

FINANCIAL HIGHLIGHTS

Turnover	▲ 9.1%
Operating profit	▲ 4.1%
Interim dividend 142 cents per share	

Condensed consolidated statement of comprehensive income

Rmillion	% Change	Unaudited Six months ended March 2011	Unaudited Six months ended March 2010	Audited Year ended September 2010
REVENUE				
Turnover	9.1	19 294.7	17 669.6	35 159.6
Cost of sales		(17 584.8)	(16 131.2)	(32 083.7)
Gross profit		1 530.2	1 382.2	2 760.5
Other income		179.7	156.2	315.4
Operating expenses		(996.8)	(853.3)	(1 759.6)
TRADING PROFIT				
BBBEE transactions		(6.5)	(6.2)	(13.0)
OPERATING PROFIT				
Interest received		7.5	11.7	24.6
Interest paid		(14.2)	(11.5)	(20.9)
Share of equity accounted associate		0.8		0.4
Profit before taxation		700.7	679.1	1 307.4
Taxation		(221.5)	(204.2)	(391.6)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY SHAREHOLDERS				
Exchange differences from translation of foreign operations				0.1
TOTAL COMPREHENSIVE INCOME				
EARNINGS PER SHARE				
Earnings per share (cents)		279.6	278.2	536.0
Diluted earnings per share (cents)		261.9	264.8	506.2
SALIENT STATISTICS				
Headline earnings per share (cents)	0.6	279.8	278.1	536.1
Diluted headline earnings per share (cents)		262.1	264.6	506.3
Dividend per share (cents)	1.4	142.0	140.0	362.0
Net asset value per share (cents)		1 328.0	1 169.6	1 278.8
Trading profit margin (%)		3.7	3.9	3.8
Return on equity (%)		21.5	24.1	44.4
HEADLINE EARNINGS RECONCILIATION				
Profit for the period attributable to ordinary shareholders		479.2	474.9	915.8
Adjusted for:				
Loss/(profit) on sale of property, plant and equipment		0.5	(0.4)	0.1
Tax effects of adjustments		(0.2)	0.1	
HEADLINE EARNINGS				
		479.5	474.6	915.9

Condensed consolidated statement of cash flows

Rmillion	Unaudited Six months ended March 2011	Unaudited Six months ended March 2010	Audited Year ended September 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before:	706.2	679.0	1 303.3
Non cash items	94.4	67.2	153.6
Loss/(profit) on disposal of property, plant and equipment	0.5	(0.4)	0.1
Net working capital changes	(637.2)	(301.1)	(257.5)
– Increase in inventories	(240.9)	(121.6)	(106.1)
– Increase in trade and other receivables	(184.0)	(358.0)	(700.9)
– (Decrease)/increase in trade payables and provisions	(212.3)	178.5	549.5
Cash generated from operations	163.9	444.7	1 199.5
Interest received	6.6	11.0	23.6
Interest paid	(14.2)	(11.5)	(20.9)
Taxation paid	(221.9)	(176.2)	(384.8)
Dividends received	0.4		
Dividends paid	(380.9)	(339.2)	(578.5)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment to expand operations	(64.9)	(65.1)	(169.3)
Investment to maintain operations	(30.1)	(24.7)	(34.3)
– Replacement of property, plant and equipment	(30.2)	(26.0)	(36.3)
– Proceeds on disposal of property, plant and equipment	0.1	1.3	2.0
Acquisition of subsidiaries	(71.8)		(54.1)
Net movement on loans and investments	(6.0)	13.6	(23.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital and premium	13.0	10.1	10.1
Proceeds from exercise of share options	12.5	41.2	56.7
Share repurchases	(48.1)	(143.8)	(188.1)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
NET OVERDRAFTS AT BEGINNING OF PERIOD	(445.9)	(282.5)	(282.5)
NET OVERDRAFTS AT END OF PERIOD	(1 087.4)	(522.4)	(445.9)

Condensed consolidated statement of changes in equity

Rmillion	Share capital and premium	Treasury shares	Currency translation reserve	Share based payment reserve	Retained earnings	Attributable to ordinary shareholders
CAPITAL AND RESERVES AT 30 SEPTEMBER 2009						
Total comprehensive income for the period	23.3	–	(0.3)	231.1	1 686.2	1 940.3
Issue of shares	10.1	(10.1)			474.9	474.9
Recognition of share based payments				9.1		9.1
Take-up of share options		136.2		(84.9)		51.3
Transfer arising from take-up of share options				84.9	(84.9)	–
Share repurchases		(143.8)				(143.8)
Dividends declared					(339.2)	(339.2)
Recognition of BBBEE transaction				6.2		6.2
CAPITAL AND RESERVES AT 31 MARCH 2010						
Total comprehensive income for the period	33.4	(17.7)	(0.3)	246.4	1 737.0	1 998.8
Recognition of share based payments				9.2		9.2
Take-up of share options		51.2		(35.6)		15.6
Transfer arising from take-up of share options				35.6	(35.6)	–
Share repurchases		(44.3)				(44.3)
Dividends declared					(239.3)	(239.3)
Recognition of BBBEE transaction				6.2		6.2
CAPITAL AND RESERVES AT 30 SEPTEMBER 2010						
Total comprehensive income for the period	33.4	(10.8)	(0.2)	261.8	1 903.0	2 187.2
Issue of shares	13.0	(13.0)			479.2	479.2
Recognition of share based payments				8.5		8.5
Take-up of share options		53.7		(28.2)		25.5
Transfer arising from take-up of share options				28.2	(28.2)	–
Share repurchases		(48.1)				(48.1)
Dividends declared					(380.9)	(380.9)
Recognition of BBBEE transaction				6.2		6.2
CAPITAL AND RESERVES AT 31 MARCH 2011						
	46.4	(18.2)	(0.2)	276.5	1 973.1	2 277.6



Condensed consolidated statement of financial position

Rmillion	Unaudited March 2011	Unaudited March 2010	Audited September 2010
ASSETS			
Non-current assets			
Property, plant and equipment	1 551.1	1 464.6	1 521.0
Goodwill	371.5	245.6	299.7
Operating lease receivables	133.7	141.7	139.1
Investment in associate	16.6	3.5	17.0
Other investments	1.5		1.5
Loans	31.2	2.8	23.0
Deferred taxation asset	7.5	25.3	3.2
Other non-current assets	1.1	3.4	1.5
Current assets			
Inventories	1 200.1	974.8	959.2
Trade and other receivables	4 593.7	4 091.1	4 412.0
Prepayments	17.6	12.9	28.6
Operating lease receivables	22.0	17.9	25.7
Loans	10.3	0.5	2.2
Taxation receivable	5.6		10.0
Bank balances – Guilds	78.6	77.5	85.2
TOTAL ASSETS			
	8 042.1	7 061.6	7 528.9
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	46.4	33.4	33.4
Treasury shares	(18.2)	(17.7)	(10.8)
Currency translation reserve	(0.2)	(0.3)	(0.2)
Share based payment reserve	276.5	246.4	261.8
Retained earnings	1 973.1	1 737.0	1 903.0
Non-current liabilities			
Post retirement medical aid provision	76.8	70.3	75.1
Operating lease payables	140.1	140.5	134.4
Current liabilities			
Trade and other payables	4 353.0	4 194.6	4 565.0
Operating lease payables	23.0	18.2	29.9
Provisions	5.6	5.6	5.8
Taxation payable		33.7	0.4
Bank overdrafts	1 166.0	599.9	531.1
TOTAL EQUITY AND LIABILITIES			
	8 042.1	7 061.6	7 528.9

Notes to the condensed consolidated interim results

1 BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and the information as required by IAS 34: Interim Financial Reporting. The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 30 September 2010.

These unaudited interim results have not been reviewed or reported on by the group's external auditors.

Rmillion	Unaudited Six months ended March 2011	Unaudited Six months ended March 2010	Audited Year ended September 2010
2 SHARE CAPITAL AND PREMIUM			
Authorised			
250 000 000 (March 2010: 250 000 000) ordinary shares of 0.06 cents (March 2010: 0.06 cents) each	0.2	0.2	0.2
30 000 000 (March 2010: 30 000 000) redeemable, convertible preference shares of 0.06 cents each	–	–	–
Issued			
171 729 604 (March 2010: 171 170 013) ordinary shares of 0.06 cents (March 2010: 0.06 cents) each	0.1	0.1	0.1
18 911 349 (March 2010: 18 911 349) redeemable, convertible preference shares of 0.06 cents each	–	–	–
Share premium account			
Balance at beginning of year	33.3	23.2	23.2
Shares issued during the year	13.0	10.1	10.1
Total share capital and premium			
	46.4	33.4	33.4
Issued share capital amounts to R103 038, consisting of 171 729 604 ordinary shares. 559 591 ordinary shares were issued during the six months ended 31 March 2011.			
Issued redeemable, convertible preference share capital amounts to R11 347, consisting of 18 911 349 (March 2010: 18 911 349) shares.			
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 171 394 121 (March 2010: 170 672 879).			
Diluted earnings and headline earnings per share were based on a weighted average number of ordinary shares (net of treasury shares) of 182 991 411 (March 2010: 179 364 480).			
3 CONTINGENT LIABILITIES			
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of:	386.9	361.8	366.0
4 OPERATING LEASES			
Operating lease costs charged against operating profit			
Immovable property	16.7	–	10.0
– Lease rentals	161.7	129.5	274.5
– Sub-lease recoveries	(145.0)	(129.5)	(264.5)
Plant, equipment and vehicles	5.8	4.7	7.5
Operating lease commitments			
Future minimum lease payments under non-cancellable operating leases	2 539.5	2 134.7	2 324.2
– Land and buildings	2 536.3	2 132.6	2 318.4
– Other	3.2	2.1	5.8
Future minimum sub-lease receivables under non-cancellable property leases	(2 191.7)	(2 102.0)	(2 119.1)
Net commitments	347.8	32.7	205.1
5 CAPITAL COMMITMENTS			
Contracted	55.4	52.2	168.0
Approved but not contracted	11.0	30.5	23.0
Total capital commitments	66.4	82.7	191.0
6 CONDENSED OPERATING SEGMENT INFORMATION			
The group operates its business from seven 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 a separate reportable segment of the group.			
7 POST BALANCE SHEET EVENTS			
No material events have occurred subsequent to 31 March 2011 which may have an impact on the group's reported financial position at this date.			

Review of trading results

TRADING OVERVIEW

Trading for the period under review has been challenging with consumer spending still under pressure, continued low food inflation (below 2%) and a very competitive retail environment. Despite these factors, turnover growth of 9.1% was pleasing and included strong volume growth of 6.9%, which reflected the underlying health of the business and importantly, our retailers' businesses.

Operating profit, up by 4.1%, reflects the impact of tougher trading and of the strategic decisions to enter food retail and building materials wholesaling. These initiatives are important for the group in the medium term but they have impacted the cost base in the short term. The increasing oil price has also directly affected group delivery costs. The effect of the above mentioned factors has led to total costs increasing 16.8%; without them 'normal' costs were up 7.8%.

Headline earnings per share increased by 0.6% which was influenced by a lower once off tax benefit last year, a negative interest impact caused by the investment in retail stores and increased working capital levels. Stock levels increased as a result of the introduction of the new building materials wholesale division and Easter being later this year. Debtors, and in particular creditors, were impacted by the period end timing. Management are satisfied that the group's cash flows will remain positive over the balance of the year.

SPAR wholesale turnover of R15.9 billion was up 7.2%. Retail trading space increased to 916 458 m² with 15 new stores opened. At the end of the period under review the group serviced 858 SPAR stores (266 SUPERSPAR, 454 SPAR and 138 KWIKSPAR stores). The group's number one priority remains driving retail growth.

TOPS store numbers increased to 481 with 23 new stores opening during the six month period. Liquor trading remained extremely strong with ex distribution centre turnover increasing 19.0% to R1.3 billion (2010: R1.1 billion). The TOPS brand continues to gain market share.

Build it turnover at R1.88 billion (2010: R1.55 billion) grew 21.4% on the comparable prior period. This was an excellent performance given the state of this industry and the current economic climate. Nine new stores were opened taking total store numbers to 263. The Build it wholesale operation in Pinetown is operating efficiently although the early sales performance is behind an aggressive forecast. The group is confident that going forward, this situation will continue to improve.

During the period the group's retail division purchased a further 4 SPAR retail stores bringing the total stores owned to 9 and 5 allied TOPS stores. The performance of these stores is not yet satisfactory and considerable effort is being made to improve their results. The group remains committed to independent retailing, however, the acquisition of underperforming strategic sites is an opportunity for the group.

CAPITAL EXPENDITURE

The extension to the perishable facility at the Eastern Cape distribution centre is progressing according to timetable and budget, with anticipated handover of the facility scheduled for September 2011.

The group is confident that 2011 capital expenditure will not exceed R170 million.

PROSPECTS

The group anticipates that the tough trading environment will continue for the remainder of the financial year. However, continuing lower interest rates and increasing levels of food inflation improves the outlook for trading.

The group will, for the remainder of the year, focus on improving the performance of new business initiatives, opening new stores, driving organic growth and stringent cost control.

Mike Hankinson Chairman
Wayne Hook Chief Executive

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim dividend of 142 cents per share has been declared in respect of the six months ended 31 March 2011.

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

Last day to trade cum-dividend	Friday 3 June 2011
Shares to commence trading ex-dividend	Monday 6 June 2011
Record date	Friday 10 June 2011
Payment of dividend	Monday 13 June 2011

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday 6 June 2011 and Friday 10 June 2011, both days inclusive.

By order of the board

KJ O'Brien Pinetown
Company Secretary 10 May 2011

DIRECTORATE AND ADMINISTRATION

Directors: MJ Hankinson* (Chairman), WA Hook (Chief Executive), MW Godfrey, DB Gibbon*, PK Hughes*, RJ Hutchison*, MP Madi*, HK Mehta*, P Mnganga*, R Venter, CF Wells* (appointed 1 April 2011). *Non-executive

Company Secretary: KJ O'Brien

The SPAR Group Limited ("SPAR" or "the company" or "the group")

Registration number: 1967/001572/06

ISIN: ZAE 000058517 JSE code: SPP

Registered office: 22 Chancery Lane, PO Box 1589, Pinetown, 3600

Transfer secretaries: Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000

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

Sponsor: Barnard Jacobs Mellet Corporate Finance (Pty) Limited, PO Box 784573, Sandton, 2146

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

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