



THE SPAR GROUP LIMITED

SPAR



UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2005

TURNOVER +12.3%

OPERATING PROFIT +28.3%

HEADLINE EARNINGS PER SHARE +21.2%

INTERIM DIVIDEND 30 CENTS PER SHARE

INCOME STATEMENTS

	Unaudited six months ended March 2005	Change (%)	Unaudited six months ended March 2004	Audited year ended September 2004
R'ooo				
Revenue	6 647 507	9.4%	6 073 612	11 985 151
Continuing operations	6 647 507	12.3%	5 918 502	11 803 014
Discontinued operations	—	—	155 110	182 137
Cost of sales	(6 134 294)	—	(5 576 686)	(11 030 572)
Gross profit	513 213	—	496 926	954 579
Depreciation and amortisation (Note 2)	(21 498)	—	(26 581)	(54 035)
Other operating expenditure	(223 200)	—	(259 631)	(505 037)
Profit from operations	268 515	27.4%	210 714	395 507
Profit on disposal of discontinued operations	—	—	—	20 502
Operating profit before interest and taxation	268 515	27.4%	210 714	416 009
Continuing operations	268 515	28.3%	209 242	393 319
Discontinued operations	—	—	1 472	22 690
Interest paid	(4 651)	—	(2 328)	(3 315)
Interest received	2 177	—	6 020	12 205
Net profit before taxation	266 041	—	214 406	424 899
Taxation	(83 060)	—	(68 994)	(132 925)
Net profit for the period	182 981	25.8%	145 412	291 974
HEADLINE EARNINGS RECONCILIATION				
Net profit for the period	182 981	—	145 412	291 974
Adjusted for:				
Net profit on sale of fixed assets and retail stores, net of impairments	(1 300)	—	(1 251)	(20 177)
Amortisation of goodwill	—	—	5 700	12 338
Headline earnings	181 681	21.2%	149 861	284 135
EARNINGS PER SHARE				
Number of shares in issue ('000)	169 053	—	168 764	168 764
Weighted average shares for the purposes of earnings per share and headline earnings per share ('000)	168 856	—	168 764	168 764
Headline earnings per share (cents)	107.6	21.2%	88.8	168.4
Fully diluted headline earnings per share (cents)	105.6	—	88.8	168.4
Earnings per share (cents)	108.4	25.8%	86.2	173.0
Fully diluted earnings per share (cents)	106.4	—	86.2	173.0
SALIENT STATISTICS				
Net asset value per share (cents)	368.5	—	399.2	259.1
Debt: equity ratio (%)	—	—	—	—
(debt includes bank overdraft) (Note 1.1)	30.9	—	21.6	81.8

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Non- distributable reserves	Accumulated profit	Total
R'ooo					
Balance at 30 September 2003	96	—	511	527 836	528 443
Net profit for the period	—	—	—	145 412	145 412
Foreign exchange translation	—	—	(140)	—	(140)
Balance at 31 March 2004	96	—	371	673 248	673 715
Share capital issued (Note 3)	5	—	—	—	5
Net profit for the period	—	—	—	146 562	146 562
Dividends declared	—	—	—	(383 200)	(383 200)
Release of revaluation reserve	—	—	(566)	566	—
Foreign exchange translation	—	—	179	—	179
Balance at 30 September 2004	101	—	(16)	437 176	437 261
Share capital issued (Note 3)	—	2 805	—	—	2 805
Net profit for the period	—	—	—	182 981	182 981
Foreign exchange translation	—	—	(5)	—	(5)
Balance at 31 March 2005	101	2 805	(21)	620 157	623 042

DIRECTORATE AND ADMINISTRATION

Directors: M J Hankinson* (Chairman), P K Hughes (Chief Executive), R W Coe, D B Gibbon*, R J Hutchison*, P M Madi*, H K Mehta*, G Moloi*. *Non executive
Company secretary: R C Fenner
ISIN number: ZAE000058517 JSE code: SPP
Registered office: 22 Chancery Lane, P O Box 1589, Pinetown, 3600
Transfer secretaries: Ultra Registrars (Pty) Limited, P O Box 4844, Johannesburg, 2000
Auditors: Deloitte & Touche, P O Box 243, Durban, 4000
Sponsor: Rand Merchant Bank, P O Box 786273, Sandton, 2146
Bankers: First National Bank, P O Box 4130, Umhlanga Rocks, 4320
Website: www.spar.co.za

BALANCE SHEETS

	Unaudited March 2005	Unaudited March 2004	Audited September 2004
R'ooo			
ASSETS			
Non-current assets	629 304	621 030	573 591
Property, plant and equipment	350 169	319 609	295 466
Goodwill	245 568	255 906	246 808
Loans and investments	23 730	38 672	24 625
Deferred taxation asset	9 837	6 843	6 692
Current assets	1 792 408	1 601 525	1 683 056
Inventories	348 930	391 985	335 253
Trade and other receivables	1 388 869	1 166 975	1 299 257
Cash held by Guilds (Note 1.1)	54 609	42 565	48 546
TOTAL ASSETS	2 421 712	2 222 555	2 256 647
EQUITY AND LIABILITIES			
Capital and reserves	623 042	673 715	437 261
Share capital and premium	2 906	96	101
Non-distributable reserves	(21)	371	(16)
Accumulated profit	620 157	673 248	437 176
Non-current liabilities	39 099	42 222	38 736
Deferred taxation liability	—	—	110
Long-term borrowings	277	3 191	1 754
Provision for post-retirement medical obligations	38 822	34 244	36 872
Amount due to Tiger Brands Ltd	—	4 787	—
Current liabilities	1 759 571	1 506 618	1 780 650
Trade payables, accruals and provisions	1 544 783	1 339 961	1 419 344
Current portion of long-term borrowings	41 600	—	832
Bank overdraft	150 866	137 345	355 308
Taxation	22 322	29 312	5 166
TOTAL EQUITY AND LIABILITIES	2 421 712	2 222 555	2 256 647

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION
The interim consolidated financial statements were prepared in accordance with the South African Statements of Generally Accepted Accounting Practice applicable to Interim Financial Reporting – AC127. The accounting policies used in the preparation of the interim financial statements were consistent with those employed in the annual financial statements for the year ended 30 September 2004, except for the accounting treatment of goodwill. In accordance with AC140, "Business Combinations", with effect from 1 October 2004, the Group is no longer required to amortise goodwill. An impairment test on the balance of goodwill will be performed annually. No impairment loss has occurred in the six months ended 31 March 2005.

1.1 RECLASSIFICATION OF CASH BALANCES
During the current financial period, the Group reclassified cash balances as between overdrafts and Guild cash holdings. The comparative figures have been reclassified and the debt to equity ratios revised in order to correspond with the current period treatment.

2. DEPRECIATION AND AMORTISATION
During the current financial period, the Group reassessed its estimate of the useful lives of certain assets, principally within the vehicle, plant and machinery and computer equipment categories, in order to more accurately reflect the specific employment of these assets by the Group. This change resulted in a reduction in the depreciation charge for the period of R1.5 million. The anticipated reduction in the depreciation charge for the full year will be R10.2 million.

3. SHARE CAPITAL
During the six months ended 31 March 2005, the Spar Group issued an additional 288 833 ordinary shares of 0.06 cents each (September 2004: 8 692 003 ordinary shares of 0.06 cents each) pursuant to the exercise of share options under the 2004 Spar share incentive scheme. Issued share capital has increased thereby to R101 431.50 (September 2004: R101 258.20), consisting of 169 052 503 shares of 0.06 cents each (September 2004: 168 763 670 ordinary shares of 0.06 cents each).

	Unaudited six months ended March 2005 R'ooo	Unaudited six months ended March 2004 R'ooo	Audited year ended September 2004 R'ooo
4. CONTINGENT LIABILITIES			
The Group has guaranteed the finance obligations and rental commitments of certain Spar members amounting to:	178 483	159 272	178 297

5. OPERATING LEASES
Charges and recoveries reported in operating profit

Lease payments charged against operating profit in respect of headleases and other operating leases	42 033	36 780	77 899
Recoveries from Spar members in terms of sub-leases recognised in operating profit	(40 755)	(33 638)	(69 815)
Net operating lease charges	1 278	3 142	8 084
Commitments			
Future lease payments under non-cancellable leases:	967 734	827 714	918 941
The corresponding commitments of Spar members to the Group in terms of sub-leases were:	(947 042)	(709 587)	(807 726)
Net commitment	20 692	118 127	111 215

6. CAPITAL COMMITMENTS			
– Contracted	3 022	7 434	4 228
– Approved but not contracted	31 614	7 105	1 089
	34 636	14 539	5 317

7. POST-BALANCE SHEET EVENTS
No material events have occurred subsequent to 31 March 2005, which may have an impact on the Group's reported financial position at this date.

CASH FLOW STATEMENT

	Unaudited six months ended March 2005	Unaudited six months ended March 2004	Audited year ended September 2004
R'ooo			
Cash generated from operations	312 217	273 291	526 211
Interest paid	(4 651)	(2 328)	(3 315)
Interest received	2 177	6 020	12 205
Taxation paid	(69 159)	(93 848)	(181 718)
Dividends paid	—	—	(383 200)
Net cash generated from/(utilised by) operating activities	240 584	183 135	(29 817)
Capital expenditure	(78 682)	(26 647)	(51 674)
Acquisition of subsidiary	—	(291 863)	(291 863)
Proceeds on disposal of businesses and fixed assets	5 612	4 409	25 189
Acquisition of minority shareholding	—	(1)	(1)
Net movement on loans and investments	895	(2)	10 602
Net cash utilised by investing activities	(72 175)	(314 104)	(307 747)
Proceeds from issue of share capital	2 805	—	5
Increase/(decrease) in borrowings	39 291	(405)	(5 797)
Net cash generated/(utilised) by financing activities	42 096	(405)	(5 792)
Net increase/(decrease) in cash and cash equivalents	210 505	(131 374)	(343 356)

NATURE OF BUSINESS

The Group owns and operates six distribution centres that supply and service independently owned SPAR food stores, TOPS liquor outlets and BUILD it building materials outlets, situated in South Africa and neighbouring countries. The Group has core competencies in distribution and the managing of voluntary trading organisations. It provides the control and leadership for SPAR, TOPS and BUILD it in Southern Africa.

REVIEW OF TRADING RESULTS

Against a backdrop of strong competition and continuing low levels of inflation (2–3%) the Group achieved a more than satisfactory turnover increase of 12.3%. Market share for SPAR compared to the major food chains remained at 26%. BUILD it and TOPS both achieved substantial turnover growths as a result of the Group's drive into these businesses.

67 new stores were brought into the fold in the period under review and good progress made with the ongoing upgrading and remodelling of existing stores.

Operating profit before interest and taxation increased by 28.3% to R268.5 million (2004: R209.2 million). This increase in profitability was driven by improved operating efficiencies and cost control, the cessation of the payment of the management fee to the Group's former holding company, the discontinuance of the amortisation of goodwill (in terms of AC140) and a lower depreciation charge.

The Group moved from a net interest received position for the six months to March 2004 to a net interest paid position following the significant dividend distributed in 2004 and the acquisition of Nelspruit Wholesalers. Net cash generated from operating activities amounted to R240.6 million. As a result of this strong cash flow, the Group reduced its overdraft to R150.9 million from the year end September 2004 overdraft position of R355.3 million.

LOOKING FORWARD

It is anticipated that the competitive environment and the current low levels of inflation will remain features of the balance of the financial year. However, with the Group's aggressive marketing programme and focus on new stores and the upgrading of existing stores, turnover growth approximating current levels should be achievable.

Whilst the impact of improved operating efficiencies will be felt to a lesser extent in the second half, good growth in earnings is still expected.

Strong cash generation will continue and the level of borrowings will further reduce.

DIVIDEND

Contrary to the prelisting statement comment, the directors are pleased to announce the declaration of an interim dividend of 30 cents per share payable on 6 June 2005. The dividend cover for the full year will remain, as advised, at 2.25 times.

M J HANKINSON
Chairman
11 May 2005

P K HUGHES
Chief Executive

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim dividend of 30 cents per ordinary share has been declared in respect of the half year ended 31 March 2005.

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

Last day to trade cum-dividend Friday, 27 May 2005
Shares to commence trading ex-dividend Monday, 30 May 2005
Record date Friday, 3 June 2005
Payment of dividend Monday, 6 June 2005

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 30 May 2005 and Friday, 3 June 2005, both days inclusive.

By order of the board

R C FENNER
Secretary

Pinetown
11 May 2005

KWIKSPAR



SPAR



SUPERSPAR



Build it

