31.9%.

The year was one of two halves. During the first six months food inflation ran at an average of 16% and group turnover during this period increased 24.5%. The second six months saw food inflation decline significantly to an average of 9%, which, with increased pressure on consumer spending, resulted in a sharply reduced turnover increase of 14.9% for the period.

SPAR’s focus on responsible competitive pricing resulted in the gross margin declining to 8.0% (2008: 8.1%). The Group benefited from its ongoing distribution facilities of information. The Group entered into facilities with potential to enable them to purchase or renege stores. These loans are discounted with the Bank’s bankers.

The Group continued expanding and upgrading its operating facilities. Expansion of R146.1 million was incurred in completing the KwaZulu/Natal perishable facility and R104.1 million on the final phase of the expansion of the South Rand facility.

The Group has no long-term borrowings and, when necessary, funds its operating requirements from its operating facilities. The Group has overall facilities with three major banks of the extent of 18.1% and has in place access to overnight funding of a further R2.7 billion. Our various facilities are comfortably in excess of forecast requirements and are subject to annual review.

FINANCIAL HIGHLIGHTS

• Turnover
• Trading profit
• Headline earnings per share before BBEE transaction
• Final dividend cents per share

FINANCIAL OVERVIEW

A final dividend of 2009 cents (2008: 155 cents) per share was declared. Dividends for the year amounted to 322.0 cents (2008: 255.0 cents) per share.

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BROAD BASED BLACK ECONOMIC EMPOWERMENT TRANSFORMATION

The Group has undertaken to implement a programme of transformation and development to meet the requirements of the Group’s proposed BBEE transaction on 12 August 2009. The transaction, which has resulted in 10% of SPAR’s equity being transferred to two trusts for the benefit of the Group’s employees and their beneficiaries, is an important component of SPAR’s transformation objectives.

COMPARISON COMMISSION

The Competition Commission initiated an investigation into major South African supermarket chains, including SPAR, for possible contraventions of the Competition Act. Issues being investigated by the Commission are the potential abuse of buying power, long term exclusive categories, management and the exchange of commercial information that has had a prejudicial effect on smaller retailers. It is of the opinion that no contraventions of the Competition Act have taken place.

PROSPECTS

Management expects 2010 to be another challenging year but are nevertheless positive about the opportunities for the business. It is anticipated that the current weak food inflation and trading and will continue to half of the 2010 financial year, whenever it is likely that volumes will increase. Food inflation is expected to recover in the second half of the year driven by increased consumer spending, with core inflation rising to an average of 7% for the year.

Cash generation is forecast to improve as capital expenditure reduces and the dividend cover is maintained. Where appropriate, surplus cash will be utilised by the Group to acquire other businesses.

Mike Hankinson Wayne Hook Chairman Chief Executive

10 November 2009

AUDIT OPINION

The auditors, Deloitte & Touche, have issued their opinion on the Group’s financial statements for the year ended 30 September 2009. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the Group’s registered office. These condensed financial statements have been derived from the group financial statements and are consistent in all material respects, with the group financial statements.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a final dividend of 200 cents per share has been declared in respect of the year ended 30 September 2009.

The auditors have declared that dividends will not be permitted to dematerialise or remit their share certificates between Monday, 30 November 2009 and Friday, 4 December 2009, both dates inclusive.

By order of the board
KJ O’Brien
Chairman

Wayne Hook
Chief Executive

Company Secretary
10 November 2009

19.5%.
The annual dividend declaration increased 26.3%, reflecting a further reduction in the dividend cover. Cash generation remained satisfactory, notwithstanding capital expenditure of R42 million.

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