SPAR
The SPAR Group Limited

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2008 AND CASH DIVIDEND DECLARATION

- OPERATING PROFIT +24.8%
- HEADLINE EARNINGS PER SHARE +28.7%
- INTERIM DIVIDEND 100 CENTS PER SHARE +37.9%

Condensed Income Statement

Rmillion	% Change	Unaudited Six months ended Mar 2008	Unaudited Six months ended Mar 2007	Audited Year ended Sept 2007
REVENUE	21.1	13 061.1	10 783.6	21 903.1
Turnover	21.1	12 936.7	10 685.9	21 704.0
Cost of sales		(11 884.3)	(9 821.1)	(19 926.9)
Gross profit		1 052.4	864.8	1 777.1
Other income		124.4	97.7	199.1
Operating expenses		(680.6)	(565.0)	(1 201.5)
OPERATING PROFIT	24.8	496.2	397.5	774.7
Interest received		21.7	12.6	32.3
Interest paid		(10.4)	(6.6)	(10.3)
Share of equity accounted associate		–	–	(2.0)
Profit before taxation	25.8	507.5	403.5	794.7
Taxation		(170.0)	(141.6)	(271.7)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	28.9	337.5	261.9	523.0
EARNINGS PER SHARE				
Earnings per share (cents)	29.1	202.0	156.5	313.0
Diluted earnings per share (cents)		193.0	149.7	299.0
SALIENT STATISTICS				
Headline earnings per share (cents)	28.7	201.2	156.3	312.3
Diluted headline earnings per share (cents)		192.2	149.6	298.4
Dividend per share (cents)	37.9	100.0	72.5	185.0
Net asset value per share (cents)		764.4	611.8	666.9
Operating profit margin (%)		3.8	3.7	3.6
Return on equity (%)		28.0	27.3	52.3
HEADLINE EARNINGS RECONCILIATION				
Profit for the year attributable to ordinary shareholders		337.5	261.9	523.0
Adjusted for:				
Profit on sale of property, plant and equipment		(1.8)	(0.3)	(2.1)
Impairment of property, plant and equipment		–	–	0.5
Tax effects of adjustments		0.5	0.1	0.5
HEADLINE EARNINGS	28.5	336.2	261.7	521.9

Condensed Balance Sheet

Rmillion	Unaudited Mar 2008	Unaudited Mar 2007	Audited Sept 2007
ASSETS			
NON-CURRENT ASSETS	1 462.3	1 086.4	1 242.5
Property, plant and equipment	940.4	636.4	736.2
Goodwill	245.6	245.6	245.6
Investment in associate	3.5	5.5	3.5
Finance lease receivables	14.4	3.2	9.3
Operating lease receivables	118.5	108.4	115.3
Loans	122.2	87.3	114.0
Other non-current assets	3.6		4.1
Deferred taxation asset	14.1		14.5
CURRENT ASSETS	3 784.5	3 058.1	3 815.0
Inventories	689.7	574.1	594.5
Trade and other receivables	2 869.2	2 385.8	2 677.9
Prepayments	9.0	1.7	17.8
Finance lease receivables	3.6	0.6	2.2
Operating lease receivables	11.5	9.8	10.3
Loans	29.7	20.1	31.1
Bank balances and cash	66.6		389.2
Bank balances – Guilds	77.5	66.0	64.3
	3 756.8	3 058.1	3 787.3
Non-current assets held for sale	27.7		27.7
TOTAL ASSETS	5 246.8	4 144.5	5 057.5
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	1 298.8	1 025.3	1 109.7
Share capital and premium	13.4	13.4	13.4
Treasury shares	(105.9)	(90.6)	(154.4)
Share based payment reserve	20.5	24.2	30.2
Retained earnings	1 370.8	1 078.3	1 220.5
NON-CURRENT LIABILITIES	175.7	171.5	169.8
Deferred taxation liability		12.2	
Post retirement medical aid provision	57.8	51.3	54.8
Borrowings		0.2	
Operating lease payables	117.9	107.8	115.0
CURRENT LIABILITIES	3 772.3	2 947.7	3 778.0
Trade and other payables	3 677.5	2 550.8	3 691.9
Borrowings		37.4	0.4
Operating lease payables	12.3	10.4	10.9
Provisions	5.1	68.8	3.5
Taxation	77.4	35.5	71.3
Bank overdrafts		244.8	
TOTAL EQUITY AND LIABILITIES	5 246.8	4 144.5	5 057.5

Condensed Cash Flow Statement

Rmillion	Unaudited Six months ended Mar 2008	Unaudited Six months ended Mar 2007	Audited Year ended Sept 2007
CASH FLOWS FROM OPERATING ACTIVITIES	(93.0)	(27.2)	924.7
Operating cash flows before working capital changes	553.5	433.0	865.3
Net working capital changes	(306.7)	(221.7)	521.9
Interest received	21.4	12.4	32.0
Interest paid	(10.4)	(6.6)	(10.3)
Taxation paid	(163.6)	(116.8)	(237.9)
Dividends paid	(187.2)	(127.5)	(246.3)
CASH FLOWS FROM INVESTING ACTIVITIES	(242.4)	(182.0)	(393.8)
Investment to maintain operations	(10.9)	(16.1)	(20.7)
– replacement of property, plant and equipment	(14.5)	(16.7)	(38.7)
– proceeds on disposal of property, plant and equipment	3.6	0.6	18.0
Investment to expand operations	(224.5)	(126.2)	(275.9)
Net movement on loans and investments	(7.0)	(39.7)	(97.2)
CASH FLOWS FROM FINANCING ACTIVITIES	26.0	(11.1)	(118.1)
Proceeds from the exercise of share options	26.4	9.1	11.6
Share repurchases	–	(19.9)	(92.1)
Repayment of long-term borrowings	(0.4)	(0.3)	(37.6)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(309.4)	(220.3)	412.8
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	453.5	41.5	41.5
Effects of exchange rate changes on the balance of cash held in foreign currencies			(0.8)
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	144.1	(178.8)	453.5

Notes to the Condensed Financial Statements

1 BASIS OF PRESENTATION AND COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group financial results, from which these condensed financial statements were derived, are prepared in accordance with International Financial Reporting Standards and have been prepared on the historical cost basis except for the revaluation of financial instruments, the valuation of share based payments and the post retirement medical obligation. The principal accounting policies adopted are consistent with those of the previous year. These condensed financial statements have been prepared in terms of IAS 34 – Interim financial reporting.

Rmillion	Unaudited Six months ended Mar 2008	Unaudited Six months ended Mar 2007	Audited Year ended Sept 2007
2 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Property, plant and equipment held for sale	27.7		27.7
3 SHARE CAPITAL AND PREMIUM			
Authorised			
250 000 000 (March 2007: 250 000 000) ordinary shares of 0.06 cents (March 2007: 0.06 cents) each	0.2	0.2	0.2
Issued			
169 940 035 (March 2007: 169 940 035) ordinary shares of 0.06 cents (March 2007: 0.06 cents) each	0.1	0.1	0.1
Share premium account	13.3	13.3	13.3
Balance at beginning of year	13.3	13.3	13.3
Shares issued during the year			
Total share capital and premium	13.4	13.4	13.4
The weighted average number of ordinary shares (net of treasury shares) used in the calculation of earnings per share and headline earnings per share was 167 100 486 (March 2007: 167 399 890). Diluted earnings and headline earnings per share were based on a weighted average number of ordinary shares (net of treasury shares) of 174 890 154 (March 2007: 174 917 450).			
4 CONTINGENT LIABILITIES			
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of	128.6	146.8	123.5
5 OPERATING LEASES			
Operating lease costs charged against operating profit			
Immovable property	5.2	1.4	6.2
– lease rentals	81.0	65.0	138.0
– sub-lease recoveries	(75.8)	(63.6)	(131.8)
Plant, equipment and vehicles	2.6	6.8	12.9
Operating lease commitments			
Future minimum lease payments under non-cancellable operating leases	1 630.0	1 388.2	1 542.3
– land and buildings	1 627.9	1 386.6	1 540.0
– other	2.1	1.6	2.3
The future minimum sub-lease recoveries under non-cancellable property leases	(1 597.9)	(1 370.4)	(1 524.3)
Net commitments	32.1	17.8	18.0
6 CAPITAL COMMITMENTS			
Contracted	188.2	209.7	281.8
Approved but not contracted	163.3	29.2	192.5
	351.5	238.9	474.3

7 SEGMENTAL REPORTING

The group operates its business from six distribution centres situated throughout South 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. TOPS at SPAR and Build it, although constituting distinct businesses at retail, do not satisfy the thresholds of significance for disclosure as separate reportable segments of the group.

8 POST BALANCE SHEET EVENTS

No material events have occurred subsequent to 31 March 2008 which may have an impact on the group's reported financial position at this date.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim dividend of 100 cents per share has been declared in respect of the 6 months ended 31 March 2008.

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

Last day to trade cum-dividend	Friday, 30 May 2008
Shares to commence trading ex-dividend	Monday, 2 June 2008
Record date	Friday, 6 June 2008
Payment of dividend	Monday, 9 June 2008

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 2 June 2008 and Friday, 6 June 2008, both days inclusive.

By order of the board

KJ O'Brien
Company Secretary

Pinetown
13 May 2008

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 2006	13.4	(99.8)	35.0	943.8	892.4
Net profit for the period	–	–	–	261.9	261.9
Recognition of share based payments	–	–	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
Net profit for the period	–	–	–	261.1	261.1
Recognition of share based payments	–	–	11.9	–	11.9
Take-up of share options	–	8.4	(5.9)	–	2.5
Share repurchases	–	(72.2)	–	–	(72.2)
Dividends declared	–	–	–	(118.9)	(118.9)
Total capital and reserves at 30 September 2007	13.4	(154.4)	30.2	1 220.5	1 109.7
Net profit for the period	–	–	–	337.5	337.5
Recognition of share based payments	–	–	12.4	–	12.4
Take-up of share options	–	48.5	(22.1)	–	26.4
Dividends declared	–	–	–	(187.2)	(187.2)
Total capital and reserves at 31 March 2008	13.4	(105.9)	20.5	1 370.8	1 298.8

Review of Trading Results

During the period under review the group again produced solid trading results buoyed in particular by strong volume growth. At retail, good organic growth (assisted by SPAR's store remodel programme), new store openings and aggressive marketing activity resulted in market share gains. Distribution centre comparable turnover growth was 24.3%

Operating profit at R496.2 million increased 24.8%. The group maintained its trading gross margin at 8.1%. Expenditures were satisfactorily controlled, notwithstanding substantially higher fuel and transport costs (up 42.7%) and depreciation costs of R33.0 million (2007 – R25.1 million).

SPAR retail outlets continued to trade well in a competitive market, with the group's 45th year anniversary providing an exciting promotional platform. Fifteen new SPAR stores opened during the period, taking total store numbers, to 817. At 31 March, the group serviced 197 SUPERSPAR, 463 SPAR and 157 KWIKSPAR stores. Trading space increased 2.4% to 798 797 m^2. The remodelling of stores continued, with 85 stores having embarked on major upgrades. An ambitious new store opening schedule is in place for the remainder of the financial year.

Excellent sales growth was achieved by TOPS stores. In less than six years TOPS has not only become the biggest retail liquor chain in store numbers, but is now measured as being the largest liquor chain in terms of turnover. Thirty six new TOPS stores were opened during the period, bringing total store numbers to 321. Further store openings are planned for the balance of the year.

Build it continued to achieve impressive sales growth through to the end of calendar 2007, but has since experienced a slowdown in building activity. Turnover for the six months topped R1.1 billion, a growth of 25.8%. The supply of cement, which during 2007 was erratic, has improved. Build it opened 16 new outlets and now services 254 members. It is anticipated that a further 15 stores will open before year end September 2008.

Operating cash flow remained strong but reflected the ongoing expenditure on capex (R239 million) and the substantially higher 2007 final dividend payment.

DISTRIBUTION FACILITIES

During April 2008 the group commenced trading operations from its new Cape Town distribution centre, which enabled the division to consolidate operations onto a single site. Whilst the new facility will bring an increased level of cost, operational efficiencies from the move will be achieved. It is anticipated that once trading operations have settled, radio frequency and voice picking technologies will be introduced. These technologies have resulted in improved operating efficiencies and stock picking accuracy in the group's other distribution centres. Spar's present facility in Montague Gardens will be vacated at the end of May 2008.

Expansion of the group's South Rand distribution centre is on track. The expansion will result in additional dry goods warehouse space becoming available by November 2008, followed by further perishable space in October 2009. The cost of the project is estimated at R265 million.

Construction of a new perishable facility at Mount Edgecombe, KZN will commence shortly. This facility, estimated to cost R185 million, is scheduled for completion in September 2009.

The group's forecast 2008 capital expenditure (net of the proceeds arising on the expected sale of the Montague Gardens property) remains unchanged at R400 million.

The group has installed diesel generators at four of its six distribution centres, with generators to be installed at the remaining two distribution centres by financial year end. The group is confident that it has adequate plans in place to cope with loadshedding and is actively encouraging retailer members to review their ability to trade in the event of power outages.

PROSPECTS

Although a slow down in economic activity is anticipated, increased marketing spend together with planned retail store openings and remodels augur well for real turnover growth. Strong cash generation will continue, notwithstanding the capital expenditure programme. The group is confident that it will again achieve satisfactory revenue and profit growth during the remainder of 2008.

MJ Hankinson
Chairman

WA Hook
Chief Executive

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

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