

AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 AND CASH DIVIDEND DECLARATION

▲ 9,0% Turnover

▲ 12,1% Headline earnings per share before BBBEE transaction

▲ 8,4% Trading profit

▲ 12,4% Annual dividend 362 cents per share



Condensed consolidated statement of comprehensive income

Rmillion	% Change	Audited Year ended September 2010	Audited Year ended September 2009
REVENUE		35 159.6	32 256.2
Turnover	9.0	34 844.2	31 962.1
Cost of sales		(32 083.7)	(29 393.0)
Gross profit		2 760.5	2 569.1
Other income		315.4	294.1
Operating expenses	6.7	(1 759.6)	(1 648.7)
TRADING PROFIT	8.4	1 316.3	1 214.5
BBBEE transactions		(13.0)	(136.2)
Profit on sale of Western Cape distribution centre			63.0
OPERATING PROFIT	14.2	1 303.3	1 141.3
Interest received		24.6	34.9
Interest paid		(20.9)	(29.5)
Share of equity accounted associate		0.4	
Profit before taxation		1 307.4	1 146.7
Taxation		(391.6)	(401.5)
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		915.8	745.2
Exchange differences from translation of foreign operations		0.1	(0.3)
TOTAL COMPREHENSIVE INCOME		915.9	744.9
EARNINGS PER SHARE			
Earnings per share	(cents)	536.0	439.4
Diluted earnings per share	(cents)	506.2	426.0
SALIENT STATISTICS			
Headline earnings per share	(cents)	536.1	404.5
Headline earnings per share adjusted for BBBEE	(cents)	543.7	484.8
Diluted headline earnings per share	(cents)	506.3	392.1
Dividend per share	(cents)	362.0	322.0
Net asset value per share	(cents)	1 278.8	1 137.4
Trading profit margin	(%)	3.8	3.8
Return on equity	(%)	44.4	43.5
HEADLINE EARNINGS RECONCILIATION			
Profit for the period attributable to ordinary shareholders		915.8	745.2
Adjusted for:			
Loss/(profit) on sale of property, plant and equipment		0.1	(63.7)
Tax effects of adjustments			4.4
HEADLINE EARNINGS		915.9	685.9
BBBEE transactions		13.0	136.2
HEADLINE EARNINGS BEFORE BBBEE TRANSACTIONS	13.0	928.9	821.1

Condensed consolidated statement of financial position

Rmillion	Audited Year ended September 2010	Audited Year ended September 2009
ASSETS		
NON-CURRENT ASSETS	2 006.0	1 856.2
Property, plant and equipment	1 521.0	1 425.8
Goodwill	299.7	245.6
Operating lease receivables	139.1	143.3
Investment in associate	17.0	3.5
Other investments	1.5	
Loans	23.0	13.8
Deferred taxation asset	3.2	22.0
Other non-current assets	1.5	2.2
CURRENT ASSETS	5 522.9	4 683.6
Inventories	959.2	853.1
Trade and other receivables	4 412.0	3 715.7
Prepayments	28.6	26.4
Operating lease receivables	25.7	15.4
Loans	2.2	4.5
Taxation receivable	10.0	
Bank balances – Guilds	85.2	68.5
TOTAL ASSETS	7 528.9	6 539.8
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES	2 187.2	1 940.3
Share capital and premium	33.4	23.3
Treasury shares	(10.8)	
Currency translation reserve	(0.2)	(0.3)
Share based payment reserve	261.8	231.1
Retained earnings	1 903.0	1 686.2
NON-CURRENT LIABILITIES	209.5	209.4
Post retirement medical aid provision	75.1	67.9
Operating lease payables	134.4	141.5
CURRENT LIABILITIES	5 132.2	4 390.1
Trade and other payables	4 565.0	4 015.2
Operating lease payables	29.9	15.5
Provisions	5.8	6.1
Taxation payable	0.4	2.3
Bank overdrafts	531.1	351.0
TOTAL EQUITY AND LIABILITIES	7 528.9	6 539.8

Condensed consolidated statement of changes in equity

Rmillion	Share capital and premium	Currency translation reserve	Share based payment reserve	Retained earnings	Attributable to ordinary shareholders
CAPITAL AND RESERVES AT 30 SEPTEMBER 2008					
Total comprehensive income for the year	13.4	(77.6)	(0.3)	745.2	1 487.8
Issue of shares	9.9	(9.9)			
Recognition of share based payments			21.1		21.1
Take-up of share options			(64.9)		57.5
Transfer arising from take-up of share options			64.9	(64.9)	
Share repurchases					(34.9)
Dividends declared				(467.7)	(467.7)
Recognition of BBBEE transaction				131.6	131.6
CAPITAL AND RESERVES AT 30 SEPTEMBER 2009	23.3	(77.6)	(0.3)	745.2	1 686.2
Total comprehensive income for the year	10.1	(10.1)	0.1	915.8	915.9
Issue of shares					
Recognition of share based payments			18.3		18.3
Take-up of share options			(120.5)		66.9
Transfer arising from take-up of share options			120.5	(120.5)	
Share repurchases					(188.1)
Dividends declared				(578.5)	(578.5)
Recognition of BBBEE transaction				12.4	12.4
CAPITAL AND RESERVES AT 30 SEPTEMBER 2010	33.4	(10.8)	(0.2)	261.8	1 903.0

Condensed consolidated statement of cash flows

Rmillion	Audited Year ended September 2010	Audited Year ended September 2009
CASH FLOWS FROM OPERATING ACTIVITIES	238.9	215.4
Operating profit before:	1 303.3	1 141.3
Non cash items	153.6	291.1
Loss/(profit) on disposal of property, plant and equipment	0.1	(63.7)
Net working capital changes	(257.5)	(163.6)
– Increase in inventories	(106.1)	(57.4)
– Increase in trade and other receivables	(700.9)	(409.3)
– Increase in trade payables and provisions	549.5	303.1
Cash generated from operations	1 199.5	1 205.1
Interest received	23.6	34.3
Interest paid	(20.9)	(29.5)
Taxation paid	(384.8)	(526.8)
Dividends paid	(578.5)	(467.7)
CASH FLOWS FROM INVESTING ACTIVITIES	(281.0)	(268.5)
Investment to expand operations	(169.3)	(390.4)
Investment to maintain operations	(34.3)	49.5
– Replacement of property, plant and equipment	(36.3)	(51.1)
– Proceeds on disposal of property, plant and equipment	2.0	100.6
Acquisition of subsidiaries	(54.1)	
Net movement on loans and investments	(23.3)	72.4
CASH FLOWS FROM FINANCING ACTIVITIES	(121.3)	22.6
Proceeds from issue of share capital	10.1	9.9
Proceeds from exercise of share options	56.7	47.6
Share repurchases	(188.1)	(34.9)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(163.4)	(30.5)
Net overdrafts at beginning of year	(282.5)	(252.1)
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1
NET OVERDRAFTS AT END OF YEAR	(445.9)	(282.5)

Notes to the condensed consolidated financial results

- BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS**
The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting. The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 30 September 2009.
- SHARE CAPITAL AND PREMIUM**
Authorised
250 000 000 (2009: 250 000 000) ordinary shares of 0.06 cents (2009: 0.06 cents) each
30 000 000 (2009: 30 000 000) redeemable, convertible preference shares of 0.06 cents each
Issued
171 170 013 (2009: 170 597 792) ordinary shares of 0.06 cents (2009: 0.06 cents) each
18 911 349 (2009: 18 911 349) redeemable, convertible preference shares of 0.06 cents each
Share premium account
Balance at beginning of year 23.2 13.3
Issue of shares 10.1 9.9
Total share capital and premium 33.4 23.3
Issued redeemable, convertible preference share capital amounts to R11 347, consisting of 18 911 349 (2009: 18 911 349) shares issued at par during the financial year ended 30 September 2009.
The weighted average number of ordinary shares (net of treasury shares) used in the calculation of earnings per share and headline earnings per share was 170 862 375 (2009: 169 581 464).
Diluted earnings and headline earnings per share were based on a weighted average number of ordinary shares (net of treasury shares) of 180 912 511 (2009: 174 928 715).
- CONTINGENT LIABILITIES**
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of 366.0 330.5
- OPERATING LEASES**
Operating lease costs charged against operating profit
Immovable property 10.0 9.2
– lease rentals 274.5 221.5
– sub-lease recoveries (264.5) (212.3)
Plant, equipment and vehicles 7.5 8.6
Operating lease commitments
Future minimum lease payments under non-cancellable operating leases 2 324.2 1 932.9
– land and buildings 2 318.4 1 930.6
– other 5.8 2.3
Future minimum sub-lease receivables under non-cancellable property leases (2 119.1) (1 923.4)
Net commitments 205.1 9.5
- CAPITAL COMMITMENTS**
Contracted 168.0 48.7
Approved but not contracted 23.0 53.0
Total capital commitments 191.0 101.7
- SEGMENTAL REPORTING**
The group operates its business from seven main 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.
- POST BALANCE SHEET EVENTS**
No material events have occurred subsequent to 30 September 2010 which may have an impact on the group's reported financial position at this date.

Review of trading results

FINANCIAL OVERVIEW

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

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

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

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

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

The group has no long term borrowings and, when necessary, funds its operations from overdraft facilities. These facilities are in excess of forecast requirements and are subject to annual review.

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

PROSPECTS

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

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

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

AUDIT OPINION

The auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the year ended 30 September 2010. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These summarised provisional financial statements have been derived from the group financial statements and are consistent in all material respects, with the group financial statements. A copy of their audit report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a final dividend of 222 cents per share has been declared in respect of the year ended 30 September 2010.

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

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

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

By order of the board

KJ O'Brien
Company Secretary

Pinetown
16 November 2010

DIRECTORATE AND ADMINISTRATION

DIRECTORS: MJ Hankinson* (*Chairman*), WA Hook (*Chief Executive*), MW Godfrey, DB Gibbon*, PK Hughes*, RJ Hutchison*, MP Madi*, HK Mehta* P Mnganga*, R Venter **Non-executive*

COMPANY SECRETARY: KJ O'Brien

THE SPAR GROUP LIMITED ("SPAR" or "the company" or "the group")

REGISTRATION NUMBER: 1967/001572/06

ISIN: ZAE000058517 **JSE share code:** SPP

REGISTERED OFFICE: 22 Chancery Lane, PO Box 1589, Pinetown, 3600

TRANSFER SECRETARIES: Link Market Services South Africa (Pty) Limited
PO Box 4844, Johannesburg, 2000

AUDITORS: Deloitte & Touche, PO Box 243, Durban, 4000

SPONSOR: Barnard Jacobs Mellet Corporate Finance (Pty) Limited
PO Box 62200, Marshalltown, 2107

BANKERS: First National Bank, PO Box 4130, Umhlanga Rocks, 4320

ATTORNEYS: Garlicke & Bousfield, PO Box 1219, Umhlanga Rocks, 4320

WEBSITE: www.spar.co.za

