



THE SPAR GROUP LIMITED

OPERATING PROFIT +28.2%
HEADLINE EARNINGS 156.3 cents PER SHARE +28.5%
INTERIM DIVIDEND 72.5 cents PER SHARE +51.0%

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2007

CONDENSED INCOME STATEMENT

Rmillion	Unaudited Six months ended March 2007	Change	Unaudited Six months ended March 2006	Audited year ended Sept 2006
REVENUE	10 783.6	31.0%	8 231.2	17 176.6
Turnover	10 685.9	31.1%	8 153.6	17 009.6
Cost of Sales	(9 821.1)		(7 453.8)	(15 581.3)
Gross Profit	864.8		699.8	1 428.3
Other Income	97.7		77.6	167.0
Operating Expenses	(565.0)		(467.3)	(992.5)
OPERATING PROFIT	397.5	28.2%	310.1	602.8
Interest received	12.6		7.5	21.7
Interest paid	(6.6)		(2.7)	(6.1)
Share of profit of associate	–		0.5	0.3
Profit before taxation	403.5	27.9%	315.4	618.7
Taxation	(141.6)		(109.0)	(211.1)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	261.9	26.9%	206.4	407.6
EARNINGS PER SHARE (CENTS)				
Earnings per share	156.5	28.5%	121.8	240.5
Fully diluted earnings per share	149.7		117.6	231.7
SALIENT STATISTICS				
Headline earnings per share (cents)	156.3	28.5%	121.7	240.0
Fully diluted headline earnings per share (cents)	149.6		117.4	231.2
Dividend per share (cents)	72.5	51.0%	48.0	123.0
Net asset value per share (cents)	611.8		507.8	533.5
Net margin (%)	3.7		3.8	3.5
Return on average equity (%)	27.3		25.6	49.6
HEADLINE EARNINGS RECONCILIATION				
Profit for the period attributable to ordinary shareholders	261.9		206.4	407.6
Adjusted for:				
Profit on sale of property, plant and equipment, net of impairments and net of taxation effect	(0.2)		(0.3)	(0.9)
HEADLINE EARNINGS	261.7	27.0%	206.1	406.7

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 2005	5.4	–	18.5	726.9	750.8
Net profit for the period	–	–	–	206.4	206.4
Share based payment reserve	–	–	8.6	–	8.6
Shares issued	5.1	–	–	–	5.1
Dividends declared	–	–	–	(109.2)	(109.2)
Total capital and reserves at 31 March 2006	10.5	–	27.1	824.1	861.7
Net profit for the period	–	–	–	201.2	201.2
Share based payment reserve	–	–	7.9	–	7.9
Shares issued	2.9	–	–	–	2.9
Share repurchases	–	(99.8)	–	–	(99.8)
Dividends declared	–	–	–	(81.5)	(81.5)
Total capital and reserves at 30 September 2006	13.4	(99.8)	35.0	943.8	892.4
Net profit for the period	–	–	–	261.9	261.9
Share based payment reserve	–	–	9.2	–	9.2
Take-up of share options	–	29.1	(20.0)	–	9.1
Share repurchases	–	(19.9)	–	–	(19.9)
Dividends declared	–	–	–	(127.4)	(127.4)
Total capital and reserves at 31 March 2007	13.4	(90.6)	24.2	1 078.3	1 025.3

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim dividend of 72.5 cents per share has been declared in respect of the six months ended 31 March 2007.

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

Last day to trade cum-dividend	Friday, 1 June 2007
Shares to commence trading ex-dividend	Monday, 4 June 2007
Record date	Friday, 8 June 2007
Payment of dividend	Monday, 11 June 2007

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 4 June 2007 and Friday, 8 June 2007, both days inclusive.

By order of the board

KJ O'Brien **Pinetown**
Secretary 16 May 2007

CONDENSED BALANCE SHEET

Rmillion	Unaudited March 2007	Unaudited March 2006	Restated Sept 2006
ASSETS			
NON CURRENT ASSETS	1 083.2	799.8	925.9
Property, plant and equipment	636.4	430.2	519.1
Goodwill	245.6	245.6	245.6
Investment in associate	5.5	5.7	5.5
Loans	87.3	20.1	51.0
Operating lease receivables (Note 4)	108.4	91.1	104.7
Deferred taxation asset	–	7.1	–
CURRENT ASSETS	3 061.3	2 362.1	2 702.6
Inventories	574.1	438.7	449.3
Trade receivables	2 389.6	1 842.8	2 146.3
Prepayments	1.7	4.0	12.5
Short-term loans	20.1	4.4	16.7
Current portion of operating lease receivables (Note 4)	9.8	8.1	9.2
Bank balances – Guilds	66.0	64.1	68.6
TOTAL ASSETS	4 144.5	3 161.9	3 628.5
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	1 025.3	861.7	892.4
Share capital and premium (Note 2)	13.4	10.5	13.4
Treasury shares	(90.6)	–	(99.8)
Share based payment reserve	24.2	27.1	35.0
Retained earnings	1 078.3	824.1	943.8
NON CURRENT LIABILITIES	171.5	140.6	160.5
Deferred taxation liability	12.2	–	6.1
Post retirement medical aid provision	51.3	48.6	49.8
Long-term borrowings	0.2	1.3	0.4
Operating lease payables (Note 4)	107.8	90.7	104.2
CURRENT LIABILITIES	2 947.7	2 159.6	2 575.6
Trade payables and accruals	2 550.8	2 028.8	2 419.9
Current portion of long-term borrowings	37.4	36.7	37.6
Current portion of operating lease payables (Note 4)	10.4	8.5	9.7
Provisions	68.8	24.1	64.4
Taxation	35.5	18.7	16.9
Bank overdrafts	244.8	42.8	27.1
TOTAL EQUITY AND LIABILITIES	4 144.5	3 161.9	3 628.5

NOTES TO THE FINANCIAL STATEMENTS

- BASIS OF PRESENTATION AND ACCOUNTING POLICIES**
The condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting and have been prepared under the historical cost convention, except for financial instruments which are fair valued. The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 30 September 2006.
- SHARE CAPITAL AND PREMIUM**
AUTHORISED
250 000 000 (March 2006: 250 000 000)
ordinary shares of 0.06 cents (March 2006: 0.06 cents) each
ISSUED
169 940 035 (March 2006: 169 713 436)
ordinary shares of 0.06 cents (March 2006: 0.06 cents) each
SHARE PREMIUM ACCOUNT
Balance at beginning of period 13.3
Shares issued during the period –
Total share capital and premium 13.4
Pursuant to the exercising of options, 4 100 ordinary shares (March 2006: 453 401) were issued during the six months ended 31 March 2007, thereby increasing the issued share capital to R101 964 (March 2006: R101 828) consisting of 169 940 035 shares (March 2006: 169 713 436) of 0.06 cents each.
The weighted average number of shares (net of treasury shares) used in the calculation of earnings per share and headline earnings per share was 167 399 890 (March 2006: 169 429 967).
Fully diluted earnings and headline earnings per share were based on a weighted average number (net of treasury shares) of 174 917 450 (March 2006: 175 559 088) ordinary shares.
- CONTINGENT LIABILITIES**
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of: 146.8
- OPERATING LEASES**
The operating lease receivables and payables relating to sublet properties have been restated by R31.9 million due to an error at the initial measurement date. This has had no effect on opening equity, or on current or comparative earnings.
OPERATING LEASE COSTS CHARGED AGAINST OPERATING PROFIT
Immovable property
– lease rentals 65.0
– sub-lease recoveries (63.6)
Plant, equipment and vehicles 6.8
OPERATING LEASE COMMITMENTS
Future minimum lease payments under non-cancellable operating leases are as follows:
– land and buildings 1 388.2
– other 1 386.6
The future minimum sub-lease recoveries under non-cancellable property leases are: (1 370.4)
Net commitments 17.8
- CAPITAL COMMITMENTS**
Contracted 209.7
Approved but not contracted 29.2
- 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 operating segment.
- POST BALANCE SHEET EVENTS**
No material events have occurred subsequent to 31 March 2007 which may have an impact on the group's reported financial position at this date.

CONDENSED CASH FLOW STATEMENT

Rmillion	Unaudited Six months ended March 2007	Unaudited Six months ended March 2006	Audited Year ended Sept 2006
CASH FLOWS FROM OPERATING ACTIVITIES	(27.2)	104.7	372.7
Operating cash flows before working capital changes	433.0	339.0	665.1
Net working capital changes	(221.7)	(35.7)	69.4
Interest received	12.4	6.9	21.4
Interest paid	(6.6)	(0.5)	(6.1)
Taxation paid	(116.8)	(95.8)	(186.4)
Dividends paid	(127.5)	(109.2)	(190.7)
CASH FLOWS FROM INVESTING ACTIVITIES	(182.0)	(84.5)	(237.5)
Investment to maintain operations	(16.1)	(24.1)	(37.3)
– Replacement of property, plant and equipment	(16.7)	(24.6)	(39.7)
– Proceeds on disposal of property, plant and equipment	0.6	0.5	2.4
Investment to expand operations	(126.2)	(53.8)	(150.1)
Net movement on loans and investments	(39.7)	(6.6)	(50.1)
CASH FLOWS FROM FINANCING ACTIVITIES	(11.1)	0.9	(93.9)
Proceeds from issue of share capital and premium	–	5.1	8.0
Share repurchases	(19.9)	–	(99.8)
Proceeds from the exercise of share options	9.1	–	–
Repayment of long-term borrowings	(0.3)	(4.2)	(2.1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(220.3)	21.1	41.3
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	41.5	0.2	0.2
NET (OVERDRAFTS)/CASH AND CASH EQUIVALENTS AT END OF PERIOD	(178.8)	21.3	41.5

REVIEW OF TRADING RESULTS

On the back of excellent retail performance by SPAR, TOPS and BUILD IT stores, the group achieved substantial sales growth. Performance was influenced by continued strong consumer spending, higher inflation levels, aggressive marketing and above market organic growth. The group again achieved further market penetration.

With margins and expenditure well controlled, the strong sales performance translated into an operating profit of R397 million, 28.2% up on interim 2006.

Operating cash flows remained strong, but net cash reflected the further capex investment in distribution facilities and a temporary increase in working capital requirements. The group continued to repurchase its shares and acquired a further 417 866 shares as at the 31st March 2007.

STORE NUMBERS AND RETAIL SELLING AREAS

The six months under review saw the opening of 17 new stores. The store regeneration programme continued with 50 stores undergoing major upgrades and 11 stores moving to a bigger store format. At the 31st March the group serviced 158 SUPERSPAR, 484 SPAR and 165 KWIKSPAR retail outlets. Total retail trading space increased 3.6% to 753 479msq.

TOPS store numbers rose to 258 stores (42 new stores), whilst BUILD IT opened a further 11 stores. BUILD IT now supplies 228 stores countrywide.

CAPITAL EXPENDITURE

The substantial growth being experienced by the group continues to put extreme pressure on all distribution facilities and considerable attention has been given to planning for the long-term resolution of the group's current capacity constraints. To this end the group is looking to acquire further property in KwaZulu-Natal and in the Gauteng region.

Additional land was purchased adjoining the group's South Rand distribution centre and the planning of an extension to the existing distribution facility is underway. Construction of the extension to the facility will commence as soon as regulatory approvals have been secured.

Construction of the group's new distribution facility in the Western Cape is progressing well and trading from this facility will commence, as planned, during the first quarter of calendar 2008. The group's existing facility in Montague Gardens will be disposed of once the move to the new facility is complete.

LOOKING FORWARD

It is anticipated that buoyant trading conditions will continue for the remainder of the financial year, notwithstanding a reported softening of consumer spending. Planned store openings and further growth in retail selling areas are also forecast.

DIVIDEND

In line with the group's stated policy to decrease the dividend cover, a dividend of 72.5 cents per share has been declared. This dividend represents a 51.0% increase on the 2006 interim declaration.

DIRECTORATE

During the period under review Roelf Venter was appointed as an executive director of the group.

M J Hankinson

Chairman

W A Hook

Chief Executive

16 May 2007

DIRECTORATE AND ADMINISTRATION

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

COMPANY SECRETARY: KJ O'Brien

ISIN: ZAE000058517

JSE CODE: SPP

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

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

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

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

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

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

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