THE SPAR GROUP LIMITED

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2006

- OPERATING PROFIT +18.3%
- HEADLINE EARNINGS PER SHARE +16.8%
- INTERIM DIVIDEND 48 CENTS PER SHARE +60%

INCOME STATEMENTS

R'000	Unaudited Six months ended Mar 2006	Change	Restated Six months ended Mar 2005	Restated Year ended Sept 2005
REVENUE	8 231 197	22.6%	6 714 924	13 737 483
Turnover	8 153 567	22.7%	6 647 507	13 598 961
Cost of sales	(7 453 749)		(6 048 950)	(12 398 996)
Gross profit	699 818		598 557	1 199 965
Other income	77 630		67 417	138 522
Operating expenses	(467 351)		(403 761)	(839 045)
PROFIT FROM OPERATIONS	310 097	18.3%	262 213	499 442
Interest received	7 509		2 177	5 637
Interest paid	(2 725)		(4 651)	(5 457)
Share of profit of associate	547		506	181
Net profit before taxation	315 428	21.2%	260 245	499 803
Taxation	(109 018)		(83 060)	(157 165)
NET PROFIT FOR THE PERIOD	206 410	16.5%	177 185	342 638
HEADLINE EARNINGS RECONCILIATION				
Net profit for the period	206 410		177 185	342 638
Adjusted for:				
(Profit)/loss on sale of property, plant and equipment, net of impairments and net of taxation effect	(267)		(1 300)	1 813
HEADLINE EARNINGS	206 143	17.2%	175 885	344 451
EARNINGS PER SHARE (CENTS)				
Headline earnings per share	121.7	16.8%	104.2	203.8
Fully diluted headline earnings per share	117.4		102.2	199.3
Earnings per share	121.8	16.1%	104.9	202.7
Fully diluted earnings per share	117.6		103.0	198.3
SALIENT STATISTICS				
Net asset value per share (cents)	507.8		369.6	443.6
Net margin (%)	3.8		3.9	3.7
Debt: equity ratio (%)	9.4		30.8	14.5
Return on average equity (%)	25.6		27.3	57.7

STATEMENTS OF CHANGES IN EQUITY

R'000	Unaudited Mar 2006	Restated Mar 2005	Restated Sept 2005
Total capital and reserves at 30 September 2004 – as previously reported		437 261	437 261
IFRS adjustments (Refer Note 1):			
Share based payment reserve (IFRS 2)		3 367	3 367
Investment in associate (IAS 28)		5 012	5 012
Share based payments (IFRS 2)		(3 367)	(3 367)
Post retirement medical aid provision (IFRS 1 election)		(3 766)	(3 766)
– unrealised losses recognised		(5 380)	(5 380)
– deferred taxation		1 614	1 614
Total capital and reserves at beginning of period – as restated	750 808	438 507	438 507
Net profit for the period	206 410	177 185	342 638
Net profit for the period as previously reported		182 981	357 628
Deferred taxation rate change		–	(54)
IFRS adjustments (Refer Note 1):			
Investment in associate (IAS 28)		506	181
Share based payments (IFRS 2)		(6 302)	(15 117)
Share based payment reserve (IFRS 2)	8 599	6 302	15 117
Share capital and premium issued	5 161	2 805	5 279
Dividends declared	(109 236)	–	(50 727)
Foreign currency exchange translation	(9)	(5)	(6)
Total capital and reserves at end of period	861 733	624 794	750 808

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim dividend of 48 cents per share has been declared in respect of the half year ended 31 March 2006.

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

Last day to trade cum-dividend	Friday, 26 May 2006
Shares to commence trading ex-dividend	Monday, 29 May 2006
Record date	Friday, 2 June 2006
Payment of dividend	Monday, 5 June 2006

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 29 May 2006 and Friday, 2 June 2006, both days inclusive.

By order of the board

KJ O'Brien
Secretary

Pinetown
10 May 2006

DIRECTORATE AND ADMINISTRATION

DIRECTORS: MJ Hankinson* (Chairman), PK Hughes (Chief Executive), RW Coe, DB Gibbon*, RJ Hutchison*, MP Madi*, HK Mehta*, P Mnganga *. * Non-executive

COMPANY SECRETARY: KJ O'Brien

ISIN: ZAE000058517 JSE CODE: SPP

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

TRANSFER SECRETARIES: Ultra Registrars (Pty) Limited, PO Box 4844, Johannesburg, 2000

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

SPONSOR: Rand Merchant Bank, PO Box 786273, Sandton, 2146

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

WEBSITE: www.spar.co.za

BALANCE SHEETS

R'000	Unaudited Mar 2006	Restated Mar 2005	Restated Sept 2005
ASSETS			
NON-CURRENT ASSETS	713 163	636 436	646 558
Property, plant and equipment	430 202	350 169	370 225
Goodwill	245 568	245 568	245 568
Investment in associate	5 740	5 518	5 193
Loans	24 519	23 730	17 560
Deferred taxation asset	7 134	11 451	8 012
CURRENT ASSETS	2 349 557	1 792 408	2 056 454
Inventories	438 676	348 930	384 857
Trade receivables	1 842 774	1 386 588	1 570 213
Prepayments	3 999	2 281	32 642
Bank balances – Guilds	64 108	54 609	68 742
TOTAL ASSETS	3 062 720	2 428 844	2 703 012
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	861 733	624 794	750 808
Share capital and premium	10 541	2 906	5 380
Non-distributable reserves	27 052	9 648	18 462
Retained earnings	824 140	612 240	726 966
NON-CURRENT LIABILITIES	49 900	44 479	47 171
Deferred taxation liability	–	–	25
Post retirement medical aid provision	48 552	44 202	46 152
Long-term borrowings	1 348	277	994
CURRENT LIABILITIES	2 151 087	1 759 571	1 905 033
Trade payables and accruals	2 028 771	1 524 484	1 741 162
Bank overdrafts	42 845	150 866	68 536
Current portion of long-term borrowings	36 658	41 600	39 094
Provisions	24 147	20 299	49 980
Taxation	18 666	22 322	6 261
TOTAL EQUITY AND LIABILITIES	3 062 720	2 428 844	2 703 012

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION
   The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the accounting standard applicable to Interim Financial Reporting – IAS 34. Prior to 1 October 2005, the financial statements were prepared in terms of South African Statements of Generally Accepted Accounting Practice ("GAAP"). The first time adoption of IFRS has resulted in changes to the group's accounting policies and the need to restate prior year accounts. Comparative information has been adjusted to reflect the adoption of IFRS.
   - IFRS 1: The group has recognised post retirement medical aid actuarial losses at the date of transition to IFRS. The group will continue to use the corridor method of recognising actuarial gains and losses.
   - IFRS 2: Share based payments. Share options granted to employees after 7 November 2002 have been actuarially valued on grant date using the Black Scholes method. These values have been or will be charged to the income statement over the option vesting period.
   - IFRS 4: Financial guarantees have been classified as insurance contracts.
   - IAS 28: Investment in associate. The group has equity accounted its investment in its Zimbabwean associate, SPAR Harare (Pvt) Limited. The investment had been impaired to R nil as the entity operated under severe long-term restrictions, preventing the transfer of funds from that country. The group only accounted for cash dividends when received.
2. COMPARATIVE FIGURES
   The March 2005 comparative revenue figure has been restated by R67.4 million to include various other income items, and to be in line with the September 2005 classification.
   Cost of sales represents the net cost of purchases from suppliers, after rebates and incentive allowances. The March 2005 cost of sales comparative figure has been restated to exclude distribution expenses, which expenses have now been included under the heading "operating expenses". The restatement amounted to R85.3 million. This reclassification is consistent with the September 2005 classification.
   The March 2005 comparative cash flow statement has been restated in order to correspond with the year end September 2005 classifications.
3. SHARE CAPITAL AND PREMIUM

	Unaudited Six months ended Mar 2006 R'000	Restated Six months ended Mar 2005 R'000	Restated Year ended Sept 2005 R'000
Authorised 250 000 000 (March 2005: 250 000 000) ordinary shares of 0.06 cents (March 2005: 0.06 cents) each	150	150	150
Issued 169 713 436 (March 2005: 169 052 503) ordinary shares of 0.06 cents (March 2005: 0.06 cents) each	102	101	102
Share premium account			
Balance at beginning of year	5 278	–	–
Shares issued	5 161	2 805	5 278
Total share capital and premium	10 541	2 906	5 380

Pursuant to the exercising of options 453 401 ordinary shares of 0.06 cents each were issued during the six months ended 31 March 2006, thereby increasing the issued share capital to R101 828 consisting of 169 713 436 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 169 429 967 (March 2005: 168 856 059). Fully diluted earnings and headline earnings per share was based on a weighted average number of 175 559 088 (March 2005: 172 039 916) ordinary shares.

	Unaudited Six months ended Mar 2006 R'000	Restated Six months ended Mar 2005 R'000	Restated Year ended Sept 2005 R'000
4. CONTINGENT LIABILITIES			
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of:	192 340	178 483	179 272
5. OPERATING LEASES			
Operating lease costs charged against operating profit			
Immovable property	809	494	3 088
– lease rentals	48 941	41 249	86 944
– sub-lease recoveries	(48 132)	(40 755)	(83 856)
Plant, equipment and vehicles	1 010	784	5 064
Operating lease commitments			
Future minimum lease payments under non-cancellable operating leases are as follows:	1 153 309	967 734	1 084 224
– land and buildings	1 150 734	964 117	1 082 034
– other	2 575	3 617	2 190
Future minimum sub-lease recoveries under non-cancellable property leases are:	(1 132 198)	(947 042)	(1 061 527)
Net commitments	21 111	20 692	22 697
6. CAPITAL COMMITMENTS			
Contracted	29 310	3 022	48 454
Approved but not contracted	243 231	31 614	25 924
	272 541	34 636	74 378

7. POST BALANCE SHEET EVENTS
   No material events have occurred subsequent to 31 March 2006 which may have an impact on the group's reported financial position at that date.

CASH FLOW STATEMENTS

R'000	Unaudited Six months ended Mar 2006	Restated Six months ended Mar 2005	Restated Year ended Sept 2005
CASH FLOWS FROM OPERATING ACTIVITIES	104 671	240 584	370 475
Cash generated from operations	303 293	312 217	572 961
Interest received	6 920	2 177	5 270
Interest paid	(546)	(4 651)	(1 179)
Taxation paid	(95 760)	(69 159)	(155 850)
Dividends paid	(109 236)	–	(50 727)
CASH FLOWS FROM INVESTING ACTIVITIES	(84 514)	(31 368)	(61 203)
Investment to maintain operations	(24 057)	(18 691)	(24 678)
– Replacement of property, plant and equipment	(24 599)	(22 480)	(29 293)
– Proceeds on disposal of property, plant and equipment	542	3 789	4 615
Investment to expand operations	(53 823)	(14 737)	(44 888)
Net movement on loans, investments and goodwill	(6 634)	2 060	8 363
CASH FLOWS FROM FINANCING ACTIVITIES	900	1 289	(2 304)
Proceeds from issue of share capital	5 161	2 805	5 279
Decrease in long-term borrowings	(4 261)	(1 516)	(7 583)
NET INCREASE IN CASH AND CASH EQUIVALENTS	21 057	210 505	306 968
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	206	(306 762)	(306 762)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21 263	(96 257)	206
Analysed:			
Bank overdrafts	(42 845)	(150 866)	(68 536)
Bank balances – Guilds	64 108	54 609	68 742

REVIEW OF TRADING RESULTS

On the back of buoyant retail sales, the group experienced a strong trading period with turnover well ahead of 2005. "Like on like" turnover growth was 17.4%, based on excluding from reported 2006 turnover, business now handled on a drop shipment basis, but on which the group received a commission in 2005 and which did not constitute turnover in 2005. With food inflation continuing to run at low levels, substantial real growth was once again achieved. Perishable product turnover growth was particularly good. Build it and TOPS as anticipated experienced considerable growth. Retail store turnover grew ahead of industry growth and as a consequence SPAR's market share increased marginally.

Operating profit before interest and taxation at R310 million increased 18.3% on the comparative period. All distribution centres operated efficiently and achieved their profit targets. The decline in the gross margin was in line with expectations and was the result of a change in the sales mix and, as indicated above, the move of business from a commission to a drop shipment basis.

The strong cash flow resulted in net interest receipts of R4,8 million and minimal borrowings at the interim close.

The increased taxation charge at 35.6% of pre tax profits (2005 - 31.9%) reflected the STC paid on the final 2005 dividend.

STORE NUMBERS AND RETAIL SELLING AREAS

18 SPAR stores opened during the period under review, taking total SPAR store numbers, after store losses, to 789. The group currently supplies 132 SUPERSPAR, 470 SPAR and 187 KWIKSPAR stores. Trading space increased 2.5% to 704 583 square metres.

The group continues to focus on the upgrading and remodelling of existing stores.

Build it opened 13 new outlets and TOPS 16. The group now services 191 Build it and 188 TOPS stores respectively.

CAPITAL EXPENDITURE

As a result of the extremely strong volume growths that the group's distribution centres have handled and capacity problems experienced over peak trading periods, a detailed review of trading facilities has been undertaken.

Flowing from this review it has been determined that it is essential to relocate the Western Cape distribution centre to new premises and for this purpose the group has secured a property in Cape Town on which it will shortly commence construction of a new dry goods and perishable facility. During the next three years extensions to the group's KwaZulu-Natal distribution centre's perishable facility and the South Rand and North Rand dry goods facilities will be made.

Pursuant to the completion of the facilities review, capital expenditure for the current financial year is anticipated to be in the region of R190 million. Annual capex for 2007, 2008 and 2009 is forecast at R210 million, R150 million and R170 million respectively. Capital expenditure will be financed from the group's cash resources.

LOOKING FORWARD

Planned SPAR store openings and growth in retail trading areas during the remainder of the current financial year and further, augurs well for future turnover growth. Current indications are that turnover will remain buoyant for the remainder of the financial year, although it is anticipated that a marginal increase in inflation is likely.

Strong cash generation will continue, notwithstanding the considerable forecast capital expenditure. In order to efficiently utilise this cash, the group proposes to implement a share purchase programme through the JSE. Shareholders will be requested to confirm this programme and notice of the necessary general meeting to ratify this action will shortly be sent to shareholders.

DIVIDEND

In line with the group announcement to decrease the dividend cover, a dividend of 48 cents per share has been declared. This dividend represents a 60% increase on the 2005 interim declaration.

DIRECTORATE

Peter Hughes, having reached the age of 60, has decided to retire as Chief Executive, effective November 2006. During his 17 year tenure as Chief Executive, Peter has played a pivotal role in leading the SPAR organisation and in securing SPAR's pre-eminent position in the retail industry. Peter's vast experience will not however be lost to the group as he will be retained as a non-executive director.

The board has pleasure in announcing the appointment of Wayne Hook as Peter's successor. Wayne will move to the group's central office in June as CEO designate and will take full responsibility and join the board in October 2006. Wayne, a chartered accountant, has a wealth of experience having joined the group in 1985 as a financial manager. Thereafter he held executive positions before being appointed managing director of the group's KwaZulu-Natal distribution centre in 1998. The board is confident that under Wayne's leadership SPAR will continue to grow and prosper.

During the period under review Phumla Mnganga joined the board as an independent non-executive director.

MJ Hankinson
Chairman

PK Hughes
Chief Executive

10 May 2006