THE SPAR GROUP LIMITED

AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

- OPERATING PROFIT +20.7%
- BASIC EARNINGS PER SHARE +18.6%
- FINAL DIVIDEND 75 CENTS PER SHARE

CONDENSED INCOME STATEMENT

Rmillion	Year ended September 2006	Restated Year ended September 2005	% Change
REVENUE	17 176.6	13 737.5	25.0
Turnover	17 009.6	13 599.0	25.1
Cost of sales	(15 581.3)	(12 399.0)	
Gross profit	1 428.3	1 200.0	
Other income	167.0	138.5	
Operating expenses	(992.5)	(839.0)	
OPERATING PROFIT	602.8	499.5	20.7
Interest received	21.7	5.6	
Interest paid	(6.1)	(5.5)	
Share of associate company's profit	0.3	0.2	
Profit before taxation	618.7	499.8	23.8
Taxation	(211.1)	(157.2)	
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	407.6	342.6	19.0
EARNINGS PER SHARE (CENTS)			
Earnings per share	240.5	202.7	18.6
Fully diluted earnings per share	231.7	198.2	
SALIENT STATISTICS			
Headline earnings per share (cents)	240.0	203.8	17.8
Fully diluted headline earnings per share (cents)	231.2	199.3	
Dividend per share (cents)	123.0	94.5	30.2
Net asset value per share (cents)	533.5	443.6	
Net margin (%)	3.5	3.7	
Return on average equity (%)	49.6	57.7	
HEADLINE EARNINGS RECONCILIATION			
Profit for the year attributable to ordinary shareholders	407.6	342.6	
Adjusted for:			
(Profit)/loss on sale of property, plant and equipment, net of impairments and net of taxation effect	(0.9)	1.8	
HEADLINE EARNINGS	406.7	344.4	18.1

CONDENSED STATEMENT OF CHANGES IN EQUITY

Rmillion	Share capital and premium	Treasury shares	Share based payment reserve	Retained earnings	Attributable to ordinary shareholders
Total capital and reserves at 30 September 2004					
– as previously reported	0.1	–	–	437.2	437.3
IFRS adjustments (Note 1):					
IFRS 2 Share based payments	–	–	3.4	(3.4)	–
IAS 19 Employee benefits	–	–	–	(3.8)	(3.8)
Unrealised losses recognised	–	–	–	(5.4)	(5.4)
Deferred taxation	–	–	–	1.6	1.6
IAS 28 Investment in associate	–	–	–	5.0	5.0
Total capital and reserves at 30 September 2004 – restated	0.1	–	3.4	435.0	438.5
Profit for 2005 – restated	–	–	–	342.6	342.6
Profit for 2005 as previously reported	–	–	–	357.6	357.6
Rate change attributable to IAS 19 deferred taxation adjustment	–	–	–	(0.1)	(0.1)
IFRS adjustments (Note 1):					
IFRS 2 Share based payments	–	–	–	(15.1)	(15.1)
IAS 28 Investment in associate	–	–	–	0.2	0.2
Share based payment reserve	–	–	15.1	–	15.1
Shares issued	5.3	–	–	–	5.3
Dividends declared	–	–	–	(50.7)	(50.7)
Total capital and reserves at 30 September 2005 – restated	5.4	–	18.5	726.9	750.8
Profit for 2006	–	–	–	407.6	407.6
Share based payment reserve	–	–	16.5	–	16.5
Shares issued	8.0	–	–	–	8.0
Shares repurchased	–	(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

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a final dividend of 75 cents per share has been declared in respect of the year ended 30 September 2006.

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

Last day to trade cum-dividend	Friday, 1 December 2006
Shares to commence trading ex-dividend	Monday, 4 December 2006
Record date	Friday, 8 December 2006
Payment of dividend	Monday, 11 December 2006

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 4 December 2006 and Friday, 8 December 2006, both days inclusive.

By order of the board

K J O'Brien — Pinetown
Secretary — 14 November 2006

CONDENSED BALANCE SHEET

Rmillion	September 2006	Restated September 2005
ASSETS		
NON-CURRENT ASSETS	836.9	653.3
Property, plant and equipment	519.1	370.2
Goodwill	245.6	245.6
Investment in associate	5.5	5.2
Loans	51.0	11.8
Operating lease receivables	15.7	12.5
Deferred taxation asset	–	8.0
CURRENT ASSETS	2 699.7	2 049.8
Inventories	449.3	385.0
Trade and other receivables	2 146.3	1 551.5
Prepayments	12.5	32.6
Short-term loan	16.7	5.8
Current portion of operating lease receivables	6.3	6.2
Bank balances – Guilds	68.6	68.7
TOTAL ASSETS	3 536.6	2 703.1
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES	892.4	750.8
Share capital and premium	13.4	5.4
Treasury shares	(99.8)	–
Share based payments reserve	35.0	18.5
Retained earnings	943.8	726.9
NON-CURRENT LIABILITIES	72.1	60.0
Deferred taxation liability	6.1	–
Post retirement medical aid provision	49.8	46.2
Long-term borrowings	0.4	1.0
Operating lease payables	15.8	12.8
CURRENT LIABILITIES	2 572.1	1 892.3
Trade payables and accruals	2 419.9	1 722.5
Current portion of long-term borrowings	37.6	39.1
Current portion of operating lease payable	6.2	5.9
Provisions	64.4	50.0
Taxation	16.9	6.3
Bank overdrafts	27.1	68.5
TOTAL EQUITY AND LIABILITIES	3 536.6	2 703.1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The group financial results from which these financial statements were derived have been prepared on the historical cost basis excluding financial instruments which are fair valued and conform to International Financial Reporting Standards (IFRS). The accounting policies are consistent with those applied in the annual financial statements for the year ended 30 September 2005 except as detailed below. These financial statements have been prepared in terms of IAS 34 Interim financial reporting.

The date of transition to IFRS for the group is 1 October 2004 and accordingly comparative information for the year ended 30 September 2005 and the group's opening balance sheet at 1 October 2004, which were originally reported in accordance with South African Statements of Generally Accepted Accounting Practice, have been restated to reflect all applicable IFRS statements. The application of the following IFRS statements has resulted in changes to capital and reserves at 30 September 2004 and net profit for the comparative year. These changes are presented in the Condensed Statement of Changes in Equity:

IAS 19 Employee benefits: The group has, in terms of IFRS 1 First-time adoption of international financial reporting standards, elected to recognise all cumulative unrecognised gains and losses at the date of transition.

IFRS 2 Share based payment: The group has granted share options to certain employees under an employee share option scheme. In accordance with IFRS 2, the group has recognised an expense in the income statement, with a corresponding credit to the share based payment reserve, representing the fair value of outstanding employee share options on its equity settled scheme. The fair value at the date of granting the options is charged to the income statement over the relevant option vesting periods, adjusted to reflect the actual levels of vesting. The group has, in terms of IFRS 1, elected not to apply the provisions of IFRS 2 to its equity settled share options granted on or before 7 November 2002 or to options granted after this date but which had vested prior to 1 January 2005.

IAS 28 Investment in associate: Prior to the revisions of IAS 28, this statement provided that where associate companies operate under severe long-term restrictions, which significantly impair their ability to transfer funds to the investor, such investments are not equity accounted. The revised statement (effective for financial periods commencing on or after 1 January 2005) removes this exemption. Accordingly, The Spar Group Limited's investment in Spar Harare (Pvt) Limited, previously impaired to Rnil, has been reinstated and the carrying amount increased to recognise the group's share of the profit of Spar Harare (Pvt) Limited from the date the group exerted significant influence over that company.

The effect of the transition to IFRS on earnings per share in the comparative year is as follows:

Cents	Restated 2005
Earnings per share as previously reported	211.6
Rate change attributable to IAS 19 deferred taxation adjustment	(0.1)
IFRS 2 Share based payments	(8.9)
IAS 28 Investment in associate	0.1
Earnings per share as restated	202.7

2. SHARE CAPITAL AND PREMIUM

Rmillion	2006	Restated 2005
AUTHORISED		
250 000 000 (2005: 250 000 000) ordinary shares of 0.06 cents (2005: 0.06 cents) each	0.2	0.2
ISSUED		
169 935 935 (2005: 169 260 035) ordinary shares of 0.06 cents (2005: 0.06 cents) each	0.1	0.1
Share premium account		
Balance at beginning of year	5.3	–
Shares issued during the year	8.0	5.3
Total share capital and premium	13.4	5.4

Pursuant to the exercising of options 675 900 (2005: 496 365) ordinary shares were issued during the year ended 30 September 2006, thereby increasing the issued share capital to R101 961 (2005: R101 556) consisting of 169 935 935 (2005: 169 260 035) shares of 0.06 cents each. The weighted average number of shares used in the calculation of earnings per share and headline earnings per share was 169 447 986 (2005: 169 010 748). Fully diluted earnings and headline earnings per share was based on a weighted average number of 175 874 772 (2005: 172 822 332) ordinary shares.

Rmillion	2006	Restated 2005
3. CONTINGENT LIABILITIES		
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of:	164.8	179.3
4. OPERATING LEASES		
OPERATING LEASE COSTS CHARGED AGAINST OPERATING PROFIT		
Immovable property	1.5	3.0
– lease rentals	103.5	86.9
– sub-lease recoveries	(102.0)	(83.9)
Plant, equipment and vehicles	13.4	5.1
OPERATING LEASE COMMITMENTS		
Future minimum lease payments under non-cancellable operating leases are as follows:	1 297.6	1 084.2
– land and buildings	1 295.6	1 082.0
– other	2.0	2.2
The future minimum sub-lease recoveries under non-cancellable property leases are:	(1 277.6)	(1 061.5)
Net commitments	20.0	22.7
5. CAPITAL COMMITMENTS		
Contracted	95.0	48.5
Approved but not contracted	206.7	25.9
	301.7	74.4

6. SEGMENTAL REPORTING

The group operates its business from six distribution centres situated throughout Southern 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.

7. POST BALANCE SHEET EVENTS

No material events have occurred subsequent to 30 September 2006 which may have an impact on the group's reported financial position at this date.

CONDENSED CASH FLOW STATEMENT

Rmillion	Year ended September 2006	Year ended September 2005
CASH FLOWS FROM OPERATING ACTIVITIES	372.7	370.5
Cash generated from operations	734.5	573.0
Interest received	21.4	5.3
Interest paid	(6.1)	(1.2)
Taxation paid	(186.4)	(155.9)
Dividends paid	(190.7)	(50.7)
CASH FLOWS FROM INVESTING ACTIVITIES	(237.5)	(61.2)
Investment to maintain operations	(37.3)	(24.7)
– Replacement of property, plant and equipment	(39.7)	(29.3)
– Proceeds on disposal of property, plant and equipment	2.4	4.6
Investment to expand operations	(150.1)	(44.9)
Net movement on loans and investments	(50.1)	8.4
CASH FLOWS FROM FINANCING ACTIVITIES	(93.9)	(2.3)
Proceeds from issue of share capital and premium	8.0	5.3
Shares repurchased	(99.8)	–
Repayment of long-term borrowings	(2.1)	(7.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41.3	307.0
NET CASH AND CASH EQUIVALENTS/(OVERDRAFTS) AT BEGINNING OF YEAR	0.2	(306.8)
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	41.5	0.2

REVIEW OF TRADING RESULTS

The SPAR group had another good trading year with turnover topping the R17 billion mark and showing growth of 25%. Comparable turnover growth was 19.4% after adjusting for direct delivery sales, which sales were handled on an agency basis in 2005. A particularly impressive second half sales growth was recorded due to strong consumer spending and aggressive marketing and promotional activity. With inflation running at 3 – 4%, considerable real growth in volumes was achieved.

Build it experienced exceptional growth and grew turnover 61% to R1.4 billion. Good growth was also achieved by the TOPS stores. Perishable product turnovers remained particularly buoyant.

The decline in the gross margin was in line with expectations and was the result of the change in sales mix and the aforementioned move from agency to direct delivery sales.

Well controlled working capital, coupled with the group's exceptionally strong cash flow earned the group net interest of R15.6 million (2005: R0.1 million). Profit after interest reflected a 23.8% increase. The group took the decision to retain in-house a number of loans made to retailer members, as opposed to discounting the loans with bankers as occurred in 2005. These loans provided an increased source of interest revenue.

Taxation increased to 34.1% (2005: 31.5%) of pre-tax profits as a result of the substantially higher STC charge arising from the increased dividend payment.

Net profit after taxation of R408 million represented a growth of 19.0% on 2005. Basic earning per share increased 18.6% to 240.5 cents per share. Return on average equity was a creditable 49.6%.

RETAIL STORES

During the year under review 39 SPAR stores were opened, taking total SPAR store numbers, after store losses, to 799. At year end the group supplied 145 SUPERSPAR, 478 SPAR and 176 KWIKSPAR stores. Trading space increased 5,9% to 727 547m^2 and 122 stores were upgraded or underwent remodelling during the year. SPAR retail stores turnover grew ahead of the growth of the market and SPAR consequently gained market share.

Build it opened 43 new outlets and TOPS 44. The group now services 221 Build it and 216 TOPS stores.

DISTRIBUTION FACILITIES

The strong sales performance experienced during the year resulted in a substantial increase in the number of cases handled by the group's distribution centres. Notwithstanding this increase in activity, all distribution centres operated efficiently with costs well controlled.

With the increase in volumes being handled by the group's distribution centres, the provision of additional distribution capacity has become a priority. To this end construction has commenced on a new distribution facility in Cape Town, additional property has been acquired adjoining the KwaZulu-Natal distribution centre and expansion options in the inland region will shortly be reviewed. As a result of the aforementioned, the group's revised forecast for capital expenditure for 2007 is R330 million.

PROSPECTS

Although a slow down in economic activity is forecast, planned retail store openings and growth in retail trading areas augur well for good turnover growth in 2007. Cash generation will accommodate the significant capital expenditure forecast and the continuing implementation of the share purchase programme. The group is confident that it will again achieve good revenue and profit growth in 2007. Consideration will be given to reducing the dividend cover.

DIVIDEND

In line with the group announcement to decrease the dividend cover, a final dividend of 75 cents per share has been declared. The dividends for 2006 represent a 30% increase on the 2005 dividend declaration.

M J Hankinson — **P K Hughes**
Chairman — Chief Executive for year under review

DIRECTORATE

Peter Hughes retired as chief executive on 1 October 2006, but remains a non-executive director of the company. The board wishes to express its sincere appreciation to Peter for the role he played in the company over his 17 year tenure. The board welcomes Wayne Hook who took over as chief executive effective from the aforementioned date.

AUDIT OPINION

The auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the year ended 30 September 2006. 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 company'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.

DIRECTORATE AND ADMINISTRATION

DIRECTORS
M J Hankinson* (Chairman), W A Hook (Chief Executive), R W Coe, D B Gibbon*, P K Hughes* R J Hutchison* M P Madi*, H K Mehta*, P Mnganga*
* Non-executive

COMPANY SECRETARY
K J O'Brien

REGISTERED OFFICE
22 Chancery Lane, P O Box 1589, Pinetown, 3600

ISIN NUMBER
ZAE000058517

JSE CODE
SPP

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

BANKERS
First National Bank, P O Box 4130, Umhlanga Rocks, 4320

SPONSOR
Rand Merchant Bank (A division of FirstRand Bank Limited)
P O Box 786273, Sandton, 2146

AUDITORS
Deloitte & Touche, P O Box 243, Durban, 4000

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