or cancelled	**(302 200)**	(447 700)
Shares under option as at year-end (refer note 20.2)	**15 021 316**	14 433 719
Options available for issue	**7 070 632**	8 995 632

Details of options granted are set out in note 20.2.

Dividends

A final dividend of 75 cents in respect of 2006 was declared on 14 November 2006 and paid on 11 December 2006. An interim dividend of 72.5 cents per share was declared on 16 May 2007 and paid on 11 June 2007. A final dividend of 112.5 cents per share was declared on 13 November 2007, payable on 10 December 2007.

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

Last day to trade cum-dividend	Friday, 30 November 2007
Shares to commence trading ex-dividend	Monday, 3 December 2007
Record date	Friday, 7 December 2007
Payment of dividend	Monday, 10 December 2007

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 3 December 2007 and Friday, 7 December 2007, both days inclusive.

Directorate

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

The following changes to the directorate occurred during the year:

Effective 1 October 2006, Mr WA Hook was appointed Chief Executive.

Mr R Venter was appointed an executive director on 7 February 2007.

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 HK Mehta and Ms P Mnganga retire at the AGM to be held on 12 February 2008, but offer themselves for re-appointment.

At 30 September 2007 the directors beneficially held 23 800 (2006: 4 000) shares in the company and unexercised options to acquire a total of 1 282 900 (2006: 606 100) ordinary shares in the company (refer notes 32.3 and 33).

Subsidiaries

The interest of the company in the aggregate net profit after taxation of subsidiaries was R7.1 million (2006: R28.5 million). Details of the company's subsidiaries are set out in note 38.

Events Subsequent to Balance Sheet Date

The group concluded the sale of its Montague Gardens, Cape Town distribution centre effective 2 October 2007.

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 operations.

Accounting Policies

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and have been prepared on the historical cost basis except for the revaluation of financial instruments, the valuation of share based payments and the post retirement medical obligation. Except for the adoption of the Interpretation and Circular 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 Interpretation and Circular have been adopted in the current year:

IFRIC 4	Determining whether an Arrangement Contains a Lease (effective for annual periods beginning on or after 1 January 2006);
SAICA Circular 8/2007	Headline Earnings (effective for financial periods ending on or after 31 August 2007).

The adoption of the aforementioned Interpretation and Circular 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, relevant to the group, were in issue but not yet effective:

IAS 1	Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures (effective for annual periods beginning on or after 1 January 2007);
IFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007);
IFRS 8	Segmental Reporting (effective for annual periods beginning on or after 1 January 2009);
IFRIC 10	Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006);
IFRIC 11	Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).

The directors anticipate that the adoption of the aforementioned Standards and Interpretations and amendments to existing Standards, will not have a material impact on the profits of the group. IFRS 7, the amendments to IAS 1 and potentially IFRS 8 will result in additional disclosure requirements.

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 intercompany transactions and balances between group companies are eliminated.

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

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

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

Property, Plant and Equipment

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

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

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

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

Vehicles	10% to 25% per annum
Plant and equipment	8.3% to 33.3% per annum
Furniture and fittings	20% to 33.3% per annum
Computer equipment	10% to 33.3% per annum

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

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

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

Business Combinations

The acquisition of subsidiaries 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.

Goodwill

Goodwill arising on the acquisition of subsidiaries 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 subsidiary 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.

Accounting Policies

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 a subsidiary, 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, profit 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 stochastic 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. Normal South African 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 3 years with the last valuation having taken place on 30 September 2005. 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.

Accounting Policies

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 2005. 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.

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.

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which they arise.

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 the lessor:

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

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

In the capacity of lessee:

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

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

Foreign Investments in Hyperinflationary Economies

Foreign subsidiaries and associate investments which operate in a hyperinflationary economy are adjusted for hyperinflation using a general price index. This 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 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 2007

Rmillion	Notes	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
REVENUE	1	**21 903.1**	17 176.6	**21 599.8**	15 913.6
OPERATING PROFIT	3	**774.7**	602.8	**769.7**	590.0
Interest received	4	**32.3**	21.7	**32.3**	21.4
Interest paid	4	**(10.3)**	(6.1)	**(10.1)**	(4.9)
Share of equity accounted associate	12	**(2.0)**	0.3		
Profit before taxation		**794.7**	618.7	**791.9**	606.5
Taxation	5	**(271.7)**	(211.1)	**(267.2)**	(199.1)
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		**523.0**	407.6	**524.7**	407.4
EARNINGS PER SHARE (cents)	6				
Basic		**313.0**	240.5		
Diluted		**299.0**	231.7		

Rmillion	Notes	GROUP 2007	GROUP 2006*	COMPANY 2007	COMPANY 2006*
ASSETS					
NON-CURRENT ASSETS		1 242.5	925.9	1 201.2	890.4
Property, plant and equipment	9	736.2	519.1	693.0	464.2
Goodwill	10	245.6	245.6	245.6	
Investment in subsidiaries	38			2.3	267.4
Investment in associate	12	3.5	5.5	3.1	3.1
Finance lease receivables	13	9.3		9.3	
Operating lease receivables	11	115.3	104.7	115.3	104.7
Loans	14	114.0	51.0	114.0	51.0
Other non-current assets		4.1		4.1	
Deferred taxation asset	15	14.5		14.5	
CURRENT ASSETS		3 815.0	2 702.6	3 841.3	2 564.6
Inventories	16	594.5	449.3	594.5	421.0
Trade and other receivables	17	2 677.9	2 146.3	2 624.8	1 964.0
Prepayments		17.8	12.5	17.6	11.1
Finance lease receivables	13	2.2		2.2	
Operating lease receivables	11	10.3	9.2	10.3	9.2
Loans	14	31.1	16.7	185.4	116.3
Amounts owing by subsidiaries					43.0
Bank balances and cash	18	389.2		378.8	
Bank balances – Guilds	18	64.3	68.6		
		3 787.3	2 702.6	3 813.6	2 564.6
Non-current assets held for sale	19	27.7		27.7	
TOTAL ASSETS		5 057.5	3 628.5	5 042.5	3 455.0
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES		1 109.7	892.4	1 253.9	989.5
Share capital and premium	20	13.4	13.4	13.4	13.4
Treasury shares	21	(154.4)	(99.8)		
Share based payment reserve	22	30.2	35.0	30.2	34.8
Retained earnings		1 220.5	943.8	1 210.3	941.3
NON-CURRENT LIABILITIES		169.8	160.5	169.8	159.1
Deferred taxation liability	15		6.1		5.1
Post retirement medical aid provision	23	54.8	49.8	54.8	49.8
Borrowings	24		0.4		
Operating lease payables	11	115.0	104.2	115.0	104.2
CURRENT LIABILITIES		3 778.0	2 575.6	3 618.8	2 306.4
Trade and other payables	25	3 691.9	2 419.9	3 532.9	2 165.5
Borrowings	24	0.4	37.6	0.4	37.0
Operating lease payables	11	10.9	9.7	10.9	9.7
Provisions	26	3.5	64.4	3.4	58.1
Taxation		71.3	16.9	71.2	13.3
Bank overdrafts	18		27.1		22.8
TOTAL EQUITY AND LIABILITIES		5 057.5	3 628.5	5 042.5	3 455.0

*Restated – refer note 11

Statements of Changes in Equity
for the year ended 30 September 2007

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 2005	5.4		18.5	726.9	750.8
Profit for 2006				407.6	407.6
Recognition of share based payments			16.5		16.5
Shares issued	8.0				8.0
Share repurchases		(99.8)			(99.8)
Dividends declared				(190.7)	(190.7)
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**
COMPANY					
Total capital and reserves at 30 September 2005	5.4		18.5	724.6	748.5
Profit for 2006				407.4	407.4
Recognition of share based payments			16.3		16.3
Shares issued	8.0				8.0
Dividends declared				(190.7)	(190.7)
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**

Cash Flow Statements
for the year ended 30 September 2007

Rmillion	Notes	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
CASH FLOWS FROM OPERATING ACTIVITIES		924.7	369.0	926.3	337.9
Cash generated from operations	27	1 387.2	730.8	1 384.2	691.9
Interest received		32.0	21.4	32.0	21.1
Interest paid		(10.3)	(6.1)	(10.1)	(4.9)
Taxation paid	28	(237.9)	(186.4)	(233.5)	(179.5)
Dividends paid	8	(246.3)	(190.7)	(246.3)	(190.7)
CASH FLOWS FROM INVESTING ACTIVITIES		(393.8)	(237.5)	(487.1)	(317.3)
Investment to maintain operations		(20.7)	(37.3)	(20.6)	(37.0)
– Replacement of property, plant and equipment		(38.7)	(39.7)	(38.6)	(39.2)
– Proceeds on disposal of property, plant and equipment		18.0	2.4	18.0	2.2
Investment to expand operations		(275.9)	(150.1)	(275.2)	(130.4)
Divisionalisation of subsidiary	29			(13.7)	
Net movement on loans and investments		(97.2)	(50.1)	(177.6)	(149.9)
CASH FLOWS FROM FINANCING ACTIVITIES		(118.1)	(93.9)	(37.6)	6.6
Proceeds from issue of share capital and premium			8.0		8.0
Proceeds from exercise of share options		11.6			
Share repurchases	21	(92.1)	(99.8)		
Repayment of long-term borrowings		(37.6)	(2.1)	(37.6)	(1.4)
NET INCREASE IN CASH AND CASH EQUIVALENTS		412.8	37.6	401.6	27.2
NET CASH AND CASH EQUIVALENTS/(OVERDRAFTS) AT BEGINNING OF YEAR		41.5	0.2	(22.8)	(50.0)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(0.8)	3.7		
NET CASH AND CASH EQUIVALENTS/(OVERDRAFTS) AT END OF YEAR	18	453.5	41.5	378.8	(22.8)

	GROUP		COMPANY	
Rmillion	**2007**	2006	**2007**	2006
1. REVENUE				
Turnover	**21 704.0**	17 009.6	**21 393.8**	15 720.5
Other income	**199.1**	167.0	**206.0**	193.1
Advertising and promotional revenues	**198.4**	165.3	**198.4**	162.9
Other receipts	**0.7**	1.7	**0.7**	1.7
Dividends received			**6.9**	28.5
Total revenue	**21 903.1**	17 176.6	**21 599.8**	15 913.6
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:				
Turnover	**21 704.0**	17 009.6	**21 393.8**	15 720.5
Cost of sales	**(19 926.9)**	(15 581.3)	**(19 625.3)**	(14 386.0)
Gross profit	**1 777.1**	1 428.3	**1 768.5**	1 334.5
Other income	**199.1**	167.0	**206.0**	193.1
Operating expenses	**(1 201.5)**	(992.5)	**(1 204.8)**	(937.6)
Warehousing and distribution expenses	**(609.3)**	(515.5)	**(609.3)**	(488.4)
Marketing and selling expenses	**(320.4)**	(258.2)	**(315.0)**	(238.3)
Administration and information technology expenses	**(271.8)**	(218.8)	**(280.5)**	(210.9)
Operating profit	**774.7**	602.8	**769.7**	590.0

Rmillion	GROUP 2007	2006	COMPANY 2007	2006
3. OPERATING PROFIT (continued)				
Operating expenses include the following:				
Auditor's remuneration:	**3.2**	2.8	**3.2**	2.4
Audit fees	**3.0**	2.7	**3.0**	2.4
Expenses	**0.1**	0.1	**0.1**	
Other fees	**0.1**		**0.1**	
Depreciation:	**53.4**	39.7	**52.3**	37.1
Buildings and leasehold improvements	**6.2**	5.7	**5.2**	4.9
Plant, equipment and vehicles	**47.2**	34.0	**47.1**	32.2
Impairment of property, plant and equipment	**0.5**		**0.5**	
Net foreign exchange losses	**0.1**	0.4	**0.1**	0.4
Operating lease charges:				
Immovable property	**6.2**	1.5	**5.9**	1.8
Lease rentals	**138.0**	103.5	**137.7**	103.2
Sub-lease recoveries	**(131.8)**	(102.0)	**(131.8)**	(101.4)
Plant, equipment and vehicles	**12.9**	13.4	**12.9**	13.1
Net profit on disposal of property, plant and equipment	**(2.1)**	(1.2)	**(2.1)**	(1.3)
Post retirement medical aid provision	**5.0**	3.6	**5.0**	3.6
Retirement contributions				
Defined contribution plan expenses	**38.1**	32.9	**37.9**	30.6
Defined benefit plan expenses	**0.5**	0.7	**0.5**	0.6
Share based payments charge	**21.1**	16.5	**21.1**	16.3
Staff costs	**601.7**	512.7	**599.4**	480.7
Technical and consulting fees	**3.1**	2.2	**3.1**	1.9

Notes to the Financial Statements
for the year ended 30 September 2007

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
4. NET INTEREST RECEIVED				
Interest received				
Bank deposits	**16.2**	15.8	**16.2**	15.7
Loans and investments	**12.4**	2.0	**12.4**	2.0
Overdue debtors	**3.3**	3.6	**3.3**	3.5
Other	**0.4**	0.3	**0.4**	0.2
Total interest received	**32.3**	21.7	**32.3**	21.4
Interest paid				
Fixed asset financing and security deposits	**0.1**	3.4	**0.1**	3.3
Bank overdraft	**6.5**	2.5	**6.5**	1.5
Other	**3.7**	0.2	**3.5**	0.1
Total interest paid	**10.3**	6.1	**10.1**	4.9
Net interest received	**22.0**	15.6	**22.2**	16.5
5. TAXATION				
South African normal taxation				
Current taxation – current year	**235.7**	173.2	**231.9**	162.2
– prior year	**25.9**	0.1	**23.9**	0.1
Deferred taxation – current year	**4.4**	13.8	**4.4**	12.8
– prior year	**(25.0)**	0.3	**(23.7)**	0.3
Secondary tax on companies	**30.7**	23.7	**30.7**	23.7
Total taxation	**271.7**	211.1	**267.2**	199.1
Reconciliation of effective taxation rate	**%**	%	**%**	%
Standard taxation rate	**29.0**	29.0	**29.0**	29.0
Disallowable expenses/(exempt income)	**1.2**	1.2	**0.8**	(0.1)
Prior year under provision	**0.2**	0.1		0.1
Secondary tax on companies	**3.9**	3.8	**3.9**	3.9
Tax effect of share of associate	**(0.1)**			
Effective rate of taxation	**34.2**	34.1	**33.7**	32.9

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
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 167 075 611 (2006: 169 447 986). In respect of diluted earnings per share the weighted average number of ordinary shares (net of treasury shares) was 174 862 368 (2006: 175 874 772).				
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)	523.0	407.6	524.7	407.4
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	167 076	169 448	167 076	169 448
Effect of diluted potential ordinary shares:				
Share options	7 786	6 427	7 786	6 427
Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	174 862	175 875	174 862	175 875

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
7. HEADLINE EARNINGS				
Profit for the year attributable to ordinary shareholders	523.0	407.6	524.7	407.4
Adjusted for:				
Profit on sale of property, plant and equipment	(1.5)	(0.9)	(1.5)	(0.9)
– Gross	(2.1)	(1.2)	(2.1)	(1.3)
– Tax effect	0.6	0.3	0.6	0.4
Impairment of property, plant and equipment	0.4		0.4	
– Gross	0.5		0.5	
– Tax effect	(0.1)		(0.1)	
Headline earnings	521.9	406.7	523.6	406.5
Headline earnings per share (cents)				
Basic	312.3	240.0		
Diluted	298.4	231.2		
8. DIVIDENDS PAID				
2006 Final dividend declared 14 November 2006 – paid 11 December 2006	125.5	109.2	125.5	109.2
2007 Interim dividend declared 16 May 2007 – paid 11 June 2007	120.8	81.5	120.8	81.5
Total dividends	246.3	190.7	246.3	190.7
2006 Final dividend per share declared 14 November 2006 – paid 11 December 2006 (cents)	75.0	64.5	75.0	64.5
2007 Interim dividend per share declared 16 May 2007 – paid 11 June 2007 (cents)	72.5	48.0	72.5	48.0
Total dividends per share (cents)	147.5	112.5	147.5	112.5

The final dividend for the year ended 30 September 2007 of 112.5 cents per share declared on 13 November 2007 and payable on 10 December 2007 has not been accrued.

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT				
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 (refer note 29)		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)

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT (continued)				
GROUP – 2006				
Carrying value at 30 September 2005	244.1	1.7	124.4	370.2
Additions	75.4		114.4	189.8
Disposals at net book value			(1.2)	(1.2)
Depreciation	(5.5)	(0.2)	(34.0)	(39.7)
Category reclassifications	0.2	(0.2)		
Carrying value at 30 September 2006	314.2	1.3	203.6	519.1
Analysed as follows:				
Cost	358.8	2.0	464.6	825.4
Accumulated depreciation	(44.6)	(0.7)	(261.0)	(306.3)
COMPANY – 2006				
Carrying value at 30 September 2005	215.0	1.1	116.5	332.6
Additions	60.2		109.4	169.6
Disposals at net book value			(0.9)	(0.9)
Depreciation	(4.7)	(0.2)	(32.2)	(37.1)
Category reclassifications	0.2	(0.2)		
Carrying value at 30 September 2006	270.7	0.7	192.8	464.2
Analysed as follows:				
Cost	309.2	1.4	441.9	752.5
Accumulated depreciation	(38.5)	(0.7)	(249.1)	(288.3)

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 2007 was R481 million (2006: R516 million). The valuation was based on a yield of 14%. The current year valuation excludes the Montague Gardens, Cape Town distribution centre which has been reclassified as a non-current asset held for sale (refer note 19).

The valuation above excludes the costs incurred to date on the new West Cape distribution centre of R146 million, and improvements to the South Rand distribution centre of R25 million.

Certain assets are encumbered under instalment sale agreements in favour of Stannic Bank. The carrying value of these assets amounts to R664 288 (2006: R953 694) (refer note 24).

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 adjust the residual values and useful lives in the current year.

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
10. GOODWILL				
Opening balance	**245.6**	245.6		
Divisionalisation of subsidiary			**245.6**	
Closing balance	**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:

	2007	2006
Discount rate	**12%**	10.5%
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.

In the current year Nelspruit Wholesalers (Pty) Limited (Lowveld distribution centre operation) was divisionalised. This resulted in the replacement of the investment in Nelspruit Wholesalers (Pty) Limited with goodwill previously recognised on consolidation (refer note 29).

At 30 September 2007 the carrying value of goodwill was not considered to be impaired.

Rmillion	GROUP 2007	GROUP 2006*	COMPANY 2007	COMPANY 2006*
11. OPERATING LEASE RECEIVABLES/PAYABLES				
Operating lease receivables	125.6	113.9	125.6	113.9
Less current portion	(10.3)	(9.2)	(10.3)	(9.2)
Non-current operating lease receivables	115.3	104.7	115.3	104.7
Operating lease payables	125.9	113.9	125.9	113.9
Less current portion	(10.9)	(9.7)	(10.9)	(9.7)
Non-current operating lease payables	115.0	104.2	115.0	104.2

The group has entered into various non-cancellable operating lease agreements in respect of premises with landlords and has onleased these to various retailers. These leases are contracted for periods of up to 10 years 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.

The 2006 operating lease receivables and payables have been restated by R91.9 million due to an error at the initial measurement date. This has had no effect on opening equity or on current or comparative earnings.

* Restated

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
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**	2.4		
Net investment in associate	**3.5**	5.5	**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. This was the financial reporting date established when the company was incorporated. For the purposes of applying the equity method of accounting, the financial statements of SPAR Harare (Pvt) Limited for the year ended 30 June 2007 have been used. There have been no material unusual transactions from 30 June 2007 to 30 September 2007.

Hyperinflationary accounting adjustments have been applied to the 2007 and 2006 results of the Zimbabwean associate by applying an index thereto. The current cost method has been applied.

Rates used are as follows:	2007	2006
Purchase price index	**11 666 827**	158 709
Rand/Zimbabwe Dollar exchange rate	**36 048**	68 775

Summarised hyperinflationary adjusted financial statements of SPAR Harare (Pvt) Limited as at 30 June 2007 are as follows:

	R (millions)	R (millions)
Total assets	**7.4**	21.8
Total liabilities	**4.7**	9.7
Capital reserves	**2.7**	12.1
Revenue	**30.9**	85.1
Profit for the year attributable to ordinary shareholders	**6.1**	10.8
Loss on net monetary position for the year	**(11.8)**	(9.9)
(Loss)/profit for the year, net of hyperinflationary effect	**(5.7)**	0.9

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
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 five years. The leases bear interest at prime bank overdraft rate.				
Amounts receivable under finance leases				
Minimum lease payments				
– within one year	3.1		3.1	
– in the second to fifth years inclusive	10.9		10.9	
	14.0		14.0	
Less unearned finance income	(2.5)		(2.5)	
Present value of minimum lease payments	11.5		11.5	
Less current portion	(2.2)		(2.2)	
Non-current finance lease receivables	9.3		9.3	
14. LOANS				
Tiger Brands Limited Share Purchase Trust		0.2		0.2
Retailer loans	145.1	67.5	145.1	67.5
Advance to The SPAR Group Limited Employee Share Trust (2004)			154.3	99.6
	145.1	67.7	299.4	167.3
Less current portion	(31.1)	(16.7)	(185.4)	(116.3)
Non-current loans	114.0	51.0	114.0	51.0

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 options holders who exercise their option rights.

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

Rmillion	GROUP 2007	2006	COMPANY 2007	2006
15. DEFERRED TAXATION ASSET/(LIABILITY)				
Deferred taxation analysed by major category:				
Accelerated capital allowances	(29.0)	(16.4)	(29.0)	(15.8)
Provisions, claims and prepayments	43.5	10.3	43.5	10.7
Closing balance – deferred taxation asset/(liability)	14.5	(6.1)	14.5	(5.1)
Reconciliation of deferred taxation:				
Opening balance	(6.1)	8.0	(5.1)	8.0
Divisionalisation of subsidiary			0.2	
Income statement effect	(1.2)	(14.1)	(2.4)	(13.1)
Revised 2005 assessment	21.8		21.8	
Closing balance	14.5	(6.1)	14.5	(5.1)
16. INVENTORIES				
Merchandise	607.6	458.2	607.6	429.3
Less provision for obsolescence	(13.1)	(8.9)	(13.1)	(8.3)
Total inventories	594.5	449.3	594.5	421.0
Shrinkages and damages written off during the year	48.5	36.6	48.5	34.6
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	2 498.1	2 021.7	2 457.0	1 863.4
Other	179.8	124.6	167.8	100.6
Total trade and other receivables	2 677.9	2 146.3	2 624.8	1 964.0

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
18. CASH BALANCES/(OVERDRAFTS)				
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	**64.3**	68.6		
Bank overdrafts – SPAR		(27.1)		(22.8)
Total cash balances/(overdrafts)	**453.5**	41.5	**378.8**	(22.8)
19. NON-CURRENT ASSETS HELD FOR SALE				
Property, plant and equipment held for sale	**27.7**		**27.7**	

As a result of growth in business, the group has concluded the sale of its Montague Gardens, Cape Town distribution centre, effective 2 October 2007. Distribution centre operations will be relocated to a new larger facility presently being constructed in Philippi, Cape Town. Operations are expected to commence from the new distribution centre during the second quarter of 2008, with the present facility being vacated by 31 May 2008.

No impairment was recognised on the reclassification of the property.

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
20. SHARE CAPITAL AND PREMIUM				
20.1 Authorised				
250 000 000 (2006: 250 000 000) ordinary shares of 0.06 cents (2006: 0.06 cents) each	**0.2**	0.2	**0.2**	0.2
Issued				
169 940 035 (2006: 169 935 935) ordinary shares of 0.06 cents (2006: 0.06 cents) each	**0.1**	0.1	**0.1**	0.1
Share premium account	**13.3**	13.3	**13.3**	13.3
Balance at beginning of year	**13.3**	5.3	**13.3**	5.3
Shares issued during the year		8.0		8.0
Total share capital and premium	**13.4**	13.4	**13.4**	13.4

All the authorised and issued shares are of the same class and rank *pari passu* in every respect. There are no conversion or exchange rights. Any variation of rights required for these shares will require a special resolution from the shareholders in a general meeting in accordance with the Articles of Association.

Pursuant to the exercising of options, 4 100 ordinary shares (2006: 675 900) were issued during the year ended 30 September 2007, thereby increasing the issued share capital to R102 575 (2006: R101 961) consisting of 169 940 035 ordinary shares (2006: 169 935 935).

The unissued shares of the company are under the control of the directors to the extent that such shares may be required to satisfy option holders' requirements.

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	2007 Number of shares under option	2006
R5.02922	9 March 2008	**16 900**	30 900
R9.33601	19 May 2008	**29 250**	35 450
R6.43587	11 September 2008	**23 300**	33 500
R6.81538	22 September 2008	**155 700**	246 700
R7.82552	2 October 2008	**5 500**	7 500
R9.80803	24 June 2009	**116 400**	150 800
R7.96901	8 July 2009	**30 000**	31 367
R10.80873	8 November 2009	**390 600**	419 600
R10.88426	1 December 2009	**1 700**	1 700
R10.28006	18 April 2010	**3 400**	3 400
R9.63810	13 October 2010	**5 000**	5 000
R9.94020	14 November 2010	**309 166**	362 366
R9.61922	1 April 2011	**–**	3 400
R10.47902	4 June 2011	**–**	6 666
R11.19650	21 June 2011	**–**	5 000
R11.55525	25 July 2011	**–**	6 700
R11.61189	1 September 2011	**6 700**	6 700
R10.76224	29 January 2012	**1 002 600**	1 379 370
R11.93287	4 April 2012	**800**	6 400
R13.05818	3 February 2013	**940 800**	1 225 900
R13.05818	31 March 2013	**259 400**	288 900
R13.17147	8 August 2013	**11 700**	11 700
R15.10867	29 January 2014	**1 114 700**	1 291 000
R15.51273	28 February 2014	**5 000**	5 000
R21.04	14 December 2014	**6 317 700**	6 498 300
R29.00	13 November 2015	**2 160 000**	2 180 400
R31.36	10 January 2016	**190 000**	190 000
R46.22	8 March 2017	**1 925 000**	–
		15 021 316	14 433 719
Unissued options under the control of the directors		**7 070 632**	8 995 632

	GROUP	
	2007	2006
21. TREASURY SHARES		
During the year The SPAR Group Limited Employee Share Trust (2004) purchased 1 845 153 shares (2006: 2 740 725) in the company at an average purchase price of R49.76 per share (2006: R36.30). 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	**Rmillion**	Rmillion
Opening balance	**99.8**	–
Share repurchases	**92.1**	99.8
Shares sold to option holders on exercise of share option rights	**(37.5)**	–
Closing balance	**154.4**	99.8
Shares held in trust	Number of shares held	
Opening balance	**2 740 725**	–
Share repurchases	**1 845 153**	2 740 725
Shares sold to option holders on exercise of share option rights	**(1 019 103)**	–
Options exercised but shares not yet sold	**(12 000)**	–
Closing balance	**3 554 775**	2 740 725

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	
	2007	2006
Opening balance	**14 433 719**	13 121 819
New options granted*	**1 925 000**	2 435 500
Options taken up**	**(1 035 203)**	(675 900)
Options forfeited	**(302 200)**	(447 700)
Closing balance	**15 021 316**	14 433 719
* Weighted average price of options granted during the year	**R46.22**	R29.11
** Weighted average grant price of options taken up during the year	**R11.54**	R11.81
** Weighted average selling price of options exercised during the year	**R47.91**	R34.76

1 925 000 Share options were granted on 9 March 2007. The estimated fair value of the options granted was R24 998 435.

The fair values for all options are calculated using a stochastic model.

The income statement charge has taken into account the non-market conditions such as employee turnover.

22. SHARE BASED PAYMENTS (continued)

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

		ASSUMPTION			
Grant date	Vesting date	Expected option lifetime	Rolling volatility %	Dividend yield %	Risk-free rate %
2007					
Options granted by SPAR					
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**
2006					
Options granted by SPAR					
14/11/2005	14/11/2008	4	23.90	2.25	7.61
14/11/2005	14/11/2009	5	26.55	2.25	7.66
14/11/2005	14/11/2010	6	27.78	2.25	7.72
11/01/2006	11/01/2009	4	24.92	2.45	7.05
11/01/2006	11/01/2010	5	27.95	2.45	7.10
11/01/2006	11/01/2011	6	29.94	2.45	7.15
2005					
Beneficial options in terms of the unbundling from Tiger Brands Limited					
03/02/2003	03/02/2006	4	28.6	4.4	10.22
03/02/2003	03/02/2007	5	34.2	4.4	10.23
03/02/2003	03/02/2008	6	33.2	4.4	10.16
29/01/2004	29/01/2007	4	24.6	3.5	9.17
29/01/2004	29/01/2008	5	26.9	3.5	9.24
29/01/2004	29/01/2009	6	32.9	3.5	9.27
2005					
Options granted by SPAR					
13/12/2004	13/12/2007	4	28.0	3.7	7.85
13/12/2004	13/12/2008	5	29.2	3.7	7.95
13/12/2004	13/12/2009	6	31.2	3.7	8.07

Due to insufficient historical data for The SPAR Group Limited's shares, an appropriate share was used in 2005 and 2006 as a proxy to calculate the vesting periods volatility at each grant date.

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
23. POST RETIREMENT MEDICAL AID PROVISION				
Opening balance – actuarial valuation	48.9	45.2	48.9	45.2
Recognised as an expense during the current year:	5.8	5.4	5.8	5.4
Interest cost	4.1	3.8	4.1	3.8
Current service cost	1.7	1.6	1.7	1.6
Employer contributions	(1.8)	(1.7)	(1.8)	(1.7)
Actuarial loss	12.9		12.9	
Actuarial valuation at end of the year	65.8	48.9	65.8	48.9
Unrecognised actuarial (loss)/gain	(11.0)	0.9	(11.0)	0.9
Closing balance	54.8	49.8	54.8	49.8
The principal actuarial assumptions applied in the determination of fair values include:				
Discount rate	8.5%	8.5%	8.5%	8.5%
Expected rates of salary increases	6.25%	6.0%	6.25%	6.0%
Health care cost inflation	5.5%	5.5%	5.5%	5.5%
Average retirement age	63/65	63/65	63/65	63/63

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 303 (2006: 322) 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 2005 and the next valuation is expected to be performed during the 2008 financial year. However, in 2007 a high level desktop review was performed which took into account changes in the following assumptions: unisex withdrawal rate tables and the use of adjusted post employment mortality tables. This review gave rise to the actuarial loss of R12.9 million.

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

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
24. BORROWINGS				
Secured borrowings	**0.4**	38.0	**0.4**	37.0
Less current portion	**(0.4)**	(37.6)	**(0.4)**	(37.0)
Non-current borrowings	**–**	0.4	**–**	–

Borrowings are secured over movable assets with a net book value amounting to R664 288 (2006: R953 694) (refer note 9). The borrowings bear interest at prime bank overdraft rate and are repayable in monthly instalments of R44 007 (2006: R67 591) inclusive of interest. The contracts end on varying dates throughout 2008, with the last instalment falling due in October 2008.

The company has unlimited borrowing powers in terms of its Articles of Association.

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
25. TRADE AND OTHER PAYABLES				
Trade payables	**2 956.6**	2 031.1	**2 936.2**	1 901.7
Other	**735.3**	388.8	**596.7**	263.8
Trade and other payables	**3 691.9**	2 419.9	**3 532.9**	2 165.5
26. PROVISIONS				
Volume discounts		61.6		56.9
Supplier claims	**3.5**	2.8	**3.4**	1.2
Total provisions	**3.5**	64.4	**3.4**	58.1
Balance at the beginning of the year	**64.4**	50.0	**58.1**	45.4
Provision reversed (volume discount)	**(61.6)**		**(56.9)**	
Divisionalisation of subsidiary (refer note 29)			**1.4**	
Provisions raised	**2.6**	97.9	**2.7**	88.6
Provisions utilised	**(1.9)**	(83.5)	**(1.9)**	(75.9)
Balance at the end of the year	**3.5**	64.4	**3.4**	58.1

The supplier claim provision represents management's best estimate of the group's liability to suppliers which are considered doubtful based on the age of the claims and specific circumstances.

The purchase target period on which volume discounts are calculated now coincides with the financial year-end of The SPAR Group Limited. As a result the volume discount figure represents an actual liability at year-end and not a provision, as previously reported.

Rmillion	GROUP 2007	2006	COMPANY 2007	2006
27. CASH GENERATED FROM OPERATIONS				
Operating profit	**774.7**	602.8	**769.7**	590.0
Adjusted for:				
Depreciation	**53.4**	39.7	**52.3**	37.1
Net profit on disposal of property, plant and equipment	**(2.1)**	(1.2)	**(2.1)**	(1.3)
Post retirement medical aid provision	**5.0**	3.6	**5.0**	3.6
Impairment of property, plant and equipment	**0.5**		**0.5**	
Impairment loss recognised on loans and trade receivables	**12.4**	(3.1)	**12.4**	(2.5)
Share based payments charge	**21.1**	16.5	**21.1**	16.5
Lease smoothing adjustment	**0.3**		**0.3**	
Cash generated from operations before:	**865.3**	658.3	**859.2**	643.4
Net working capital changes	**521.9**	72.5	**525.0**	48.5
Increase in inventories	**(145.2)**	(64.3)	**(145.2)**	(61.7)
Increase in trade and other receivables	**(545.5)**	(567.4)	**(536.2)**	(564.7)
Increase in trade payables and provisions	**1 212.6**	704.2	**1 206.4**	674.9
Cash generated from operations	**1 387.2**	730.8	**1 384.2**	691.9
28. TAXATION PAID				
Balance unpaid at the beginning of the year	**16.9**	6.3	**13.3**	6.8
Divisionalisation of subsidiary (refer note 29)			**4.9**	
Income statement charge	**292.3**	197.0	**286.5**	186.0
Balance unpaid at the end of the year	**(71.3)**	(16.9)	**(71.2)**	(13.3)
Total taxation paid	**237.9**	186.4	**233.5**	179.5

Rmillion	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
29. DIVISIONALISATION OF NELSPRUIT WHOLESALERS (PTY) LIMITED				
With effect from 1 October 2006 The SPAR Group Limited acquired the business operations, including net assets and liabilities amounting to R9.9 million, of Nelspruit Wholesalers (Pty) Limited.				
The net assets of Nelspruit Wholesalers (Pty) Limited at the date of divisionalisation, included:				
Non-current assets			11.6	
Plant and equipment			11.4	
Deferred taxation asset			0.2	
Current assets			146.8	
Inventories			28.3	
Trade and other receivables			118.5	
Non-current liabilities			1.0	
Long-term borrowings			1.0	
Current liabilities			147.5	
Trade and other payables			106.4	
Bank overdrafts			13.7	
Taxation			4.9	
Shareholders for dividends			22.5	
Net assets			9.9	
Goodwill on acquisition			245.6	
			255.5	
30. CONTINGENT LIABILITIES				
Guarantees issued in respect of the finance obligations of SPAR retailer members	123.5	164.8	123.5	148.8
Guarantee issued in respect of the finance obligation of Nelspruit Wholesalers (Pty) Limited to its banker.				13.7

Rmillion	GROUP 2007	2006	COMPANY 2007	2006
31. COMMITMENTS				
31.1 Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases are as follows:				
Land and buildings				
Not later than one year	**189.1**	156.3	**188.7**	156.3
Later than one year but not later than five years	**749.2**	622.9	**749.0**	622.9
Later than five years	**601.7**	516.4	**601.7**	516.4
Total land and buildings operating lease commitments	**1 540.0**	1 295.6	**1 539.4**	1 295.6
Other				
Not later than one year	**1.1**	0.9	**1.1**	0.8
Later than one year but not later than five years	**1.2**	1.1	**1.2**	0.7
Total other operating lease commitments	**2.3**	2.0	**2.3**	1.5
31.2 Operating lease receivables				
The future minimum sub-lease recoveries under non-cancellable property leases are as follows:				
Not later than one year	**(184.0)**	(151.6)	**(184.0)**	(151.6)
Later than one year but not later than five years	**(738.6)**	(609.5)	**(738.6)**	(609.5)
Later than five years	**(601.7)**	(516.5)	**(601.7)**	(516.5)
Total sub-lease recoveries	**(1 524.3)**	(1 277.6)	**(1 524.3)**	(1 277.6)
31.3 Capital commitments				
Contracted	**281.8**	95.0	**281.8**	93.1
Approved but not contracted	**192.5**	206.7	**192.5**	203.7
Total capital commitments	**474.3**	301.7	**474.3**	296.8

Capital commitments will be financed from group resources.

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel expense allowance	Other[1] benefits	Total
32. DIRECTORS' REMUNERATION AND INTERESTS REPORT						
32.1 Emoluments 2007						
Executive directors						
WA Hook (appointed 1/10/2006)	**1 634**	**1 523**	**211**	**156**	**37**	**3 561**
RW Coe	**1 298**	**1 219**	**167**	**120**	**40**	**2 844**
R Venter (appointed 7/2/2007)	**849**	**864**	**109**	**70**	**28**	**1 920**
Non-executive director						
PK Hughes[2]	**313**	**–**	**38**	**33**	**5**	**389**
Total	**4 094**	**3 606**	**525**	**379**	**110**	**8 714**
Emoluments 2006						
Executive directors						
PK Hughes	1 876	1 034	375	182	37	3 504
RW Coe	1 175	645	154	148	38	2 160
Total	3 051	1 679	529	330	75	5 664

(1) Other benefits include medical aid contributions.

(2) Retired as chief executive and appointed a non-executive director 1/10/2006.

32.2 Fees for services as non-executive directors (R'000)	**2007**	2006
MJ Hankinson (chairman)[a b]	**514**	480
DB Gibbon[a]	**185**	172
PK Hughes	**100**	
RJ Hutchison[b]	**147**	137
MP Madi	**120**	112
HK Mehta[a b]	**179**	159
P Mnganga	**120**	84
Total fees	**1 365**	1 144

(a) Member of Audit and Risk Committee

(b) Member of Remuneration Committee

32.3 Directors' interests in the share capital of the company		
Executive directors		
WA Hook – beneficially held	**4 200**	
R Venter – beneficially held	**1 600**	
Non-executive directors		
MJ Hankinson – non-beneficially held	**2 800**	
PK Hughes – beneficially held	**12 000**	
HK Mehta – beneficially held	**6 000**	4 000

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

32.4 Declaration of disclosure

Other than that disclosed above and in note 33, 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 2007.

33. DIRECTORS' SHARE OPTION SCHEME INTERESTS

Options held over shares in The SPAR Group Limited

	Date of option issue	Option price Rand	Number of options held 2007	2006
Executive directors				
WA Hook (appointed 1 October 2006)	24/06/1999	09.80803	6 500	
	8/11/1999	10.80873	8 400	
	14/11/2000	09.94020	5 000	
	29/01/2002	10.76224	16 000	
	3/02/2003	13.05818	20 000	
	29/01/2004	15.10867	9 000	
	13/12/2004	21.04000	51 000	
	14/11/2005	29.00000	70 000	
	9/03/2007	46.22000	120 000	
			305 900	
RW Coe	22/09/1998	06.81538	13 300	13 300
	24/06/1999	09.80803	8 000	8 000
	8/11/1999	10.80873	23 000	23 000
	14/11/2000	09.94020	5 000	5 000
	29/01/2002	10.76224	17 000	17 000
	3/02/2003	13.05818	23 000	23 000
	29/01/2004	15.10867	14 000	14 000
	13/12/2004	21.04000	51 000	51 000
	11/01/2006	31.36000	80 000	80 000
	9/03/2007	46.22000	80 000	
			314 300	234 300
R Venter (appointed 7 February 2007)	22/09/1998	06.81538	15 900	
	24/06/1999	09.80803	8 000	
	8/11/1999	10.80873	23 000	
	14/11/2000	09.94020	5 000	
	29/01/2002	10.76224	15 000	
	3/02/2003	13.05818	21 000	
	29/01/2004	15.10867	14 000	
	13/12/2004	21.04000	51 000	
	14/11/2005	29.00000	70 000	
	9/03/2007	46.22000	80 000	
			302 900	

	Date of option issue	Option price Rand	Number of options held 2007	2006
33. DIRECTORS' SHARE OPTION SCHEME INTERESTS (continued)				
Options held over shares in The SPAR Group Limited (continued)				
Non-executive director				
PK Hughes	24/06/1999	09.80803		12 000
	8/11/1999	10.80873	37 300	37 300
	14/11/2000	09.94020	20 000	20 000
	29/01/2002	10.76224	53 000	53 000
	3/02/2003	13.05818	35 000	35 000
	29/01/2004	15.10867	37 000	37 000
	13/12/2004	21.04000	66 000	66 000
	11/01/2006	30.36000	111 500	111 500
			359 800	371 800

On 26 September 2007, PK Hughes exercised his rights to 12 000 options at an option price of R9.80803 per option. The market price of the shares on the date of exercise was R51.50 resulting in a gain to PK Hughes of R500 303.

The 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.

34. 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, a defined contribution provident fund or a defined benefit fund.

The group has established three defined contribution funds and one defined benefit fund, The SPAR Group Limited Pension Fund, all of which 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 in a financially sound position. Contributions of R38.1 million (2006: R32.9 million) and R37.9 million (2006: R30.6 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.

On 31 December 2004, 24 members were transferred into the SPAR Group Limited Defined Benefit Pension Fund from the Tiger Brands Defined Benefit Pension Fund. The SPAR Group Limited Pension Fund was valued as at 1 March 2005, 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 (R9.4 million) over plan liabilities (R8.6 million) of the defined benefit fund amounted to R749 000. The surplus will not be recognised until the finalisation of the surplus apportionment exercise as required by the Pension Funds Second Amendment Act 2001.

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

Pre-retirement discount rate	9.95% p.a. net of retirement funds tax
Inflation	5.04% p.a.
Salary escalation	7.1% p.a.
Post retirement discount rate	5% p.a.
Post retirement mortality assumption	1% p.a.
Marriage rates	90% of fund membership is married
Spouse age difference	husbands are four years older than wives

The next actuarial valuation of this fund will take place on 1 March 2008. This fund is closed to further membership. Contributions of R0.5 million (2006: R0.7 million) and R0.5 million (2006: R0.6 million) were expensed for the group and company respectively during the year.

35. FINANCIAL RISK MANAGEMENT

The company's and group's financial instruments consist primarily of cash balances and overdraft funding from the banks, trade payables, loans and trade receivables. The book value of financial instruments approximates 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. The group does not speculate in or engage in the trading of financial instruments.

Credit risk

Potential areas of credit risk consist of trade receivables, short-term cash investments and loans to retailers. An appropriate level of provision is maintained for trade receivables which are considered doubtful. The key management assumptions in determining the doubtful debts provision include: where there is a greater than 50% probability that the debt will not be recovered, factors such as the debtor being handed over, long outstanding overdue accounts with no repayment plans and other material factors affecting the recovery of the debt are taken into account. Specific provisions are substantiated by specific debtors and their related financial circumstances. As trade receivables comprise a relatively narrow client base, the group has sought to minimise the credit risk exposure through employing appropriate credit risk assessments and investigations in respect of all new applications. In addition, it is a prerequisite for appropriate forms of security to be obtained from retailers. Ongoing credit evaluations are performed including regular reviews of security cover provided.

The group grants loans to new retailers to assist them with the purchase of SPAR stores and to existing members for the purposes of upgrading or revamping their stores. Appropriate credit evaluations are performed in respect of all applications and adequate security is obtained. Certain of these loans are discounted with approved financial institutions under standard conditions with recourse block discounting agreements. However, the majority of loans are advanced from the company's cash resources (refer note 14). The loans which have been discounted with the financial institutions have been disclosed as contingent liabilities (refer note 30). The group has guaranteed certain obligations which has resulted in the group retaining the credit risk of these obligations. The fair value of this credit risk has been provided for where appropriate.

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

Interest rate risk

The group is exposed to interest rate risk on its cash deposits, loan receivables and loan liabilities which can impact on the cash flows of these instruments. The exposure to interest rate risk is managed through the group's cash management system which enables the group to maximise returns while minimising risk.

35. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The group has limited risk of illiquidity as it has limited borrowings. The group has unlimited borrowing powers in terms of its Articles of Association. Banking and loan facilities are reviewed annually and are subject to floating interest rates.

Foreign exchange contracts

The risk management of foreign currency transactions is controlled centrally to ensure that any foreign currency transactions are fully covered by forward exchange contracts. The group is fully covered as at 30 September 2007. Foreign exchange contracts in place as at 30 September 2007 are:

Imports	Foreign amount	Contracted amount ZAR
US Dollar	1 089 378	7 864 381

Fair values

The carrying amount of the financial assets and liabilities reported in the balance sheet approximates fair value at 30 September 2007.

36. 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:

36.1 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 R9 603 972 (2006: R8 005 743) were incurred by the company to SPAR PE Property (Pty) Limited. Dividends of R5 841 044 (2006: R4 930 565) 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 2007 amounted to R31 702 860 (2006: R32 063 588). 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 R780 000 (2006: R300 000) and R300 000 (2006: R735 865) and management fees of R800 000 and 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 2007 amounted to R18 240 453 (2006: R7 043 204) and R2 126 991 (2006: R960 000) 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 and SPAR Academy of Learning (Pty) Limited, are all dormant companies.

36. RELATED PARTY TRANSACTIONS (continued)

36.1 Company (continued)

- 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 679 480 (2006: R2 395 008) were paid to The SPAR Guild of Southern Africa. The intercompany liability with The SPAR Group Limited as at 30 September 2007 amounted to R5 718 388 (2006: R2 147 000) and R2 038 232 (2006: R696 708) 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 2007, R154 295 171 (2006: R99 838 350) was advanced to the Trust for the purposes of purchasing these shares (refer notes 14 and 21).

No interest is charged on the intercompany loan balances.

36.2 Investment in associate

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

36.3 Shareholders

Details of major shareholders of the company appear on page 79.

36.4 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 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 32 and 33 as well as in the Directors' statutory report.

Key management personnel remuneration comprises:

Rmillion	**2007**	2006
Directors' fees	**1.4**	1.1
Remuneration for management services	**16.4**	17.6
Retirement contributions	**1.8**	2.0
Medical aid contributions	**0.5**	0.5
Performance bonus	**8.7**	6.7
Fringe and other benefits	**0.1**	0.4
Expense relating to share options granted	**2.7**	0.5
Total	**31.6**	28.8

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

37. 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		Effective holding		Cost of investment	
	2007 Rand	2006 Rand	**2007** %	2006 %	**2007** Rmillion	2006 Rmillion
38. 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 PE 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) (refer note 29)	**109**	109	**100**	100		265.1
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**	267.4
Directors' valuation					**2.3**	267.4

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

** 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

	Number of shareholders	% of total	Number of shares	% of total shareholding
SHAREHOLDERS' SPREAD AS AT 30 SEPTEMBER 2007				
Public shareholders	10 894	99.94	166 358 660	97.88
Non-public shareholders				
– The SPAR Group Limited Employee Share Trust (2004)	1	0.01	3 554 775	2.10
– Shares held by directors	5	0.05	26 600	0.02
	10 900	100.00	169 940 035	100.00

TYPE OF SHAREHOLDERS	
Pension funds	23.55
Mutual funds	19.91
Private investors	5.98
Insurance companies	9.78
Other	40.78
	100.00

BENEFICIAL OWNERS HOLDING IN EXCESS OF 5% OF THE COMPANY'S EQUITY	
Public Investment Corporation	9.74
Allan Gray Equity Fund	5.76

FUND MANAGERS HOLDING IN EXCESS OF 5% OF THE COMPANY'S EQUITY	
Allan Gray Investment Council	16.06
Coronation Fund Managers	8.42
PIC	7.29
Stanlib Asset Management	6.71
Old Mutual Asset Managers	6.70
Sanlam Investment Management	5.20

STOCK EXCHANGE STATISTICS		
Market price per share		
– at year-end	cents	5 511
– highest	cents	5 699
– lowest	cents	3 551
Number of share transactions		38 761
Number of shares traded	millions	120.7
Number of shares traded as a percentage of total issued shares	%	72.5
Value of shares traded	Rmillion	5 403
Earnings yield at year-end	%	5.7
Dividend yield at year-end	%	3.4
Price earnings ratio at year-end	multiple	17.6
Market capitalisation at year-end net of treasury shares	Rmillion	9 170
Market capitalisation to shareholders' equity at year-end	multiple	8.3

Share Price Performance

Shareholders' Diary

Financial year-end		30 September
Annual general meeting		February
Reports and profit statements:		
Interim report		May
Annual report		November
Annual financial statements issued		December
Dividends:		
Interim	Declaration	May
	Payable	June
Final	Declaration	November
	Payable	December

Notice is hereby given that the annual general meeting of shareholders of The SPAR Group Limited will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 12 February 2008 at 9:00 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 2007.

2. To consider the re-election, as a director of the company, of Mr HK Mehta who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election. Mr HK Mehta's abbreviated CV can be found on page 13.

3. To consider the re-election, as a director of the company, of Ms P Mnganga who retires in accordance with the company's Articles of Association, but being eligible, offers herself for re-election. Ms P Mnganga's abbreviated CV can be found on page 13.

4. To ratify the appointment, effective 7 February 2007, of Mr R Venter as an executive director in terms of the Companies Act, Act 61 of 1973, as amended ("the Companies Act") and the Articles of Association of the company;

5. To reappoint Messrs Deloitte & Touche as auditors of the company until the next annual general meeting.

6. To approve the directors' remuneration for the year ended 30 September 2007 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:

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

Reasons and effect

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

In terms of the authority granted at the annual general meeting of shareholders on the 7 February 2007, The SPAR Group Limited Employee Share Trust (2004) purchased 1 845 153 shares in the company prior to 30 September 2007. It is intended to continue with the repurchase of shares by the aforementioned trust. 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 its 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 require disclosure of the following information which can be found elsewhere in the annual report of which this notice forms part:

Directors and management	pages 13 and 14;
Major shareholders	page 79;
Directors' interests in securities	page 71;
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 13 of this annual report, collectively and individually accept full responsibility for the accuracy of the information given in this resolution in relation to the company and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by Law and the JSE Listings Requirements.

8. **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.

Notice to Shareholders

VOTING AND PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with “own name” registration, are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Proxy forms must be forwarded to reach the company’s transfer secretaries, Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Friday, 8 February 2008. 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

13 November 2007

The SPAR Group Limited
(Registration No 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 on Tuesday, 12 February 2008 at 09:00.

I/We ____________________

of (address) ____________________

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

1. ____________________ or failing him/her/it;

2. ____________________ or failing him/her/it;

3. the chairman of the annual general meeting

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

	Number of votes (one vote per share)		
ORDINARY BUSINESS	For	Against	Abstain
1. Adoption of annual financial statements			
2. Re-appointment of Mr HK Mehta as a director			
3. Re-appointment of Ms P Mnganga as a director			
4. Ratification of appointment of Mr R Venter as a director			
5. Approval of appointment of auditors			
6. 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 ____________________ 2008

Signature ____________________

Completed forms of proxy must be received at the office of the company's transfer secretaries, Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Friday, 8 February 2008.

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.