THE SPAR GROUP LIMITED
ANNUAL REPORT 2005

Contents

Financial highlights

- Turnover up 15.2% to R13.6 billion
- Operating profit up 30.1%
- Headline earnings per share up 26.3%
- Strong cash generation
- Final dividend 64.5 cents per share

MIKE HANKINSON (CHAIRMAN) PETER HUGHES (CHIEF EXECUTIVE)

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

OVERVIEW

We are pleased to report that the group's first year as a listed entity produced good results and that the group is well poised for sustainable growth and profitability in the coming years.

In spite of food inflation running at between 2% to 3%, turnover increased by 15.2% to R13.6 billion, translating into considerable real growth for the year. Whilst the gross margin declined, improvements in operating efficiencies and tight cost control resulted in an improved net margin. With all distribution centres performing well, the group achieved a 22% increase in operating profit on a like-for-like basis.

Savings arising from a lower depreciation charge (the result of a revision to the estimated lives of operating assets), the cessation of the payment of the administration fee to the group's former holding company, and the benefit of not having to write off goodwill, boosted operating profit growth to an increase of 30.1% on prior year.

Net interest received fell sharply as a result of the substantial dividend paid prior to unbundling the group from Tiger Brands Limited. However, good cash generation during the year together with well controlled working capital resulted in a reduction in the level of borrowings at year end from R355 million to R69 million.

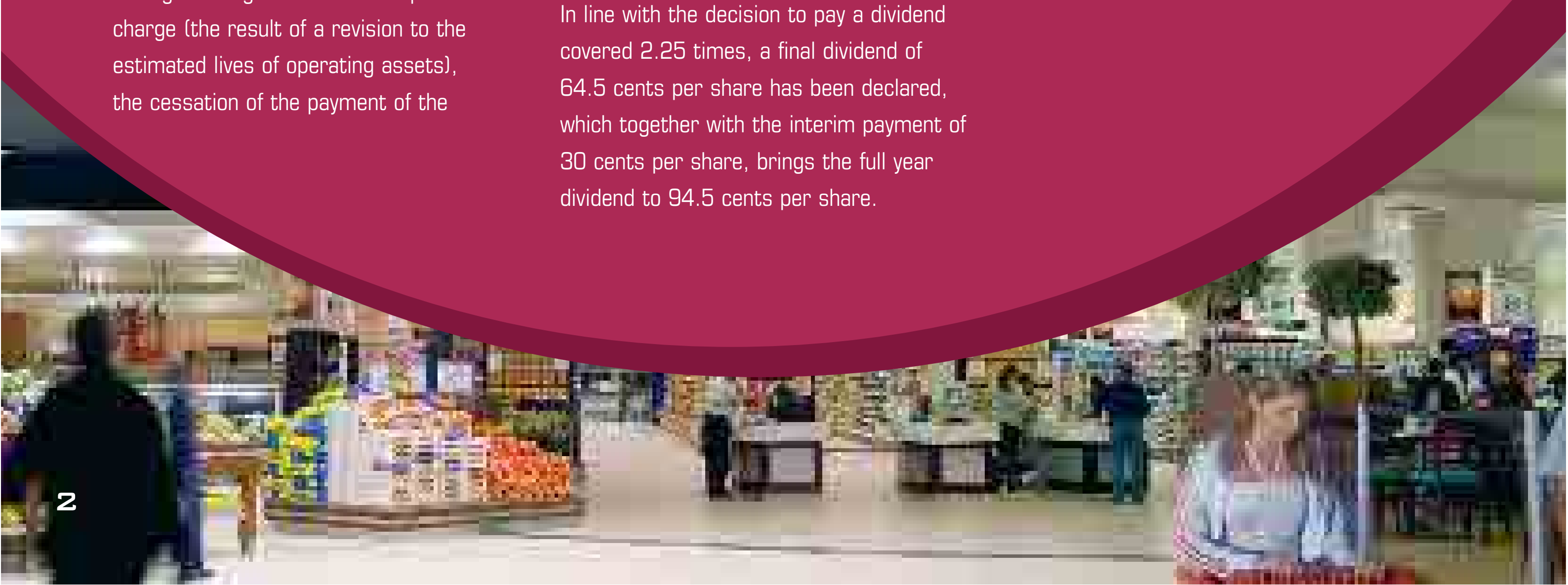
Headline earnings of R359 million were achieved for the year, which equates to a growth of 26.5% on 2004. Headline earnings per share were up 26.3%.

In line with the decision to pay a dividend covered 2.25 times, a final dividend of 64.5 cents per share has been declared, which together with the interim payment of 30 cents per share, brings the full year dividend to 94.5 cents per share.

THE MARKET PLACE

SPAR retail sales have once again grown ahead of the overall growth of the market, resulting in SPAR continuing to gain market share. This is against a backdrop of very aggressive competition supported by some of the most extensive advertising seen in recent years. Furthermore, our major competitors have increased their number of stores in the market and also embarked on programmes whereby they have remodelled and repositioned their store formats.

During the year, a net 110 new SPAR, Build it and TOPS stores were opened. SPAR stores now total 783 in number, with Build it 178 stores and TOPS 172 stores.



SPAR stores retail selling space increased from 665 304 m^2 to 687 335 m^2, a growth of 3.3%. This was below expectations but a number of new stores were still under construction at year end. We anticipate selling space to increase by at least 4% in 2006.

We have seen good growth in all store formats, which in turn has driven the growth of the distribution centres. Besides opening or acquiring new stores (see chart), growth has also been secured by the ongoing programme to upgrade and remodel existing stores. This last year 112 stores underwent extensive refurbishments and plans are in place to continue this programme ensuring that some 20% of all stores are extended and modernised each year.

The economy played in our favour with consumer spending increasing as a result of lower interest and tax rates. Consumer spending was further assisted by the low levels of inflation that prevailed.

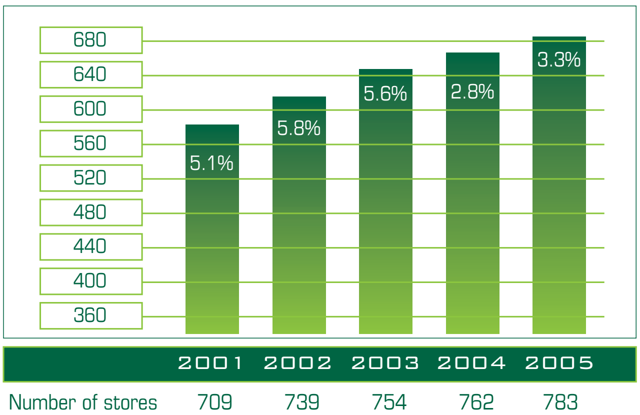
2005 has seen the lowest food inflation for many years but we anticipate a slight increase in inflation in 2006, but still, on average, below 5%.

The liquor market is also heavily contested and the entry of TOPS is certainly being countered by the other chains and independents. Inflation in this market has been around 8% and is likely to remain at this level next year. There are a number of independent liquor outlets in the market which presents an opportunity to increase store numbers considerably. Fifty additional TOPS outlets are planned for 2006.

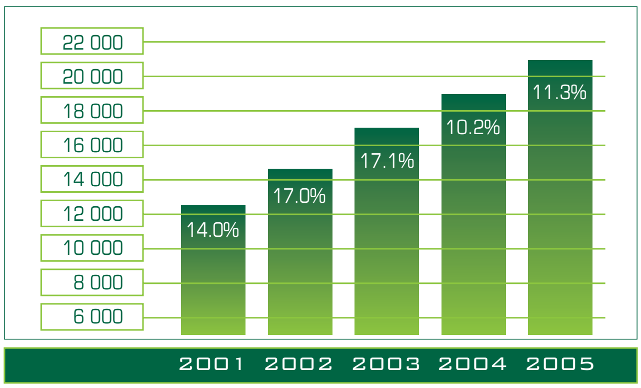
In contrast to the liquor market there are very few independents remaining in the food retail market, which restricts the growth in terms of new sites and conversions from other groups for SPAR. In spite of this, we anticipate SPAR store numbers to increase by 22 in 2006.

The building materials market is particularly buoyant at present due to the low interest rates and increasing consumer spend. Build it stores are taking advantage of this scenario, as well as increasing their presence through new stores joining the fold. The major chains in this market have shown good growth and embarked on a number of acquisitions to increase their market share. The result is a much more competitive market place with bigger players to compete against. We have 45 additional member stores planned for 2006 thereby making further significant inroads in the market. These economies of scale and the planned increased marketing activity will allow Build it members to hold their own against the large chains that are emerging.

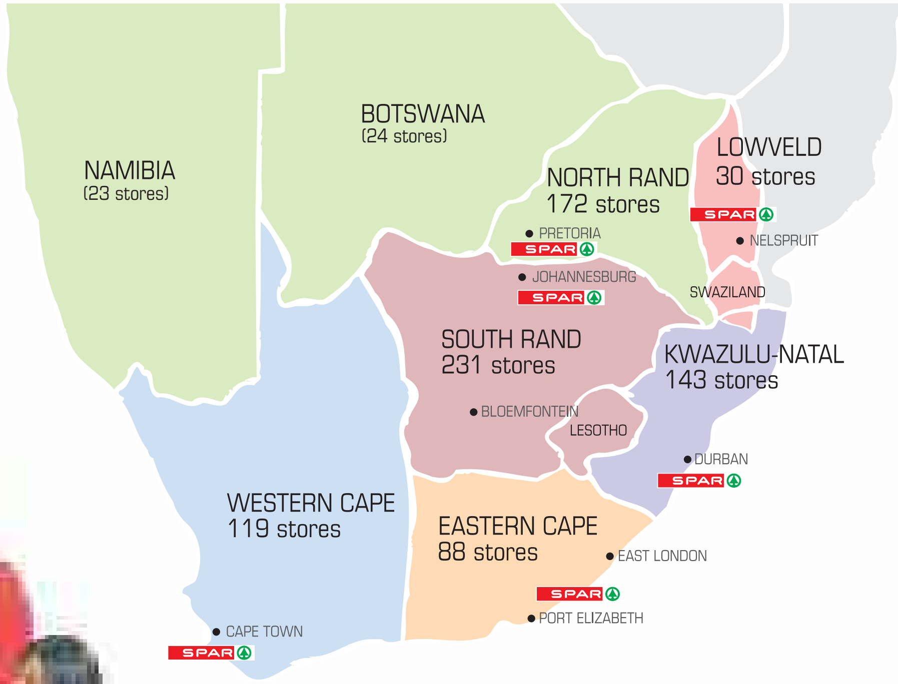
SPAR RETAIL SELLING AREA m^2 ('000) + growth %



SPAR RETAIL SALES (R millions) + growth %



Spar stores



Store numbers

	2003	2004	2005
SUPERSPAR	95	113	123
SPAR	473	464	475
KWIKSPAR	186	185	185
	754	762	783
TOPS	75	121	172
BUILD IT	104	140	178

Distribution Facilities

During the year a 6 700 m² extension to the KwaZulu-Natal distribution centre was completed, which will give this facility the capacity to deal with dry goods sales growth. The perishable facility is currently operating at near capacity and will be upgraded in 2007. We have recently concluded the purchase of an adjoining property, which will secure KwaZulu-Natal's expansion needs for some time.

Plans are in place to commence the construction of a 5 700 m² extension to the Eastern Cape distribution centre, with completion forecast for July 2006. This extension to both the dry and perishables facilities will cater for the growth being experienced in the region. The cost of this project will be approximately R22 million.

The Western Cape distribution facility is running at capacity and after extensive investigations it has been decided to extend the perishable facility on the existing site and to acquire additional dry goods warehousing space in the immediate vicinity. The capex cost for the perishable facility is estimated at R12 million, whilst the additional dry goods warehousing capacity will be either leased or purchased depending on availability.

The South Rand, North Rand and Lowveld distribution centres are well placed to deal with growth in the foreseeable future.

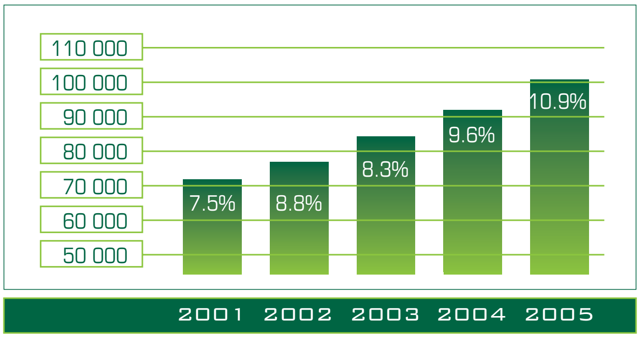
Operationally all the distribution centres performed well in 2005 with training and technology initiatives delivering an increase in productivity. The group's major productivity improvement initiative, the implementation of radio frequency for inbound and outbound processes, was successfully piloted at the KwaZulu-Natal distribution centre. During 2006 radio frequency for both inbound and outbound processes will be fully implemented at the South Rand distribution centre, and outbound processes will be introduced at the North Rand distribution centre. This technology will have a positive impact on productivity and accuracy within the operations. Capex for radio frequency installations is forecast at R11 million for 2006, with a further R20 million to be spent in 2007.

In total we are budgeting capex of R157 million for 2006 which will cover the abovementioned items, as well as the purchase of vehicles and equipment to be acquired in terms of the group's vehicle replacement policy and to meet expansionary requirements.

Distribution centres

DIVISION	m²	Stores serviced
SOUTH RAND	32 000	231
NORTH RAND	33 000	172
KWAZULU-NATAL	39 000	143
EASTERN CAPE	19 000	88
WESTERN CAPE	21 000	119
LOWVELD	20 000	30
TOTAL	164 000	783

Cases distributed ('000) + growth %




Eastern Cape


KwaZulu-Natal


Lowveld


North Rand


South Rand


Western Cape

Marketing

In 2005 the marketing spend was increased resulting in greater exposure on television and in the national press. The volume of leaflets distributed directly to consumers was increased as was the brand presence in the more popular national magazines. This has certainly improved consumer loyalty, driven sales through the stores and increased the awareness of our three brands.

Private label products that are sold through SPAR, TOPS and Build it received increased focus in 2005 in such areas as innovation in new products, improved packaging and advertising. Private label programmes are viewed as fundamental to building group brands and increasing loyalty of both members and consumers.

Sponsorship of women in sport and our Corporate Social Investment projects have also gone a long way to building the brands.

Transformation

This is covered more fully in the sustainability report. However, we confirm the group's commitment to Broad Based Black Economic Empowerment in South Africa. SPAR subscribes to the DTI strategy that looks to position BEE as a tool to broaden the country's economic base and to accelerate growth and job creation. The group also understands that its own long-term viability and sustainability is intertwined with the country's progress in this regard.

To this extent the board and management are driving the various components of transformation and although we rank ourselves as a "good" contributor to BEE at this stage, we are striving towards being an "excellent" contributor in the future.

Management

Senior management remains focused and committed going into 2006 with no major changes having taken place this year. The only change anticipated in 2006 is the retirement of Bob Fenner as Company Secretary at the end of December 2005. He will be replaced by Kevin O'Brien who is a lawyer by profession with 16 years experience in SPAR both here and in the UK.

Training and employment equity remain priorities in ensuring the group is well managed and has good succession going forward.

The new board, appointed last year, has settled in well with all the necessary corporate governance issues taken care of. Unfortunately we lost the services of Mrs G Moloi towards the end of the year and will be appointing a replacement as soon as possible.

Appreciation

We would like to record our sincere thanks to the board members for their support during the year and their commitment to the governance issues that have been put in place.

We also express our sincere appreciation to the Executive Management Committee for their support and for their assistance in taking the group through it's first year as a listed entity. Furthermore our appreciation goes out to all the management and staff at the distribution centres and central office for their valuable contributions in making 2005 another successful year in the life of the SPAR group.

Finally, we must say a very big thank you to all our retail members for their loyal support and cooperation over the past year.

Looking Forward

We are confident that the group will again show good revenue growth in 2006 with positive leverage being achieved in terms of growth of operating profit.

Unfortunately 2006 earnings growth will be adversely affected by a substantial increase in the STC charge. This increased charge will arise due to the levying during 2006 of STC on the 2005 final dividend and the 2006 interim dividend. During 2005 the group only paid an interim dividend.

On the positive side we anticipate the group continuing to generate substantial cash flows during 2006 which will result in a considerable increase in interest receivable.

In the event of the forecast cash flows materialising, consideration will be given to reducing the dividend cover.

IFRS

The group's 2006 financial statements will be prepared in accordance with IFRS reporting standards. Other than for the effect of IFRS 2, Accounting for share based payments, it is not anticipated that IFRS reporting standards will have a material effect on the group's results.

MIKE HANKINSON
Chairman

PETER HUGHES
Chief Executive

Directorate

SPAR board members

Standing left to right: Robert Fenner (Company secretary), David Gibbon, Rodney Coe (Financial director), Phinda Madi, Rowan Hutchison

Seated left to right: Harish Mehta, Michael Hankinson (Non-executive chairman), Gugu Moloi and Peter Hughes (Chief executive)

Board profile

Michael John Hankinson (56)

B Com, CA (SA)

(Independent non-executive chairman)

Date appointed to the board: 9 September 2004

After completing his articles at Deloitte & Touche, Mike Hankinson joined Romatex Limited. During his 21 years with them, he held the position of MD of various subsidiaries and divisions between 1982 and 1993. From 1994 to 1997, Mike was the group chief executive of Romatex Limited. He simultaneously held positions as the Textile Federation President and a board member of the S.A. Wool Board and International Wool Secretariat (IWS). In 1998 Mike moved to Dunlop where he is currently the chief executive officer.

Other directorships include Dunlop International Limited and associated companies in RSA, Zimbabwe, Nigeria and the UK.

Peter Kilby Hughes (59)

CIS

(Chief executive)

Date appointed to the board: 1 September 1989

Peter Hughes joined SPAR in 1989 as chairman and chief executive officer. During his tenure, Peter has played a leading and dominant role in bringing the company to its present position of national prominence and in expanding the company's operations to include TOPS and Build it. To comply with corporate governance requirements, Peter resigned as company chairman at the time of listing. Prior to joining SPAR, Peter held senior regional and divisional directorships within the Barlow Group.

Other directorships include Internationale SPAR Centrale B.V. and companies associated with SPAR in South Africa.

Harish Kantilal Mehta (55)

BSc, MBA

(Independent non-executive director)

Date appointed to the board: 1 October 2004

Harish Mehta is the group managing director of Universal Print Group (Pty) Limited, a substantial printing company. Harish is responsible for the strategic direction and growth of Universal Print. Harish is a director of Clearwater Capital (Pty) Limited.

David Braidwood Gibbon (63)

CA (SA)

(Independent non-executive director)

Date appointed to the board: 1 October 2004

Prior to retiring from Deloitte & Touche in 2003, David Gibbon was a partner of Deloittes for 31 years. During his tenure with the firm he occupied various senior positions, including that of audit and financial institutions partner and national lead partner – securitisation and debt origination services. He was a member of the Deloitte & Touche national executive committee for a number of years. David is currently an independent non-executive director and chairman of the audit committee of Africa Bank Investments Limited and a director of Steinway Trustees (Pty) Limited.

Mziwakhe Phinda Madi (38)

BProc (Law)

(Independent non-executive director)

Date appointed to the board: 1 October 2004

Professor Madi is currently the deputy chairman of Allcare Medical Aid administrators as well as a visiting professor of Rhodes University Business School. He was previously group managing director of Thebe Risks and Benefits Group and chairman of Madi Sussens and Herdbuoys. Professor Madi was also a founding member of the Black Economic Empowerment Commission. He is a director of Illovo Sugar Limited.

Rowan James Hutchison (58)

BCom (Hons), MBA

(Independent non-executive director)

Date appointed to the board: 1 October 2004

When he retired, Rowan Hutchison was the chief executive officer of RMB Asset Management. He joined RMB in 1990 to establish its asset management activity, prior to which he was involved in stock broking and fund management. Rowan is currently a non-executive director of RMB Asset Management (Pty) Limited and Momentum Group Limited, where he also serves on the remuneration committee.

Rodney Walter Coe (56)

CA (SA)

(Financial director)

Date appointed to the board: 1 November 1990

Rodney Coe joined SPAR in 1984 as the financial manager for SPAR's operations on the Reef. After a period as group development director, Rodney transferred to SPAR's Pinetown Central Office and assumed the position of group financial director, a position he has held since 1993.

Gugu Moloi

Resigned: 9 September 2005

Group structure

The SPAR Group Limited

DISTRIBUTION CENTRES (DC)
- South Rand
- North Rand
- KwaZulu-Natal
- Eastern Cape
- Western Cape
- Lowveld

SPAR South Africa (Pty) Limited

Agreement

DC Members

SPAR Guild of Southern Africa

Retailer Members

SPAR Retail Stores

DC Members

Build it Guild of Southern Africa

Retailer Members

Build it Retail Stores

1932 1940 1950 1960 1968

The SPAR logo through the years

Nature of the business

The group owns and operates six distribution centres that supply and service independently owned SPAR stores, TOPS at SPAR liquor outlets and Build it builders merchant outlets situated in South Africa and neighbouring countries. The group also owns its own fleet of 175 trucks and 183 trailers, thereby owning all the assets that make up its core business of warehousing and distribution.

Besides managing the supply chain, other core competencies are in managing a voluntary trading system, which provides the marketing and retail leadership for the stores that are associated with the group.

DOOR
EENDRACHTIG
SAMENWERKEN
PROFITEREN
ALLEN
REGELMATIG

The concept of voluntary trading, uniting the efforts of both independent wholesaler and retailer, was born in the USA in the late 1920s and early 1930s. It was the independent retailers' answer to the threat of the grocery chains that were fast taking the lion's share of the market.

As chain stores emerged in Europe, Adriaan van Well, a wholesaler in the Netherlands, introduced the same voluntary trading concept in 1932. He called his organisation DESPAR, being an acronym of a slogan that he created to describe the business philosophy, namely, "all will benefit from united co-operation." Later, the name was abbreviated by dropping the letters DE, but the underlying meaning remains the philosophy of the organisation, which now covers 35 countries and some 15 000 stores.

By the beginning of the 1960s, grocery chains were emerging in South Africa. To counter this threat, a group of eight wholesalers launched SPAR in 1963 to service 500 small retailers. During the 42 years that followed, the wholesalers were involved in a number of mergers and takeovers. Today, The SPAR Group Limited owns all the aforementioned wholesalers and controls the rights to SPAR in South Africa.

The SPAR organisation is made up of two types of members: SPAR retailers, who are independent store owners, and SPAR distribution centres, which provide leadership and services to the SPAR retailer members in their respective regions. Both member types belong to the SPAR Guild of Southern Africa, a non-profit making company set up to coordinate and develop SPAR in Southern Africa. The members pay subscriptions to the Guild, which uses these monies to advertise and promote SPAR.

To facilitate the operation, the country is divided into six geographic areas, each with its own Regional Guild of retailer and distribution centre members, with the centre of control being the local distribution centre. It is a formula that works effectively to unite the organisation in its ongoing drive to remain at the forefront of food retailing in Southern Africa.

In recent years this voluntary trading philosophy has been extended from SPAR into TOPS at SPAR and Build it, thereby allowing the group to expand its range of operations into liquor and building materials.

Store formats

In keeping with changing trends at retail, store formats are continuously reviewed to focus on specific market segments. Currently there are three formats covering food, and specialised formats covering liquor and building materials.

SPAR

With selling areas of 700 m^2 and above, SPAR focuses on neighbourhood and rural supermarket shopping. SPAR is very competitively priced with a strong focus on friendly and professional service, and offers a comprehensive range of groceries backed by fresh produce, in-store bakery, butchery, deli and home meal replacement departments.

KWIKSPAR

With selling areas of up to 600 m^2, KWIKSPAR focuses on convenience with an emphasis on speed, and freshness in terms of produce, bakery and fresh meat, plus prepared and take-out foods. KWIKSPARs carry a range of groceries at prices that offer good value. Fast, fresh and convenient describes this format.

SUPERSPAR

With selling areas greater than 1 300 m^2, these stores are very aggressively priced against the chains and offer a full range of groceries and general merchandise, backed by world-class service departments such as produce, bakery, butchery, deli and meal solutions. SUPERSPAR uses a unique selling proposition of “We're always priced right”.

tops!

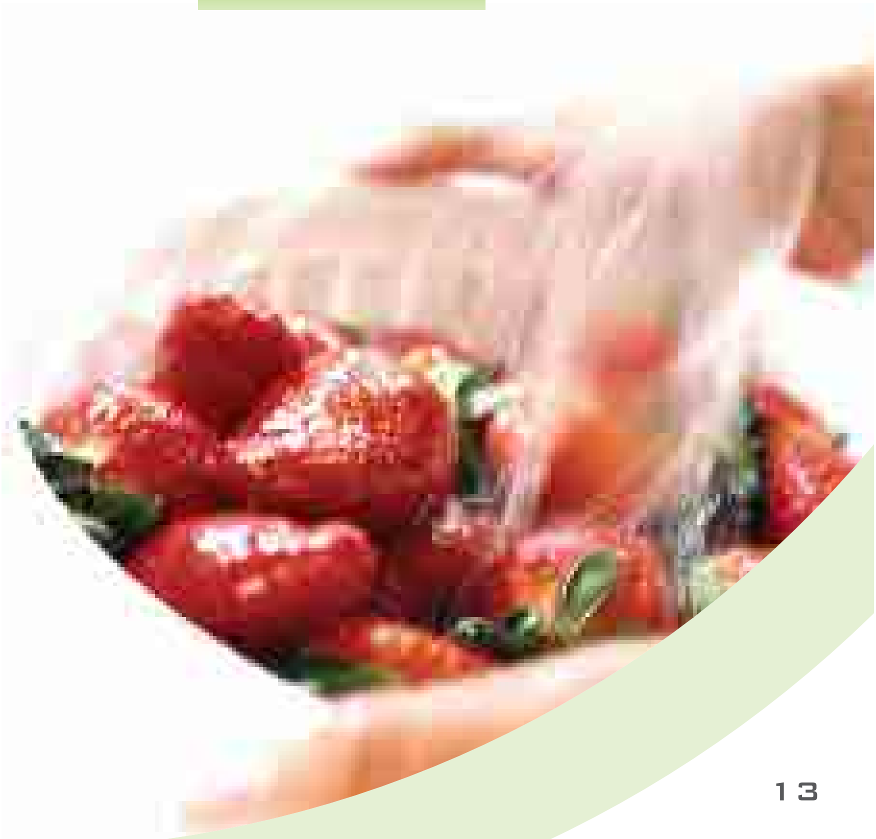
This is a comprehensive stand alone liquor store format, established to take SPAR members into a full range of liquor products. Membership is an extension of the SPAR Guild and is only available to existing SPAR members. TOPS stores must be located within close proximity of the member SPAR store.

Build it

This is a stand alone building material outlet selling basic building and hardware products to home builders in the lower to middle sectors of the market. Membership is controlled through the Build it Guild, which is independent of the SPAR Guild. The membership is not confined to SPAR members.

Executive management

- **CHIEF EXECUTIVE** – Peter Hughes
  - **SPAR DISTRIBUTION**
    - DIVISIONAL MD SPAR KWAZULU-NATAL – Wayne Hook
    - DIVISIONAL MD SPAR WESTERN CAPE – Bill Brown
    - DIVISIONAL MD SPAR EASTERN CAPE – Bernard Zaayman
    - DIVISIONAL MD SPAR NORTH RAND – Bill Gordon
    - DIVISIONAL MD SPAR SOUTH RAND – Ian Gillespie
    - DIVISIONAL MD SPAR LOWVELD – Brett Botten
  - **GROUP SERVICES**
    - CHAIRMAN SPAR GUILD & RETAIL OPERATIONS EXECUTIVE – Brian Beavon
    - INFORMATION SERVICES EXECUTIVE – Enno Stelma
    - COMPANY SECRETARY – Bob Fenner
    - MARKETING EXECUTIVE – Roelf Venter
    - HUMAN RESOURCES EXECUTIVE – Richard Dady
    - LOGISTICS EXECUTIVE – Trevor Currie
    - FINANCIAL DIRECTOR – Rodney Coe
  - **BUILD IT**
    - DIVISIONAL MD – Ray Whitmore



Corporate governance

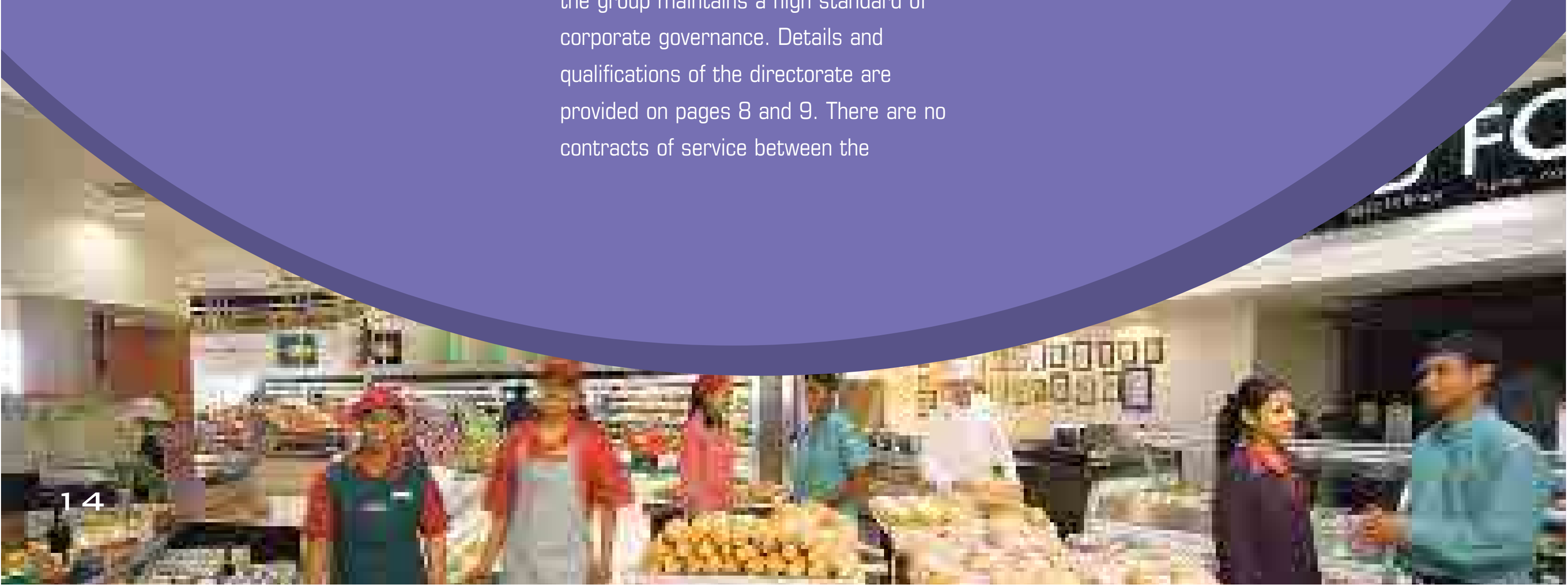
The SPAR Group Limited is committed to the principles of transparency, integrity, accountability and openness in its dealings with all its stakeholders and subscribes to the Code of Corporate Practices and Conduct as embodied in the King II report. The board is of the opinion that the group complies in all material respects with the principles embodied in the aforementioned code. The board is committed to ensuring that compliance with these principles remains an integral part of the manner in which the group conducts its business.

Board of directors

The company has a unitary board of directors which comprises five independent non-executive directors and two executive directors. An independent non-executive director acts as the chairman of the board. The roles of the chairman and the chief executive are separated and a clear division of authority exists between these roles. The non-executive directors represent a wide range of skills and have financial and commercial experience, and are aware of their duties to ensure that the group maintains a high standard of corporate governance. Details and qualifications of the directorate are provided on pages 8 and 9. There are no contracts of service between the directors and the company or any group company. One third of the directors retire each year, on a rotation basis, in terms of the company's Articles of Association.

The board operates in terms of a Board Charter which sets out its role and responsibilities.

The board of directors is responsible for the performance and the affairs of the group, and retains full and effective control over the group. The board determines the strategic direction of the group and monitors executive management in the implementation and execution thereof. The board meets formally four times annually and reviews strategy, operational performance, capital expenditure, internal controls, communications and other material aspects pertaining to the group's business. The board has put in place various Levels of Authority policies within which the executive management may operate. The board acts as the guardian of the values and ethics of the group.



The board has constituted two committees, the Audit and Risk Committee and the Remuneration Committee, to address matters requiring specialised attention. The board acknowledges its accountability to the group's stakeholders for the actions of these committees and is satisfied that they have met their respective responsibilities for the year under review.

Audit and Risk Committee

The activities and responsibilities of the committee are set out in the group's Audit and Risk Committee Charter, which has been approved by both the board and the committee. In accordance with the charter requirements, the committee has three non-executive directors as committee members.

Activities and responsibilities include;

- ensuring that management creates and maintains an effective control and risk management environment throughout the group;
- reviewing the scope and outcome of audits. These reviews address the adequacy and effectiveness of the group's internal controls and procedures, compliance with the King II code, the effectiveness of the risk management framework and compliance with other legal, statutory and regulatory matters;
- ensuring compliance with accounting policies and practices. This includes examining and reviewing the group's interim and annual financial statements and the annual report with a view to ensuring that disclosure of information is adequate and fairly and timeously presented; and
- the identification of operational and financial risks and the addressing of such risks.

The committee is required to meet formally at least twice a year. The chief executive, financial director and a representative of both the external and internal auditors are required to attend meetings. The group internal audit manager and the external auditors have

unfettered access to members of the committee and the chief executive and attend all formal committee meetings. Members of the group's executive management team attend meetings as required. The committee reports on its findings to the board after each formal committee meeting.

The group has an independent, objective and effective internal audit department. The internal audit function reports to the finance director, but has a direct reporting line to the Audit and Risk Committee.

The Audit and Risk Committee recommends to the board the appointment of the external auditors. The committee also considers the independence of the external auditors, and has set principles for the use of external auditors in providing non-audit services. Consultation and co-operation between the external and internal auditors is extensive and encouraged by the board.

Remuneration committee

The function of the Remuneration Committee, as set out in its charter, is to review the group's remuneration strategy and to ensure that executive directors and executive management are appropriately remunerated. The group's remuneration philosophy is formulated to attract, motivate and retain directors and executives needed to successfully run and manage the business operations of the group.

The committee, consisting of at least two non-executive directors, is responsible for recommending to the board, on an annual basis, the remuneration packages of the executive directors and executive management. The chief executive appraises the committee of the salary packages of senior managers whose remuneration is not determined by the committee. The committee oversees the operation of the group's incentive bonus schemes and approves the allocation of share options. The committee consults with the chief executive in determining specific remuneration packages.

Executive directors and executive management are participants in the group's incentive bonus scheme, which remunerates executives based on the achievement of both financial targets and functional objectives. Objectives are set annually.

Independent external studies and comparisons are undertaken to ensure that remuneration is market related and linked to both individual performance and group performance.

The committee is responsible for making recommendations to the board on all fees payable to non-executive directors for membership of the board and any sub-committee. The committee gives consideration to the composition of the board and will make appropriate representations to the board.

Code of ethics

The group is committed to a policy of dealing fairly and with integrity in the conduct of its affairs. The group has in

place a Code of Ethics which reflects the group's position on ethics and integrity. Compliance to the Code of Ethics is required of all group employees.
No director, officer or employee of the company may deal either directly or indirectly in the group's shares on the basis of having access to price sensitive information or during closed periods.

Closed periods extend from end of the group's financial half year and year end until the publication of the relevant results.

The board has no reason to believe that there has been any material non-adherence to the code of ethics during the year under review.

Attendance at meetings

The following is a list of board and committee meetings attended by the directors during the year:

Director	Board		Audit and Risk Committee		Remuneration Committee	
	A	B	A	B	A	B
RW Coe	4	4	3	3		
DB Gibbon	4	4	3	3		
MJ Hankinson	4	4	3	3	2	2
PK Hughes	4	4	3	2	2	2
RJ Hutchison	4	4			2	2
MP Madi	4	4				
HK Mehta	4	3	3	2		
G Moloi*	4	1				

A: Indicates the number of meetings held during the year
B: Indicates the number of meetings attended
* Resigned 9 September 2005

Sustainability report

SPAR accepts responsibility for the sustainability of its business in the interests of all stakeholders, and is moving beyond compliance, towards the internalisation of practices that are good for its business in the long term. The group acknowledges that its pursuit of traditional business imperatives must rest on healthy social and environmental foundations. The platform for the group's approach is founded in its underlying values and ethics, and its decentralised voluntary trading business model which allows, in large measure, regional management and staff autonomy. SPAR's executive management is committed to transformation aimed at sustainability, and in their respective areas of responsibility, management and staff are accountable for their actions in this regard.

Monitoring of progress along this strategic journey is essential and although much of this information is already to hand, the group is developing systems to integrate reports, set targets and track performance. This will provide the impetus for appropriate long-term action.

The business case for transformation is clear and is aimed, amongst other things, at attracting, retaining and growing our talent pool, deepening market penetration, expanding our footprint, continuously driving operational efficiencies, improving relationships with appropriate government departments, local communities and suppliers, and gaining general acceptance for our "licence" to trade.

Operational efficiency

Productivity initiatives which have as their ultimate goal the enhancement of customer service, improving efficiencies and reducing cost are on-going focus areas. Specific training is provided to underpin productivity initiatives.
12 Ladders, a comparative measure of world class performance, and the work structuring process continues to remain the major productivity initiative within the group's distribution centres. It is gratifying to record the extent of the success of this programme, which has, in addition, resulted in work teams becoming an embedded concept within the operating divisions. A show-piece for the success of these processes is the "Amafela" initiative in place at the group's Eastern Cape

distribution centre. This initiative, which provides a world class example of team empowerment, has resulted in substantially improved productivity and service standards.

Staff value proposition

The group's staff value proposition is geared to attracting, retaining and developing the staff talent pool, performance management, career development and succession planning at all levels. Recruitment processes are in line with employment equity plans, and attracting quality talent with the necessary competencies and potential to carry the baton into the future, remains the group's objective. The group is committed to market related conditions of service, and to employment equity, from point of entry to eventual retirement.

An offshoot of the team empowerment concept outlined above, is the extent to which all staff can become involved with and live "the brand", and this provides for a heightened sense of job satisfaction, an important component of a staff value proposition.

Exit interviews indicate that the group is regarded as an employer of choice.

Employment equity

All distribution centres are compliant with the Employment Equity Act and have affirmative action programmes in place. The group is committed to providing equality of opportunity for all staff, and progress is closely monitored. The intelligent management of this strategic challenge is viewed as key to transforming for sustainable performance.

Broad Based Black Economic Empowerment

SPAR unequivocally supports the principle of Broad Based Black Economic Empowerment (BEE) in South Africa. A statement of intent in respect of BEE has been formulated and work is progressing towards an official BEE rating. Focus areas are: ownership, skills development, procurement, enterprise development and corporate social investment.

Ownership

An Employee Share Option Scheme based primarily on service criteria has been introduced for all levels of staff. Employees with five years' or more service were allocated share options at the time of listing the group. It is the intention of the group to issue further share options to staff when appropriate.

Skills development

All distribution centres are compliant with the Skills Development Act. Considerable emphasis is placed on the development of focused technical and supervisory skills and knowledge. These skills are the energy source for sustainable performance, and annual spend on skills development amounts to approximately 2% of total employment cost.

The SPAR Academy of Learning is the engine room of the group's people development drive. The Academy is fully accredited by the Wholesale and Retail

SETA and also plays a significant role in the (Transport) TETA. The Academy is the umbrella body for the training and development of distribution centre staff and is a service provider, with an extensive training portfolio, to SPAR retailer members. Programmes and qualifications are granted national recognition. 1 434 SPAR group staff and some 2 030 retailer employees attended training programmes during the year under review.

SPAR supports the emphasis placed on Learnerships by the National Skills Development Strategy. At year end there were 54 learners, with 115 learners having moved through the system since September 2003. Black unemployed learners accounted for 98% of the group's section 18(1) Learnerships, and black staff made up 66% of section 18(2) Learnerships.

National Certificates are currently provided in the following disciplines:

- Professional Driving (NQF3)
- Team Leader (NQF3)
- Information Technology (NQF4)
- Generic Management (NQF4)

National Diplomas are offered as follows:

- Freight Logistics (NQF5)
- Education, Training and Development (NQF5)
- Retail Operations Management (NQF5)

SPAR supports the National Skills Development initiative to uplift literacy and numeracy and the SETA sponsored Adult Basic Education and Training Programme is currently offered. Emphasis is placed on business understanding and the majority of group staff at all levels have completed appropriate business programme training.

A trainee manager programme has been in place for several years. This initiative feeds the group's future leadership pool. Currently there are 19 trainee managers undergoing structured two year programmes across all our major functions. All of these trainees are black.

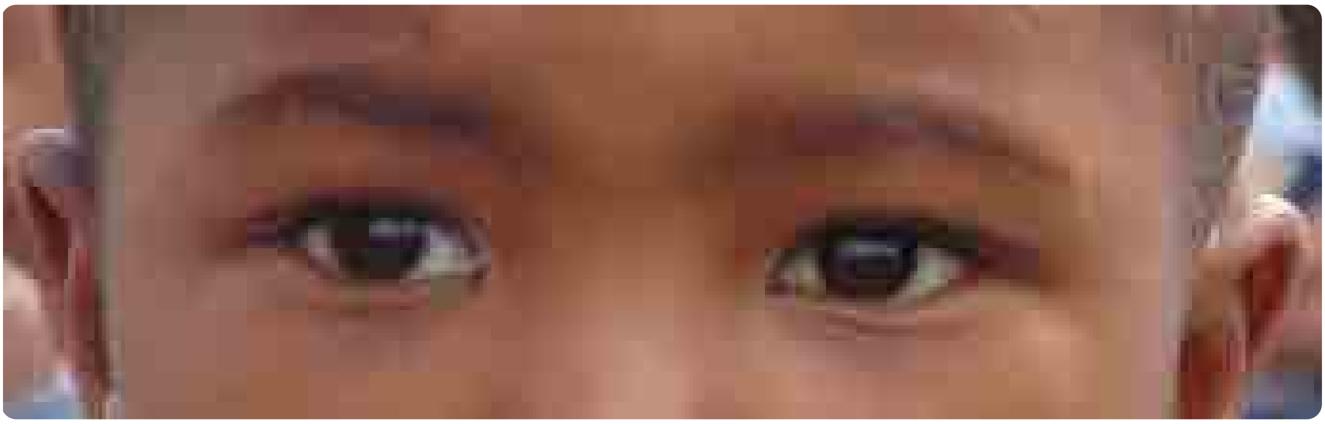
The group has an internal bursary scheme, which annually provides funds for the tertiary education of employees' children. Of the 80 bursaries granted, 61% were allocated to children of black employees.

Procurement

SPAR recognises the critical importance that procurement plays in BEE. SPAR as a considerable buyer of goods and services actively encourages its individual distribution centres to identify areas of opportunity for empowerment. The group is currently logging the status of all suppliers, as a step towards identifying further opportunities.

Enterprise development

SPAR commits itself to the principle that a core component of BEE is the creation and nurturing of new enterprises, and seeks to facilitate such entrants into the economy. One of the primary contributions of SPAR to BEE is the identification and development of black individuals/ enterprises as retail members of the SPAR voluntary trading system. Under its three existing banners, namely, SPAR, TOPS and Build it, 82 stores are currently black owned.



Corporate Social Investment (CSI)

1% of post tax profit is allocated to CSI spend, with selected programmes aimed at previously disadvantaged people or communities. Specific focus is given to:

- AIDS projects, identified by each distribution centre and central office
- Business Against Crime
- local projects/charities, assisting in the areas of health, hunger and education, identified at the discretion of the individual distribution centres

Specific criteria are laid down in respect of AIDS projects. In this regard the following institutions are supported both financially and in a variety of other ways (group staff involvement is actively encouraged), and with weekly food parcels: Gozololo, Cotlands, Sparrow Ministries, Hillcrest AIDS Centre, Outreach Today, Arebaokeng Child Care Centre and Lebone House.

Health, safety and environmental report

The group is committed to ensuring that in all its spheres of activity it will conduct itself in a way that is safe, healthy and environmentally friendly. These issues form an integral part of the group's comprehensive risk management philosophy. Internal risk audits are undertaken on a perpetual basis and annually in conjunction with the assistance of the group's external risk managers. The Group risk management function is monitored and reviewed by the Audit and Risk Committee.

Risk management encompasses the health and safety of all members of staff, with specific emphasis on:

- Emergency planning
- Fire defence
- Security
- Transport
- Health, safety and environmental issues.

The group is compliant with the OHS Act and other relevant legislation. Staff are trained in general awareness and their responsibilities to maintaining a safe working environment. Safety committees and elected and trained safety representatives are in place at all distribution centres.

The group's disabling injury frequency rate remains low. No major incidents occurred during the year under review.

Responsibility and awareness of the environment is integral to the group's operations, and falling within this ambit are the elements of pollution, ventilation,

hazardous installations and resource conservation. These issues receive appropriate attention.

HIV/AIDS

The group's HIV/AIDS policy focuses on voluntary testing to determine status, counselling of infected employees and general education relating to the disease. The group includes HIV/AIDS in its Chronic Disease Policy. Such diseases could have a detrimental effect on the sustainability of the business, and the group seeks to minimise the impact through ethical means and to protect the rights of infected staff.

Awareness programmes in respect of chronic diseases are offered, and all staff are encouraged to have appropriate medicals to establish their susceptibility to chronic diseases.

Distribution centres provide clinic facilities for staff who have opted not to join the medical schemes, and these clinics provide the channel through which the HIV/AIDS processes are maintained.

The HIV/AIDS processes dealt with on site include voluntary CD4 count testing, pre test, post test and lifestyle counselling, provision of condoms, treatment of opportunistic infections and STDs and the provision of vitamin supplements. Each clinic establishes a relationship with a local hospital to ensure that ARVs appropriate to the infected employee's CD4 count are issued, and the clinic monitors adherence to the regime.

Annual financial statements

for the year ended 30 September 2005

Contents | **Page**

Directors' approval of annual financial statements

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa. The group's independent external auditors, Deloitte & Touche, have audited the financial statements and their unqualified report appears on page 25.

The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the board of directors on 14 November 2005 and are signed on their behalf by

MJ HANKINSON
Chairman

PK HUGHES
Chief Executive

14 November 2005

Certificate by company secretary

I certify that the company has lodged with the Registrar of Companies all returns that are required of a public company in terms of section 268G(d) of the Companies Act in respect of the year ended 30 September 2005 and that all such returns are true, correct and up to date.

RC FENNER
Company Secretary
14 November 2005

Report of the independent auditors

to the members of The SPAR Group Limited

We have audited the annual financial statements and the group annual financial statements of The Spar Group Limited set out on pages 26 to 57 for the year ended 30 September 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 September 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Accountants and Auditors
Chartered Accountants (SA)
Durban

14 November 2005

Statutory report

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the company is as a wholesaler and distributor of goods and services to SPAR retail grocery stores, Build it builders merchandise outlets, and TOPS liquor stores. The group operates six modern distribution centres which are strategically located close to the major cosmopolitan areas. These distribution centres service SPAR stores, Build it outlets and TOPS stores across South Africa and the neighbouring countries.

HOLDING COMPANY

At 30 September 2004, the company was wholly owned by Tiger Brands Limited, a company incorporated in the Republic of South Africa. The SPAR Group Limited was unbundled from Tiger Brands Limited and the company's shares listed on the JSE Limited on 18 October 2004. As at 30 September 2005 there was no controlling shareholder.

SHARE CAPITAL

Details of the authorised and issued share capital of the company are set out in note 12.

During the year under review the number of shares in issue increased as a result of options exercised in terms of the rules of The SPAR Group Limited Employee Share Trust (2004).

SHARE OPTION SCHEME

Details of the un-issued shares of the company subject to option, in terms of The SPAR Group Limited Employee Share Trust (2004), are as follows:

Shares under option as at 18 October 2004, issued to holders of Tiger Brands Limited share options on the unbundling of the company from Tiger Brands Limited	6 855 018
Options granted as at 13 December 2004	7 028 400
Options exercised and paid in full	(496 365)
Options lapsed or cancelled	(265 234)
Shares under option as at 30 September 2005	13 121 819

Details of outstanding options are set out in note 12.

Statutory report

DIVIDENDS

An interim dividend of 30 cents per share was declared on 11 May 2005 and paid on 6 June 2005. A final dividend of 64.5 cents per share was declared on 14 November 2005, payable on 12 December 2005.

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

Last day to trade cum-dividend	Friday, 2 December 2005
Shares to commence trading ex-dividend	Monday, 5 December 2005
Record date	Friday, 9 December 2005
Payment of dividend	Monday, 12 December 2005

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 5 December 2005 and Friday, 9 December 2005, both days inclusive.

DIRECTORATE

Mr MJ Hankinson was appointed a non-executive director and chairman of the board on 9 September 2004. Messrs DB Gibbon, RJ Hutchison, MP Madi, HK Mehta and Mrs G Moloi were appointed non-executive directors on 1 October 2004.

Mrs G Moloi resigned as a director on 9 September 2005.

In terms of the company's articles of association, one third of the non-executive directors retire annually by rotation at the annual general meeting. Accordingly Messrs DB Gibbon and MJ Hankinson retire at the AGM to be held on 7 February 2006, but offer themselves for re-appointment.

The directors beneficially held 2 000 (2004: nil) shares in the company and unexercised options to acquire a total of 414 600 (2004: 297 600) ordinary shares in the company at 30 September 2005 (refer note 26 and 27).

Details of the directors of the company at the date of this report are disclosed on pages 8 and 9.

SUBSIDIARIES

The interest of the company in the aggregate net profit after taxation of subsidiaries was R21 063 000 (2004: R23 730 000). Details of the company's subsidiaries are set out in note 32.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The directors are not aware of any matters or circumstances arising since the end of the financial year which have or may significantly affect the financial position of the group or the results of its operations.

Accounting policies

The consolidated financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The accounting policies used in the preparation of the financial statements are consistent with those applied in the annual financial statements of the prior year, except for the adoption of AC140, "Business Combinations". With effect from 1 October 2004, the group no longer amortises goodwill. Except for the aforementioned, the following principal accounting policies have been consistently applied in all material respects.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results and financial position of the company and all its subsidiaries, which are defined as entities over which the group has the ability to exercise control so as to obtain benefits from their activities. The results of subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal. All inter-company transactions and balances between group companies are eliminated.

The company has effective control of The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa and the assets and liabilities of these entities are consolidated with those of the company. As the company acts as an agent of these guilds the income and the expenditure of the guilds has been off set and not consolidated.

Investments acquired with the intention of disposal within twelve months are not consolidated.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Land is stated at cost. Owner-occupied buildings are depreciated at 2% per annum on the straight line basis. No revaluations have been made to property since 1984.

The cost (less residual value) of other plant and equipment is depreciated over their estimated useful lives on the straight line basis. The following depreciation rates apply:

Vehicles	10% to 25% per annum
Plant and equipment	8.3% to 33.3% per annum
Furniture and fittings	20% to 33.3% per annum
Computer equipment	10% to 33.3% per annum

Where assets are identified as being impaired, that is when the recoverable amount has declined below the carrying amount, the carrying amount is reduced to reflect the decline in value.

Property, plant and equipment subject to finance lease agreements are capitalised at the cash cost equivalent and the corresponding liabilities raised. Lease finance charges are charged to operating profit as they fall due.

Profits and losses on disposal of property, plant and equipment is recognised in the income statement in the year that the disposal occurs.

Accounting policies

GOODWILL

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units. Cash generating units to which goodwill has been allocated are tested annually for impairment. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, attributable goodwill is included in the determination of the profit or loss on disposal.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost less amounts written off to provide for diminution in the net asset values of subsidiaries where appropriate.

INVESTMENT IN ASSOCIATES

Associates are those companies which are not subsidiaries, over which the group exercises significant influence. Associate companies are accounted for using the equity method. Equity accounted income, which is included in the respective carrying values of the investments, represents the group's proportionate share of the associate's post-acquisition accumulated profit after accounting for dividends payable by those entities.

Associate companies which operate under severe long-term restrictions, which significantly impair their ability to operate and transfer funds, are not equity accounted. These investments are carried at cost less any appropriate impairment.

IMPAIRMENT

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Where an impairment loss (excluding goodwill) is subsequently reversed, the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying value. A reversal of an impairment loss is recognised immediately to profit or loss.

Accounting policies

TAXATION

The charge for taxation is based on the results for the year adjusted for items which are non-assessable or disallowable. Temporary differences arise from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases. These differences are included in the computation of the taxable profit.

Deferred taxation is calculated using taxation rates at the balance sheet date and is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is dealt with in equity.

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which future deductible temporary differences can be utilised.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Obsolete, redundant and slow moving inventory is identified and written down to estimated economic or realisable values.

POST RETIREMENT MEDICAL AID PROVISION

The group provides post retirement health-care benefits to certain of its retirees. The entitlement to these benefits is based on qualifying employees remaining in service until retirement age. The projected unit credit method of valuation is used to calculate the post retirement medical aid obligations, which costs are accrued over the period of employment. These benefits are actuarially valued annually.

PROVISIONS

Provisions are recognised when the group has a legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

RETIREMENT BENEFITS

The group contributes to pension and provident funds which are governed by the Pension Funds Act, 1956. The defined contribution funds are reviewed annually by consulting actuaries. Contributions are charged against income as incurred. The defined benefit fund is actuarially valued every three years. If the fair value of the plan liabilities exceeds the fair value of the plan assets, the resultant obligation is recognised.

REVENUE RECOGNITION

Sales of goods are recognised when goods are delivered and title has passed. Interest income is accrued on the time basis, by reference to the principal outstanding and at the applicable interest rate.

DIVIDEND INCOME

Dividend income from investments is brought to account as and when the company is entitled to receive such dividend unless the dividend is due from an entity which operates under severe long-term restrictions. The dividends from these entities are accounted for on a cash basis.

Accounting policies

DISCONTINUED OPERATIONS

Discontinued operations are significant distinguishable components which have been disposed of by the group or which are the subject of formal plans for disposal or discontinuance.

FOREIGN CURRENCIES

Transactions in currencies other than in Rand are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling on the balance sheet date. Exchange differences arising on the settlement of monetary items or on reporting the group's monetary items at rates different from those at which they were initially recorded, are recognised as income or expenses in the period in which they arise.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Rand, which is the functional currency of the group, and the presentation currency for the consolidated financial statements.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Rand using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

OPERATING LEASES

Operating lease income and expenditure is recognised in the income statement on a straight line basis over the lease term.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheets when the company or group becomes a party to the contractual provisions of the instrument.

Financial instruments are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the instruments are measured as set out below:

> The principal financial assets are cash resources, trade receivables, investments and loans. Trade receivables, loans and cash resources are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. In the company's accounts the investments in subsidiaries are stated at cost less amounts written off to provide for the diminution in the net asset values of the subsidiaries.
>
> Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade and other payables. Trade and other payables are stated at their nominal value. Derivative liabilities are recognised at fair value.

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which they arise.

Financial assets and financial liabilities are offset and the net amounts are reported in the balance sheet when the group has a legally enforceable right to set-off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income statements

for the year ended 30 September 2005

	Notes	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
REVENUE	1	**13 737 483**	12 104 563	**12 631 459**	11 135 753
Turnover		**13 598 961**	11 985 151	**12 475 744**	10 991 013
Cost of sales	2	**(12 398 996)**	(10 886 466)	**(11 352 313)**	(9 966 562)
Gross profit		**1 199 965**	1 098 685	**1 123 431**	1 024 451
Other income	1	**138 522**	119 412	**155 715**	144 740
Trading expenses		**(823 928)**	(822 590)	**(775 374)**	(769 696)
Warehousing and distribution expenses		**(443 926)**	(396 731)	**(416 960)**	(378 189)
Marketing and selling expenses		**(206 897)**	(221 427)	**(188 950)**	(210 668)
Administration and information technology expenses		**(173 105)**	(204 432)	**(169 464)**	(180 839)
OPERATING PROFIT	3	**514 559**	395 507	**503 772**	399 495
Interest received	4	**5 637**	12 205	**5 415**	11 014
Interest paid	4	**(5 457)**	(3 315)	**(5 139)**	(2 534)
Profit on disposal of discontinued operations	21	**–**	20 502	**–**	20 502
Net profit before taxation		**514 739**	424 899	**504 048**	428 477
Taxation	5	**(157 111)**	(132 925)	**(146 731)**	(122 123)
NET PROFIT FOR THE YEAR		**357 628**	291 974	**357 317**	306 354
HEADLINE EARNINGS RECONCILIATION					
Net profit for the year		**357 628**	291 974		
Adjusted for:					
Profit/loss on sale of property, plant and equipment and retail stores, net of impairments and net of taxation		**1 813**	(20 177)		
Amortisation of goodwill		**–**	12 338		
HEADLINE EARNINGS		**359 441**	284 135		
EARNINGS PER SHARE (CENTS)	12				
Headline earnings per share		**212.7**	168.4		
Fully diluted headline earnings per share		**208.0**	168.4		
Earnings per share		**211.6**	173.0		
Fully diluted earnings per share		**206.9**	173.0		
DIVIDEND PER SHARE (CENTS)					
Interim		**30.0**			
Final (declared 14 November 2005)		**64.5**			

Balance sheets

at 30 September 2005

	Notes	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
ASSETS					
NON-CURRENT ASSETS		**639 805**	573 591	**623 905**	562 330
Property, plant and equipment	6	**370 225**	295 466	**332 599**	262 428
Goodwill	7	**245 568**	246 808	**–**	1 898
Investment in subsidiaries	32	**–**	–	**267 350**	266 692
Loans	8	**17 560**	24 625	**17 560**	24 625
Deferred taxation asset	9	**6 452**	6 692	**6 396**	6 687
CURRENT ASSETS		**2 056 454**	1 683 056	**1 832 004**	1 507 520
Inventories	10	**384 857**	335 253	**359 375**	307 440
Trade and other receivables		**1 570 213**	1 292 909	**1 416 347**	1 174 581
Prepayments		**32 642**	6 348	**31 954**	6 096
Amounts owing by subsidiaries		**–**	–	**24 328**	19 403
Bank balances – Guilds	11	**68 742**	48 546	**–**	–
TOTAL ASSETS		**2 696 259**	2 256 647	**2 455 909**	2 069 850
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES		**749 435**	437 261	**749 299**	437 430
Share capital and premium	12	**5 380**	101	**5 380**	101
Non-distributable reserves		**(22)**	(16)	**–**	–
Accumulated profit		**744 077**	437 176	**743 919**	437 329
NON-CURRENT LIABILITIES		**41 791**	38 736	**40 772**	36 872
Deferred taxation liability	13	**25**	110	**–**	–
Post retirement medical aid provision	14	**40 772**	36 872	**40 772**	36 872
Long-term borrowings	15	**994**	1 754	**–**	–
CURRENT LIABILITIES		**1 905 033**	1 780 650	**1 665 838**	1 595 548
Trade payables and accruals		**1 741 162**	1 378 279	**1 525 285**	1 218 133
Bank overdrafts – SPAR		**68 536**	355 308	**50 030**	334 431
Current portion of long-term borrowings	15	**39 094**	832	**38 350**	–
Provisions	16	**49 980**	41 065	**45 396**	37 581
Taxation		**6 261**	5 166	**6 777**	5 403
TOTAL EQUITY AND LIABILITIES		**2 696 259**	2 256 647	**2 455 909**	2 069 850

Statements of changes in equity

for the year ended 30 September 2005

	Notes	Share capital and premium R'000	Non-distributable reserves R'000	Accumulated profit R'000	Total R'000
GROUP					
BALANCE AT 30 SEPTEMBER 2003		96	511	527 836	528 443
Share capital issued		5	–	–	5
Net profit for the year		–	–	291 974	291 974
Dividends declared	19	–	–	(383 200)	(383 200)
Release of revaluation reserve		–	(566)	566	–
Foreign exchange translation		–	39	–	39
BALANCE AT 30 SEPTEMBER 2004		**101**	**(16)**	**437 176**	**437 261**
Share capital and premium issued	12	**5 279**	**–**	**–**	**5 279**
Net profit for the year		**–**	**–**	**357 628**	**357 628**
Dividends declared	19	**–**	**–**	**(50 727)**	**(50 727)**
Foreign exchange translation		**–**	**(6)**	**–**	**(6)**
BALANCE AT 30 SEPTEMBER 2005		**5 380**	**(22)**	**744 077**	**749 435**
COMPANY					
BALANCE AT 30 SEPTEMBER 2003		96	566	513 609	514 271
Share capital issued		5	–	–	5
Profit for the year		–	–	306 354	306 354
Dividends declared	19	–	–	(383 200)	(383 200)
Release of revaluation reserve		–	(566)	566	–
BALANCE AT 30 SEPTEMBER 2004		**101**	**–**	**437 329**	**437 430**
Share capital and premium issued	12	**5 279**	**–**	**–**	**5 279**
Profit for the year		**–**	**–**	**357 317**	**357 317**
Dividends declared	19	**–**	**–**	**(50 727)**	**(50 727)**
BALANCE AT 30 SEPTEMBER 2005		**5 380**	**–**	**743 919**	**749 299**

Cash flow statements

for the year ended 30 September 2005

	Notes	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		**370 475**	(29 817)	**340 190**	(84 858)
Cash generated from operations	17	**572 961**	526 211	**531 968**	451 985
Interest received		**5 270**	12 205	**5 077**	11 014
Interest paid		**(1 179)**	(3 315)	**(1 062)**	(2 534)
Taxation paid	18	**(155 850)**	(181 718)	**(145 066)**	(162 123)
Dividends paid	19	**(50 727)**	(383 200)	**(50 727)**	(383 200)
CASH FLOWS FROM INVESTING ACTIVITIES		**(61 203)**	(307 747)	**(54 534)**	(278 697)
Investment to maintain operations		**(24 678)**	(11 929)	**(22 702)**	(11 543)
Replacement of property, plant and equipment		**(29 293)**	(21 019)	**(27 224)**	(20 499)
Proceeds on disposal of property, plant and equipment		**4 615**	9 090	**4 522**	8 956
Investment to expand operations		**(44 888)**	(30 655)	**(40 195)**	(30 332)
Acquisition of subsidiaries	20	**–**	(291 863)	**–**	(263 896)
Disposal of retail division	21	**–**	17 092	**–**	17 092
Disposal of subsidiaries	22	**–**	(993)	**–**	(620)
Acquisition of minority shareholding		**–**	(1)	**–**	–
Net movement on loans, investments and goodwill		**8 363**	10 602	**8 363**	10 602
CASH FLOWS FROM FINANCING ACTIVITIES		**(2 304)**	(5 792)	**(1 255)**	(4 782)
Proceeds from issue of share capital and premium		**5 279**	5	**5 279**	5
Repayment of long-term borrowings		**(7 583)**	(5 797)	**(6 534)**	(4 787)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**306 968**	(343 356)	**284 401**	(368 337)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER 2004		(306 762)	36 594	(334 431)	33 906
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER 2005		**206**	**(306 762)**	**(50 030)**	**(334 431)**
Analysed:					
Bank overdrafts – SPAR		**(68 536)**	(355 308)	**(50 030)**	(334 431)
Bank balances – Guilds		**68 742**	48 546	**–**	–

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
1. REVENUE				
Revenue comprises				
Turnover	**13 598 961**	11 985 151	**12 475 744**	10 991 013
Sales to retail outlets	**13 598 961**	11 803 014	**12 475 744**	10 991 013
Discontinued operations – retail division	**–**	182 137	**–**	–
Other income:	**138 522**	119 412	**155 715**	144 740
Advertising and promotional revenues	**135 292**	115 566	**132 542**	114 560
Other receipts	**3 230**	3 663	**3 230**	3 663
Dividends received	**–**	183	**19 943**	26 517
Total revenue	**13 737 483**	12 104 563	**12 631 459**	11 135 753

During the current financial year various other income items have been disclosed as revenue. Accordingly the 2004 comparative figures have been re-stated by R119.4 million and R144.7 million for group and company respectively.

2. COST OF SALES

Cost of sales represents the net cost of purchases from suppliers, after rebates and incentive allowances. The 2004 comparative figures have been re-stated to exclude distribution expenses, which expenses have now been included under the heading "warehousing and distribution expenses". The re-statement amounted to R144.1 million and R88.1 million for group and company respectively.

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
3. TRADING PROFIT FROM OPERATIONS				
Trading profit from operations is arrived at after taking the following into account:				
Administration fee paid – Tiger Brands Limited	**–**	10 875	**–**	10 875
Amortisation of goodwill	**–**	12 338	**–**	225
Auditors' remuneration:	**2 289**	2 518	**2 046**	1 738
– audit fees	**2 156**	1 737	**1 919**	1 251
– expenses	**10**	39	**10**	39
– other fees	**123**	742	**117**	448
Depreciation:	**36 559**	41 697	**34 410**	39 481
– buildings and leasehold improvements	**5 131**	4 819	**4 459**	4 148
– plant, equipment, vehicles, furniture and office equipment	**31 428**	36 878	**29 951**	35 333
Impairment of property, plant and equipment and retail stores	**3 500**	2 546	**3 500**	2 546
Net foreign exchange (profits)/losses	**(107)**	747	**(107)**	747
Operating lease charges:				
– immovable property	**3 088**	6 223	**1 743**	62
lease rentals	**86 944**	76 038	**86 182**	69 877
sub-lease recoveries	**(83 856)**	(69 815)	**(84 439)**	(69 815)
– plant, equipment and vehicles	**5 064**	1 861	**4 886**	1 534
Profit on disposal of property, plant and equipment	**(946)**	(2 430)	**(877)**	(2 443)
Post retirement medical aid provision	**3 900**	4 386	**3 900**	4 386
Staff costs	**436 300**	406 707	**408 547**	383 294
Number of employees	**2 221**	2 545	**2 048**	2 086

	GROUP		COMPANY	
	2005	2004	2005	2004
	R'000	R'000	R'000	R'000
4. INTEREST				
Interest received				
On bank deposits	870	9 111	946	8 367
On investments	697	641	697	636
On overdue debtors	3 660	2 153	3 362	1 706
Other	410	300	410	305
Interest received	5 637	12 205	5 415	11 014
Interest paid				
On fixed asset financing and security deposits	5 117	979	4 915	704
On promissory notes	–	509	–	–
On bank overdraft	99	1 729	–	1 729
Settlement discount	74	63	74	63
Other	167	35	150	38
Interest paid	5 457	3 315	5 139	2 534
Net interest received	180	8 890	276	8 480

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
5. TAXATION				
South African normal taxation				
Current taxation – current year	**146 526**	129 675	**136 857**	119 402
– prior year	**4 045**	156	**3 242**	117
– withholding taxes	**42**	42	**–**	–
Deferred taxation – current year	**2 920**	(305)	**3 120**	(753)
– rate change	**325**	–	**328**	–
– prior year	**(3 088)**	(793)	**(3 157)**	(793)
Secondary Tax on Companies (STC)	**6 341**	4 150	**6 341**	4 150
Total taxation	**157 111**	132 925	**146 731**	122 123
Reconciliation of effective taxation rate	**%**	%	**%**	%
Standard taxation rate	**29.0**	30.0	**29.0**	30.0
Disallowable expenses/(exempt income)	**0.1**	0.4	**(1.3)**	(2.3)
Prior year (over)/under provision	**0.2**	(0.1)	**–**	(0.2)
Change in tax rate	**0.1**	–	**0.1**	–
Secondary Tax on Companies	**1.2**	1.0	**1.3**	1.0
Effective rate of taxation	**30.6**	31.3	**29.1**	28.5

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings R'000	Leasehold buildings R'000	Plant, equipment* and vehicles R'000	Total R'000
GROUP				
Cost at 30 September 2004	225 695	1 130	320 384	547 209
Accumulated depreciation	(34 333)	(111)	(217 299)	(251 743)
Carrying value at 30 September 2004	191 362	1 019	103 085	295 466
Additions	57 736	569	56 683	114 988
Disposals (net book value)	–	–	(3 670)	(3 670)
Depreciation	(4 979)	(152)	(31 428)	(36 559)
Reclassification	–	270	(270)	–
Carrying value at 30 September 2005	244 119	1 706	124 400	370 225
Analysed as follows:				
Cost	283 431	2 006	359 922	645 359
Accumulated depreciation	(39 312)	(300)	(235 522)	(275 134)
COMPANY				
Cost at 30 September 2004	191 301	1 130	308 781	501 212
Accumulated depreciation	(29 693)	(111)	(208 980)	(238 784)
Carrying value at 30 September 2004	161 608	1 019	99 801	262 428
Additions	57 736	11	50 479	108 226
Disposals (net book value)	–	–	(3 645)	(3 645)
Depreciation	(4 307)	(152)	(29 951)	(34 410)
Reclassification	–	270	(270)	–
Carrying value at 30 September 2005	215 037	1 148	116 414	332 599
Analysed as follows:				
Cost	249 037	1 448	342 033	592 518
Accumulated depreciation	(34 000)	(300)	(225 619)	(259 919)

** Equipment includes computer equipment, furniture and fittings*

Details of land and buildings are recorded in a register which is available for inspection at the registered office of the company. The directors' valuation of freehold land and buildings at 30 September 2005 was R366 million (2004: R312 million).

Land and buildings, with a net book value of R40 058 715, were capitalised during the year. In 2004 the aforementioned land and buildings were accounted for as leased premises. The land and buildings are held as security for financing obligations (refer note 15).

Certain assets are encumbered under instalment sale agreements in favour of Stannic Bank. The carrying value of these assets amounts to R1 099 649 (2004: R2 038 304) (refer note 15).

During the current financial period, the group reassessed the estimates 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 year of R10.2 million.

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
7. GOODWILL				
Cost	**245 568**	258 924	**–**	2 254
Accumulated amortisation	**–**	(12 116)	**–**	(356)
Net book value	**245 568**	246 808	**–**	1 898
Reconciliation of net book values				
Opening net book value	**246 808**	6 798	**1 898**	2 123
Additions	**658**	256 670	**–**	–
Disposals	**(1 898)**	(4 322)	**(1 898)**	–
Amortisation	**–**	(12 338)	**–**	(225)
Closing net book value	**245 568**	246 808	**–**	1 898
Analysed:				
Arising on acquisition of:				
Nelspruit Wholesalers (Pty) Limited	**245 568**	244 910	**–**	–
Retail Stores	**–**	1 898	**–**	1 898

During the year the group assessed goodwill for possible impairment.

For purposes of this determination, the recoverable amount of Nelspruit Wholesalers (Pty) Limited as a cash generating unit was estimated by utilising a "value in use" computation (discounted cash flow model). A discount rate of 11.2% was used in determing the value in use. At 30 September 2005 the carrying value of goodwill was not considered to be impaired.

The disposal of goodwill relates to the Gordon Road SPAR retail store, which was sold effective 31 January 2005. The store generated a turnover of R10.4 million and an operating loss of R0.6 million during the year.

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
8. LOANS				
Tiger Brands Limited's share purchase trust	**178**	178	**178**	178
Retailer and development loans	**17 382**	24 447	**17 382**	24 447
Total loans	**17 560**	24 625	**17 560**	24 625
Retailer and development loans are both secured and unsecured, bear interest at various rates and have set repayment terms.				
9. DEFERRED TAXATION ASSET				
Opening balance	**6 692**	5 186	**6 687**	5 141
Income statement credit	**85**	1 546	**37**	1 546
Change in taxation rate	**(325)**	–	**(328)**	–
Acquisition of business	**–**	(40)	**–**	–
Closing balance	**6 452**	6 692	**6 396**	6 687
The deferred taxation balance comprises:				
Accelerated capital allowances	**(8 232)**	(5 839)	**(7 993)**	(6 147)
Provisions, claims and prepayments	**14 684**	12 531	**14 389**	12 834
Total deferred taxation asset	**6 452**	6 692	**6 396**	6 687
10. INVENTORIES				
Merchandise	**392 644**	342 017	**366 643**	313 664
Less provisions for obsolescence	**(7 787)**	(6 764)	**(7 268)**	(6 224)
Total inventories	**384 857**	335 253	**359 375**	307 440

11. RECLASSIFICATION OF CASH BALANCES/OVERDRAFTS

During the current financial year, the group reclassified bank overdrafts as between Bank overdrafts – SPAR and Bank balances – Guilds, with the latter classification identifying retailer funds held in trust and other cash deposits attributable to the SPAR Guild of Southern Africa and the Build it Guild of Southern Africa. The comparative figures have been reclassified accordingly.

Bank balances – Guilds	
The SPAR Guild of Southern Africa	65 889
Build it Guild of Southern Africa	2 853
	68 742

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
12. SHARE CAPITAL AND PREMIUM				
12.1 Authorised				
250 000 000 (2004: 250 000 000) ordinary shares of 0.06 cents (2004: 0.06 cents) each	**150**	150	**150**	150
Issued				
169 260 035 (2004: 168 763 670) ordinary shares of 0.06 cents (2004: 0.06 cents) each	**102**	101	**102**	101
Share premium account				
Balance at beginning of year	**–**	–	**–**	–
Shares issued	**5 278**	–	**5 278**	–
Total share capital and premium	**5 380**	101	**5 380**	101

All the authorised and issued shares are of the same class and rank *pari passu* in every respect. There are no conversion or exchange rights. Any variation of rights required for these shares will require a special resolution from the shareholders in a general meeting in accordance with the Articles of Association.

Pursuant to the exercising of options an additional 496 365 ordinary shares of 0.06 cents each were issued, thereby increasing the issued share capital to R101 556 consisting of 169 260 035 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 169 010 748 (2004: 168 763 670). Fully diluted earnings and headline earnings per share was based on a weighted average number of 172 822 332 ordinary shares.

	Number of shares under option	
	2005	2004
12. SHARE CAPITAL AND PREMIUM continued		
12.2 Details of share options outstanding in terms of the company's share option scheme are as follows:		
At 9.73251 cents per share, exercisable until 13 November 2005	19 700	–
At 5.02922 cents per share, exercisable until 9 March 2008	40 900	–
At 9.33601 cents per share, exercisable until 19 May 2008	36 450	–
At 6.43587 cents per share, exercisable until 11 September 2008	40 200	–
At 6.81538 cents per share, exercisable until 22 September 2008	283 700	–
At 7.82552 cents per share, exercisable until 2 October 2008	7 500	–
At 9.80803 cents per share, exercisable until 24 June 2009	175 500	–
At 7.96901 cents per share, exercisable until 8 July 2009	36 467	–
At 10.80873 cents per share, exercisable until 8 November 2009	448 900	–
At 10.88426 cents per share, exercisable until 1 December 2009	1 700	–
At 10.28006 cents per share, exercisable until 18 April 2010	3 400	–
At 9.63810 cents per share, exercisable until 13 October 2010	5 000	–
At 9.94020 cents per share, exercisable until 14 November 2010	438 936	–
At 9.61922 cents per share, exercisable until 1 April 2011	3 400	–
At 10.47902 cents per share, exercisable until 4 June 2011	6 666	–
At 11.19650 cents per share, exercisable until 21 June 2011	5 000	–
At 11.55525 cents per share, exercisable until 25 July 2011	8 500	–
At 11.61189 cents per share, exercisable until 1 September 2011	10 000	–
At 10.76224 cents per share, exercisable until 29 January 2012	1 655 900	–
At 11.93287 cents per share, exercisable until 4 April 2012	11 000	–
At 13.05818 cents per share, exercisable until 3 February 2013	1 336 000	–
At 13.05818 cents per share, exercisable until 31 March 2013	332 000	–
At 13.17147 cents per share, exercisable until 8 August 2013	15 000	–
At 15.10867 cents per share, exercisable until 29 January 2014	1 337 000	–
At 15.51273 cents per share, exercisable until 28 February 2014	5 000	–
At 21.04000 cents per share, exercisable until 14 December 2014	6 858 000	–
	13 121 819	–
Analysed		
Issued to Tiger Brands Limited option holders in terms of unbundling agreement on 18 October 2004	6 263 819	–
Issued in terms of the company's share option scheme on 14 December 2004	6 858 000	–

	GROUP		COMPANY	
	2005	2004	2005	2004
	R'000	R'000	R'000	R'000
13. DEFERRED TAXATION LIABILITY				
Opening balance	110	24	–	–
Acquisition of business	–	(362)	–	–
Income statement charge	(85)	448	–	–
Closing balance	25	110	–	–
The deferred taxation balance comprises:				
Property, plant and equipment	25	37	–	–
Other	–	73	–	–
Total deferred taxation liability	25	110	–	–
14. POST RETIREMENT MEDICAL AID PROVISION				
Opening balance – actuarial valuation	42 252	37 910	42 252	37 910
Recognised as an expense during the current year:	6 243	5 194	6 243	5 194
Interest cost	4 364	3 723	4 364	3 723
Current service cost	1 879	1 471	1 879	1 471
Employer benefit payments	(1 379)	(1 353)	(1 379)	(1 353)
Actuarial (gain)/loss	(1 917)	501	(1 917)	501
Actuarial valuation at end of the year	45 199	42 252	45 199	42 252
Unrecognised actuarial loss	(4 427)	(5 380)	(4 427)	(5 380)
Closing balance	40 772	36 872	40 772	36 872
The principal actuarial assumptions applied in the determination of fair values include:				
Discount rate	8.5%	10.5%	8.5%	10.5%
Expected rates of salary increases	6.0%	7.5%	6.0%	7.5%
Health care cost inflation	5.5%	7.5%	5.5%	7.5%
Average retirement age	63/65	63/65	63/65	63/65

The obligation of the company to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997. However, there are a number of pensioners and current employees who remain entitled to this benefit. The company has adopted the corridor method of recognising actuarial gains and losses. An actuarial valuation is performed at each financial year end based on the projected unit credit method.

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
15. LONG-TERM BORROWINGS				
Secured borrowings	**40 088**	2 586	**38 350**	–
Less current portion	**(39 094)**	(832)	**(38 350)**	–
Total long-term borrowings	**994**	1 754	**–**	–

Long-term borrowings are secured over assets with a net book value amounting to R1 099 649 (2004:R2 038 304) (refer to note 6), bear interest linked to the prime bank overdraft rates and are repayable in monthly instalments of R87 296 (2004: R87 343) inclusive of interest.

Property with a book value of R40 058 715 is held as security for finance obligations (refer note 6).

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
16. PROVISIONS				
Volume discounts	**47 701**	40 183	**43 799**	36 699
Supplier claims	**2 279**	882	**1 597**	882
Total provisions	**49 980**	41 065	**45 396**	37 581
Balance at the beginning of the year	**41 065**	30 384	**37 581**	30 384
Provisions raised	**75 243**	61 553	**67 648**	56 917
Provisions utilised	**(66 328)**	(50 872)	**(59 833)**	(49 720)
Balance at the end of the year	**49 980**	41 065	**45 396**	37 581

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
17. CASH GENERATED FROM OPERATIONS				
Trading profit from operations	**514 559**	395 507	**503 772**	399 495
Adjusted for:				
Depreciation	**36 559**	41 697	**34 410**	39 481
Amortisation of goodwill	**–**	12 338	**–**	225
Profit on disposal of property, plant and equipment	**(946)**	(2 430)	**(877)**	(2 443)
Post retirement medical aid provision	**3 900**	4 386	**3 900**	4 386
Impairment of property, plant and equipment and retail stores	**3 500**	2 546	**3 500**	2 546
Translation adjustment	**(608)**	(807)	**–**	–
Cash generated from operations before:	**556 964**	453 237	**544 705**	443 690
Net working capital changes	**15 997**	72 974	**(12 737)**	8 295
(Increase)/decrease in inventories	**(49 604)**	7 156	**(51 935)**	(6 594)
Increase in trade and other receivables	**(307 189)**	(146 342)	**(275 769)**	(133 434)
Increase in trade payables, accruals and provisions	**372 790**	212 160	**314 967**	148 323
Cash generated from operations	**572 961**	526 211	**531 968**	451 985

	GROUP		COMPANY	
18. TAXATION PAID				
Balance unpaid at the beginning of the year	**5 166**	44 353	**5 403**	43 857
Income statement charge	**156 954**	134 023	**146 440**	123 669
Translation adjustment	**(9)**	15	**–**	–
Business acquired	**–**	8 493	**–**	–
Balance unpaid at the end of the year	**(6 261)**	(5 166)	**(6 777)**	(5 403)
Total taxation paid	**155 850**	181 718	**145 066**	162 123

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
19. DIVIDENDS				
Interim dividend	**50 727**	33 200	**50 727**	33 200
Final dividend	**–**	350 000	**–**	350 000
Total dividends	**50 727**	383 200	**50 727**	383 200

20. ACQUISITION OF SUBSIDIARIES

On 1 November 2003, the group acquired 100 percent of the issued share capital of Nelspruit Wholesalers (Pty) Limited for R263 million. This subsidiary has been consolidated in the group's results and financial position since acquisition.

The fair value of the acquired assets and liabilities were:

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
Inventories	**–**	39 230	**–**	–
Trade and other receivables	**–**	92 066	**–**	–
Trade payables	**–**	(107 077)	**–**	–
Property, plant and equipment and investments	**–**	3 627	**–**	–
Goodwill	**–**	256 670	**–**	–
Taxation and deferred taxation	**–**	(8 131)	**–**	–
Bank overdraft	**–**	(8 437)	**–**	–
Instalment sale agreements	**–**	(3 596)	**–**	–
Due diligence capitalised costs	**–**	(1 352)	**–**	–
Total consideration for subsidiaries acquired	**–**	263 000	**–**	263 000
Due diligence costs paid in current year	**–**	896	**–**	896
Bank overdraft acquired	**–**	8 437	**–**	–
Shareholders for dividend paid	**–**	19 530	**–**	–
Net cash out flow arising on acquisition	**–**	291 863	**–**	263 896

	GROUP		COMPANY	
	2005	2004	2005	2004
	R'000	R'000	R'000	R'000
21. DISPOSAL OF THE RETAIL DIVISION				
The fair value of the assets and liabilities disposed of were as follows:				
Property, plant and equipment	–	21 132	–	21 132
Inventories	–	12 480	–	12 480
Trade receivables	–	1 350	–	1 350
Bank balances and cash	–	5 466	–	5 466
Trade payables	–	(38 372)	–	(38 372)
Net asset value disposed	–	2 056	–	2 056
Profit on disposal of division	–	20 502	–	20 502
Proceeds on disposal of division	–	22 558	–	22 558
Net cash inflow arising on disposal:				
Proceeds on disposal of division	–	22 558	–	22 558
Bank balances and cash disposed	–	(5 466)	–	(5 466)
Net proceeds on disposal of division	–	17 092	–	17 092

	GROUP		COMPANY	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
22. DISPOSAL OF SUBSIDIARIES				
The Greymont and Dowerglen retail stores trading as Fixtrade 538 (Pty) Limited and Twoline Trading 9 (Pty) Limited respectively were sold during 2004. These stores were taken over with the intention to sell them. The assets and liabilities of Fixtrade 538 (Pty) Limited and Twoline Trading 9 (Pty) Limited at the date of disposal were as follows:				
Property, plant and equipment	–	1 560	–	–
Goodwill	–	4 322	–	–
Trade receivables	–	56	–	–
Bank balances and cash	–	373	–	–
Deferred taxation asset	–	40	–	–
Trade payables	–	(6 971)	–	–
Net liabilities	–	(620)	–	–
Settled with cash	–	620	–	–
Net cash outflow arising on disposal:				
Cash consideration	–	(620)	–	(620)
Bank balances and cash disposed	–	(373)	–	–
Total cash outflow	–	(993)	–	(620)
Fixtrade 538 (Pty) Limited and Twoline Trading 9 (Pty) Limited contributed R21.6 million of revenue for the period up to sale of the companies.				
23. CONTINGENT LIABILITIES				
The company has guaranteed the finance obligations of certain SPAR retailer members to the amount of:	**179 272**	178 297	**175 616**	178 297
The company has guaranteed the finance obligations of Nelspruit Wholesalers (Pty) Limited to its bankers	–	–	**20 829**	23 194

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
24. COMMITMENTS				
24.1 Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases are as follows:				
Land and buildings				
Not later than one year	**129 254**	106 023	**128 995**	98 708
Later than one year but not later than five years	**516 089**	431 489	**516 089**	396 832
Later than five years	**436 691**	377 008	**436 691**	329 006
Total land and buildings operating lease commitments	**1 082 034**	914 520	**1 081 775**	824 546
Other				
Not later than one year	**976**	1 333	**976**	1 216
Later than one year but not later than five years	**1 214**	3 088	**1 214**	2 620
Later than five years	**–**	–	**–**	–
Total other operating lease commitments	**2 190**	4 421	**2 190**	3 836
The future minimum sub-lease recoveries under non-cancellable property leases are:	**1 061 527**	807 727	**1 061 527**	807 727

Operating lease income and expenditure is recognised in the income statement on a straight line basis over the lease term. Accordingly, an adjustment of R18.6 million was processed to debtors and creditors, with the income statement effect amounting to an expense of R47 445.

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
24.2 Capital commitments				
Contracted	**48 454**	4 228	**46 752**	4 189
Approved but not contracted	**25 924**	1 089	**25 870**	1 089
Total capital commitments	**74 378**	5 317	**72 622**	5 278

Capital commitments will be financed from group resources.

	GROUP 2005 R'000	GROUP 2004 R'000	COMPANY 2005 R'000	COMPANY 2004 R'000
25. INVESTMENT IN ASSOCIATE				
SPAR Harare (Pvt) Limited				
Shares at cost	**8 884**	8 884	**8 884**	8 884
Less impairment	**(8 884)**	(8 884)	**(8 884)**	(8 884)
Net investment in associate	**–**	–	**–**	–

The group has a 35% investment in SPAR Harare (Pvt) Limited. The group has not accounted for this associate under the equity method as the associate is operating under severe long-term restrictions that significantly impairs its ability to operate and transfer funds to the group. Dividend income is accounted for on a cash basis. During 2005 no dividends (2004: R183 059) were received from this associate.

Summarised financial statements of SPAR Harare (Pvt) Limited as at 30 June 2005 are as follows:

	ZW$ (millions)	ZW$ (millions)	ZW$ (millions)	ZW$ (millions)
Total assets	**121 992**	38 670	**121 992**	38 670
Total liabilities	**97 665**	29 653	**97 665**	29 653
Equity	**24 327**	9 017	**24 327**	9 017
Revenue	**455 123**	150 130	**455 123**	150 130
Profit before taxation	**27 208**	11 206	**27 208**	11 206
Taxation	**9 235**	3 439	**9 235**	3 439
Profit after taxation	**17 973**	7 767	**17 973**	7 767
Minority interest	**1 269**	567	**1 269**	567
Attributable profit	**16 704**	7 200	**16 704**	7 200

26. DIRECTORS' REMUNERATION AND INTERESTS REPORT

26.1 Executive directors

	Salary R'000	Performance related bonus* R'000	Retirement funding contributions R'000	Travel expense allowance R'000	Other benefits ** R'000	Total R'000
Emoluments 2005						
PK Hughes	1 769	440	418	182	108	2 917
RW Coe	1 105	279	142	137	38	1 701
	2 874	719	560	319	146	4 618
Emoluments 2004						
PK Hughes	1 497	442	348	156	37	2 480
RW Coe	960	300	117	101	30	1 508
	2 457	742	465	257	67	3 988

** Performance related bonuses paid during the year, relate to prior years results.*

*** Other benefits include medical aid contributions and a long service award.*

26.2 Non-executive directors

	2005 R'000	2004 R'000
Fees for services as directors		
MJ Hankinson (chairman) [1] [2]	400	–
DB Gibbon [1]	125	–
RJ Hutchison [2]	85	–
MP Madi	90	–
HK Mehta [1]	100	–
G Moloi	78	–
Total fees	878	–

(1) Member of Audit and Risk Committee

(2) Member of Remuneration Committee

26.3 Directors' interests in the share capital of the company

	2005 Beneficial	2005 Non-beneficial	2004 Beneficial	2004 Non-beneficial
Non-executive director				
HK Mehta	2 000	–	–	–

As at the date of this report the directors' interests in the share capital of the company remained unchanged.

	Date of option issue	Option price Rand	Number of options 2005	Number of options 2004
27. DIRECTORS' SHARE OPTION SCHEME INTERESTS				
Options held over shares in The SPAR Group Limited				
PK Hughes	24/6/1999	09.80803	**12 000**	12 000
	8/11/1999	10.80873	**37 300**	37 300
	14/11/2000	09.94020	**20 000**	20 000
	29/1/2002	10.76224	**53 000**	53 000
	3/2/2003	13.05818	**35 000**	35 000
	29/1/2004	15.10867	**37 000**	37 000
	13/12/2004	21.04000	**66 000**	–
			260 300	194 300
RW Coe	22/9/1998	06.81538	**13 300**	13 300
	24/6/1999	09.80803	**8 000**	8 000
	8/11/1999	10.80873	**23 000**	23 000
	14/11/2000	09.94020	**5 000**	5 000
	29/1/2002	10.76224	**17 000**	17 000
	3/2/2003	13.05818	**23 000**	23 000
	29/1/2004	15.10867	**14 000**	14 000
	13/12/2004	21.04000	**51 000**	–
			154 300	103 300

Non-executive directors have no interests in the share option scheme.

The option scheme provides the right to the option holder to purchase shares in the company at the option price. One third of the options are exercisable per year after each of the third, fourth and fifth years from date of issue. Option holders have ten years from date of issue to exercise their option rights.

28. RETIREMENT BENEFIT FUNDS

The group contributes towards retirement benefits for substantially all permanent employees who, depending on preference, are members of either the group's defined contribution pension fund or of a defined contribution provident fund.

The group has established three defined contribution funds and one defined benefit fund, all of which are governed by the Pension Funds Act, 1956. The funds are managed by appointed administrators and investment managers, and their assets remain independent of the group.

In terms of their rules, the defined contribution funds have annual financial reviews, which are performed by the funds' consulting actuaries. At the date of their last reviews the funds were judged to be in a satisfactory position.

Pursuant to the group's unbundling from Tiger Brands Limited, 24 employees were transferred to the SPAR Group Defined Benefit Pension Fund. The next actuarial valuation of this fund will take place in 2007. As at 30 September 2005 the pension benefits due to the aforementioned 24 employees had not yet been transferred from the Tiger Brands Defined Benefit Pension Fund to the SPAR Group Defined Benefit Pension Fund. The Tiger Brands Defined Benefit Pension Fund was valued at 31 March 2004, using the projected unit credit method, and the fund was found to be in a sound financial position. At that date, the actuarial fair value of the assets over liabilities of the defined benefit fund amounted to R157 million.

The SPAR Group Defined Benefit Pension Fund is closed to further membership.

Contributions of R28.5 million (2004: R25.6 million) and R27.5 million (2004: R25.4 million) were expensed for the group and company respectively during the year. Contributions to fund obligations for the payment of retirement benefits are charged against earnings when due.

29. FINANCIAL RISK MANAGEMENT

The company's and group's financial instruments consist primarily of cash balances and overdraft funding from the banks, trade payables, loans and trade receivables.The book value of financial instruments approximates fair value.

In the normal course of its operations the group is *inter alia* exposed to credit, interest and liquidity risk. Executive management meets on a regular basis to analyse these risks and to re-evaluate financial management strategies. The group does not speculate in or engage in the trading of financial instruments.

Credit risk

Potential areas of credit risk consist of trade receivables, short-term cash investments and loans to retailers. An appropriate level of provision is maintained for trade receivables which are considered doubtful. As trade receivables comprise a relatively narrow client base, the group has sought to minimise the credit risk exposure through employing appropriate credit risk assessments and investigations in respect of all new applications. In addition, it is a prerequisite for appropriate forms of security to be procured from customers. Ongoing credit evaluations are performed including regular reviews of security cover provided.

The group grants loans to new retailers to assist them with the conversion to SPAR and to existing members for the purposes of upgrading or revamping their stores. Appropriate credit evaluations are performed in respect of all applications and adequate security is obtained. The loans are generally discounted with approved financial institutions under standard conditions with recourse block discounting agreements. These have been disclosed as contingent liabilities (refer note 23).

The group has guaranteed certain obligations which has resulted in the group retaining the credit risk of these obligations. The fair value of this credit risk has been provided for where appropriate. These guaranteed obligations have been set out in note 23.

The directors are of the opinion that the credit risk in respect of short-term cash investments is low as funds are invested only with acceptable financial institutions of high credit standing and within specific guidelines laid down by the group's board of directors.

Interest rate and liquidity risk

Fluctuations in interest rates impact on the company's financing activities, giving rise to interest rate risk. The group's risk of illiquidity is managed by utilising cashflow forecasts and maintaining adequate unutilised banking facilities. The company has unlimited borrowing powers in terms of its Articles of Association.

Foreign exchange contracts

The risk management of foreign currency transactions is controlled centrally to ensure that any foreign currency transactions are fully covered by forward exchange contracts. The group is fully covered as at 30 September 2005. Foreign exchange contracts in place as at 30 September 2005 were:

Imports	Foreign amount	Contracted amount R
US Dollar	964 805	6 672 693
Euro	22 110	179 040

The carrying amount of the financial assets and liabilities reported in the balance sheet approximate fair value at 30 September 2005.

30. RELATED PARTY TRANSACTIONS

Group transactions

During the year the company and subsidiary companies entered into various transactions with each other. These transactions occurred under terms and conditions no more favourable than transactions concluded with independent third parties.

Retirement funds

The group financial director holds the position of chairman and trustee of the company's executive provident fund and management provident fund respectively and as such may influence the financial and operating policies of these entities.

31. SEGMENTAL REPORTING

The group operates its business from six distribution centres situated throughout South Africa. The distribution centres individually supply goods and services ofa similar nature to the group's voluntary trading members. The directors are of the opinion that the operations of the individual distribution centres are substantiallysimilar 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 isconsidered to be a single geographic segment.

32. INVESTMENT IN SUBSIDIARY COMPANIES

	Issued		Effective % holding		Cost of investment	
	2005	2004	**2005**	2004	**2005**	2004
	Rand	Rand			R'000	R'000
Subsidiary						
SPAR South Africa (Pty) Limited (2)	**10 000**	10 000	**100**	100	**10**	10
SPAR Namibia (Pty) Limited* (1)	**100**	100	**100**	100	**–**	–
The SPAR Group (Botswana) (Pty) (Limited)* (1)	**136**	136	**100**	100	**–**	–
SPAR PE Property (Pty) Limited (3)	**11 467 875**	11 467 875	**100**	100	**2 330**	2 330
Savemor Products (Pty) Limited (2)	**1**	1	**100**	100	**–**	–
SPAR Academy of Learning (Pty) Limited (2)	**100**	100	**100**	100	**–**	–
Fixtrade 537 (Pty) Limited (2)	**100**	100	**100**	100	**–**	–
SPAR Harare (Pvt) Limited* (1)	**1**	1	**35**	35	**–**	–
Nelspruit Wholesalers (Pty) Limited (1)	**109**	109	**100**	100	**265 010**	264 352
The SPAR Guild of Southern Africa** (1)					**–**	–
The Build it Guild of Southern Africa** (1)					**–**	–
Total					**267 350**	266 692

** All companies are incorporated in the Republic of South Africa unless otherwise indicated with an asterisk.*

*** Association incorporated under section 21 of the Companies Act.*

(1) Operating companies

(2) Dormant

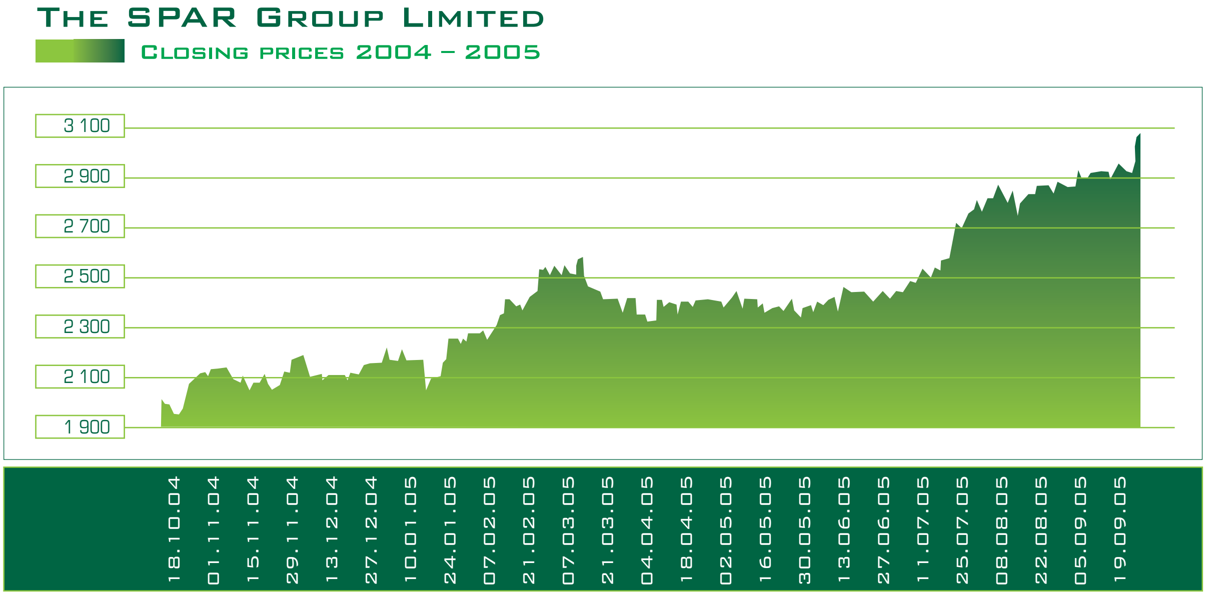
(3) Property owning company

Share ownership analysis

	Number of shareholders	% of total	Number of shares (000)	% of total shareholding
SHAREHOLDER SPREAD AS AT 30 SEPTEMBER 2005				
Public shareholders	11 133	99.99	169 258 035	99.99
Non-public shareholders				
– Shares held by directors	1	0.01	2 000	0.01
	11 134	100.00	169 260 035	100.00

TYPE OF SHAREHOLDERS	
Pension funds	39.4
Mutual funds	28.5
Insurance companies	12.9
Private investors	11.4
Other	7.8
	100.0
BENEFICIAL OWNERS HOLDING IN EXCESS OF 5% OF THE COMPANY'S EQUITY	
Public Investment Corporation	9.4
Old Mutual Life Assurance Company	8.9
FUND MANAGERS HOLDING IN EXCESS OF 5% OF THE COMPANY'S EQUITY	
Old Mutual Asset Managers	15.1
Allan Gray Investment Council	13.3
Investec Asset Management	10.4
Sanlam Investment Management	8.8
Coronation Fund Managers	7.6
STOCK EXCHANGE STATISTICS	
Market price per share (cents)	
– year end	3 090
– highest	3 090
– lowest	1 925
Number of transactions	25 867
Number of shares traded (000)	180 121
Value of shares traded (Rm)	4 069
Number of shares traded as a percentage of total issued shares	106.4
Dividend yield at year end (%)	3.1
Earnings yield at year end (%)	6.9
Price earnings ratio at year end	14.6
Market capitalisation at year end (Rm)	5 229
Market capitalisation to shareholders' equity at year end (times)	7.0

Share price performance



Shareholders' diary

Financial year end		30 September
Annual general meeting		February
Reports and profit statements:		
Interim profit report		May
Annual profit report		November
Annual financial statements issued		December
Dividends:		
Interim	Declaration	May
	Payable	June
Final	Declaration	November
	Payable	December

Notice to shareholders

Notice is hereby given that the annual general meeting of members of The SPAR Group Limited will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on 7 February 2006 at 09:00 for the purpose of conducting the following:

ORDINARY BUSINESS

1. To receive, consider and approve the annual financial statements for the year ended 30 September 2005.
2. To consider the re-election, as a director of the company, of Mr DB Gibbon who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election. Mr DB Gibbon's abbreviated CV can be found on page 9.
3. To consider the re-election, as a director of the company, of Mr MJ Hankinson who retires in accordance with the company's Articles of Association, but being eligible, offers himself for re-election. Mr MJ Hankinson's abbreviated CV can be found on page 8.
4. To reappoint Messrs Deloitte & Touche as auditors of the company until the next annual general meeting.
5. To approve the directors' remuneration for the year ended 30 September 2005 as reflected on page 53 of the annual financial statements.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following ordinary resolutions with or without amendment:

1. Pursuant to the issuing of ordinary shares in the capital of the company, to share option holders who exercised their option rights to such shares during the 2005 financial year, confirmation of the issue of shares to those option holders is requested.

   "Resolved that the issue of 496 365 ordinary shares in the capital of the company to option holders who exercised their rights to such share options be and is hereby approved."
2. Pursuant to the granting of share options in terms of the The SPAR Group Limited Employee Share Trust (2004), refer note 12.2, authority is sought to place the issuing of the necessary shares, in the event of an option holder exercising his rights thereto, under the control of the directors.

   "Resolved that the ordinary shares in the authorised but unissued share capital of the company be and are hereby placed under the control of the Board of Directors of the company as a general authority in terms of section 221(2) of the Companies Act (Act 101 of 1973), as amended ("the Companies Act"), subject to the provisions of the Companies Act and the Listing Requirements of the JSE Limited until the next annual general meeting, for allotment and issue in accordance with the rules of The SPAR Group Limited Share Trust (2004)"

VOTING AND PROXIES

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be forwarded to reach the company's transfer secretaries, Ultra Registrars (Pty) Limited, PO Box 4844, Johannesburg, 2146, by no later than 17h00 on Friday 3 February 2006. Proxy forms may only be completed by members who have not dematerialised their shares or who have dematerialised shares with "own name" registration.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the board

RC FENNER
Company Secretary

14 November 2005

The SPAR Group Limited
(Registration No 1967/001572/06)

motiv
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Form of proxy

The SPAR Group Limited
Registration number: 1967/001572/06
Share code: SPP
ISIN Number: ZAE000058517
("SPAR" or "the group")

Only for use by members who have not dematerialised their shares or members who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the meeting.

For use by SPAR ordinary shareholders at the annual general meeting to be held at 22 Chancery Lane, Pinetown on 7 February 2006 at 09:00.

I/We

of (address)

being the holder/s of shares, appoint (see note 1)

1. or failing him/her/it;

2. or failing him/her/it;

3. the chairman of the annual general meeting

as, my/our proxy to act for me/us on my/our behalf at the annual general meeting which will be held for the purposes of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

	Number of votes (one vote per share)		
ORDINARY BUSINESS	For	Against	Abstain
1. Adoption of annual financial statements			
2. Ratification/appointment of Mr DB Gibbon			
3. Ratification/appointment of Mr MJ Hankinson			
4. Approval of appointment of auditors			
5. Approval of remuneration payable to directors			
SPECIAL BUSINESS			
1. Ratification of issue of 496 365 shares			
2. To place ordinary shares under the control of the directors for share option purposes			

Signed at this day of 2005

Signature

Completed forms of proxy must be received at the office of the company's transfer secretaries, Ultra Registras (Pty) Limited, P O Box 4844, Johannesburg, 2146, by not later than 17h00 on Friday, 3 February 2006,

Notes

1. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise theproxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote less than the total numberof shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorisedthe proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation,trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chair of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the general meeting is satisfied as to the manner in which the member wishes to vote.

CORPORATE INFORMATION

Registration Number
1967/001572/06

JSE Code
SPP

ISIN Number
ZAE 000058517

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RC Fenner (64)
Appointed group secretary 1993

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Umhlanga Rocks
4320

Auditors
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PO Box 243
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4000

Transfer Secretaries
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