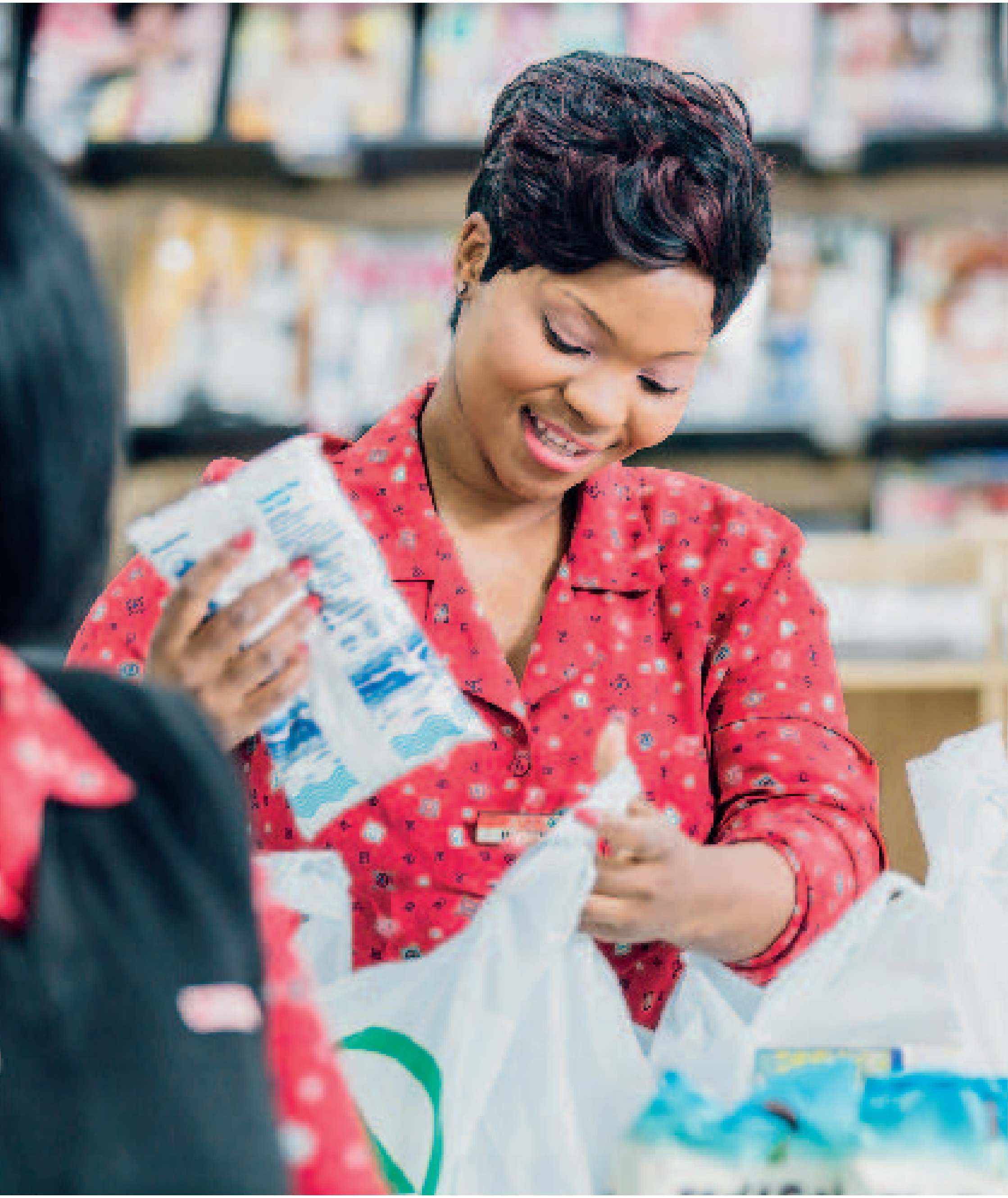
THE SPAR GROUP LTD

PRELIMINARY SUMMARISED AUDITED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017
AND CASH DIVIDEND DECLARATION



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SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion		% Change	AUDITED YEAR ENDED SEPTEMBER 2017	2016
Revenue		5.4	**97 174.2**	92 227.3
Turnover		5.3	**95 461.1**	90 688.5
Cost of sales			**(85 830.2)**	(82 281.5)
Gross profit			**9 630.9**	8 407.0
Other income			**1 713.1**	1 538.8
Net operating expenses		19.2	**(8 760.6)**	(7 347.6)
Trading profit			**2 583.4**	2 598.2
BBBEE transactions			**(0.9)**	(20.9)
Operating profit		0.2	**2 582.5**	2 577.3
Other non-operating items			**(54.6)**	(24.5)
Interest income			**123.2**	98.4
Interest expense			**(113.2)**	(110.4)
Finance costs including foreign exchange gains and losses			**(64.4)**	(106.5)
Share of equity-accounted associate (losses)/income			**(8.8)**	4.9
Profit before taxation		1.0	**2 464.7**	2 439.2
Income tax expense			**(644.6)**	(624.2)
Profit for the year attributable to ordinary shareholders		0.3	**1 820.1**	1 815.0
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gain/(loss) on post-retirement medical aid			**11.4**	(7.9)
Deferred tax relating to actuarial gain/(loss) on post-retirement medical aid			**(3.2)**	2.2
Actuarial gain/(loss) on retirement funds			**432.1**	(220.1)
Deferred tax relating to actuarial gain/(loss) on retirement funds			**(67.9)**	30.7
Items that may be reclassified subsequently to profit or loss:				
Loss on cash flow hedge			**(4.6)**	(39.2)
Tax relating to loss on cash flow hedge			**0.6**	11.0
Exchange differences from translation of foreign operations			**42.0**	(29.4)
Total comprehensive income		42.8	**2 230.5**	1 562.3
EARNINGS PER SHARE				
Basic earnings per share	(cents)	(6.4)	**945.2**	1 010.0
Diluted earnings per share	(cents)	(6.0)	**939.1**	999.5

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	AUDITED YEAR ENDED SEPTEMBER 2017	2016
ASSETS			
Non-current assets		**11 438.4**	10 610.4
Property, plant and equipment		**6 553.9**	6 160.3
Goodwill and intangible assets		**4 162.2**	4 008.3
Investment in associates and joint ventures		**117.3**	38.4
Other investments		**57.7**	54.2
Operating lease receivables		**125.4**	100.5
Loans		**406.2**	217.8
Deferred taxation asset		**15.7**	30.9
Current assets		**16 631.2**	16 584.7
Inventories		**3 816.4**	3 810.9
Trade and other receivables		**10 814.3**	10 544.0
Prepayments		**78.1**	75.4
Operating lease receivables		**60.7**	63.4
Loans		**116.9**	46.8
Income tax recoverable		**4.1**	4.2
Other current financial assets		**0.2**	
Cash and cash equivalents – SPAR		**1 565.6**	1 611.8
Cash and cash equivalents – Guilds and trusts		**174.9**	428.2
Assets held for sale		**141.0**	160.7
Total assets		**28 210.6**	27 355.8
EQUITY AND LIABILITIES			
Capital and reserves		**6 575.0**	5 642.9
Stated capital		**2 231.5**	2 231.5
Treasury shares		**(16.1)**	(18.7)
Currency translation reserve		**49.9**	7.9
Share-based payment reserve		**293.0**	261.1
Equity reserve		**(717.0)**	(713.0)
Hedging reserve		**(32.2)**	(28.2)
Retained earnings		**4 765.9**	3 902.3
Non-current liabilities		**7 350.1**	7 590.1
Deferred taxation liability		**361.2**	290.7
Post-employment benefit obligations		**940.2**	1 392.2
Financial liabilities	5	**1 700.1**	1 568.0
Long-term borrowings		**4 160.4**	4 164.3
Operating lease payables		**141.4**	116.0
Other non-current financial liabilities		**4.9**	
Long-term provisions		**41.9**	58.9
Current liabilities		**14 285.5**	14 122.8
Trade and other payables		**13 452.7**	13 162.5
Current portion of long-term borrowings		**364.4**	265.9
Operating lease payables		**62.8**	65.6
Provisions		**45.3**	38.0
Income tax liability		**91.8**	83.7
Bank overdrafts		**268.5**	507.1
Total equity and liabilities		**28 210.6**	27 355.8

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency trans-lation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attribu-table to ordinary share-holders
Capital and reserves at 30 September 2015	67.6	(26.9)	37.3	425.1	3 371.0	(545.7)	–	–	3 328.4
Profit for the year attributable to ordinary shareholders					1 815.0				1 815.0
Loss on cash flow hedge							(28.2)		(28.2)
Actuarial loss on post-retirement medical aid					(5.7)				(5.7)
Actuarial loss on retirement funds					(189.4)				(189.4)
Recognition of share-based payments				41.8					41.8
Take-up of share options		235.5		(152.5)					83.0
Transfer arising from take-up of share options				152.5	(152.5)				–
Transfer arising from closure of BBBEE transaction				(216.5)	216.5				–
Share repurchases		(227.3)							(227.3)
Dividends paid					(1 152.6)				(1 152.6)
Issue of shares	2 163.9								2 163.9
Recognition of BBBEE transaction				10.7					10.7
Non-controlling interest arising on business acquisition								384.8	384.8
Purchase obligation of non-controlling interest						(180.3)		(384.8)	(565.1)
Exchange rate translation			(29.4)			13.0			(16.4)
Capital and reserves at 30 September 2016	**2 231.5**	**(18.7)**	**7.9**	**261.1**	**3 902.3**	**(713.0)**	**(28.2)**	**–**	**5 642.9**
Profit for the year attributable to ordinary shareholders					**1 820.1**				**1 820.1**
Loss on cash flow hedge							**(4.0)**		**(4.0)**
Actuarial gain on post-retirement medical aid					**8.2**				**8.2**
Actuarial gain on retirement funds					**364.2**				**364.2**
Recognition of share-based payments				**33.3**					**33.3**
Take-up of share options		**131.0**		**(77.2)**					**53.8**
Transfer arising from take-up of share options				**77.2**	**(77.2)**				**–**
Settlement of share-based payments		**1.4**		**(1.4)**					**–**
Share repurchases		**(129.8)**							**(129.8)**
Dividends paid					**(1 251.7)**				**(1 251.7)**
Exchange rate translation			**42.0**			**(4.0)**			**38.0**
Capital and reserves at 30 September 2017	**2 231.5**	**(16.1)**	**49.9**	**293.0**	**4 765.9**	**(717.0)**	**(32.2)**	**–**	**6 575.0**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	AUDITED YEAR ENDED SEPTEMBER 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**1 411.2**	1 547.3
Operating profit before:		**2 582.5**	2 577.3
Non-cash items		**680.9**	637.1
Net loss on disposal of property, plant and equipment		**15.7**	17.9
Net working capital changes		**13.0**	17.9
– Increase in inventories		**(23.7)**	(133.6)
– Increase in trade and other receivables		**(221.7)**	(722.2)
– Increase in trade payables and provisions		**258.4**	873.7
Cash generated from operations		**3 292.1**	3 250.2
Interest received		**109.9**	89.0
Interest paid		**(112.5)**	(110.0)
Taxation paid		**(626.6)**	(529.3)
Dividends paid		**(1 251.7)**	(1 152.6)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 496.0)**	(1 613.5)
Acquisition of businesses/subsidiaries	3.1	**(142.7)**	(757.5)
Proceeds from disposal of businesses	3.2	**48.0**	10.0
Proceeds on disposal of assets held for sale		**25.9**	43.6
Investment to expand operations		**(842.1)**	(441.9)
Investment to maintain operations		**(248.8)**	(346.8)
– Replacement of property, plant and equipment		**(330.0)**	(372.6)
– Proceeds on disposal of property, plant and equipment		**81.2**	25.8
Net movement on loans and investments		**(336.3)**	(120.9)
CASH FLOWS FROM FINANCING ACTIVITIES		**3.4**	1 666.6
Proceeds from issue of shares			2 163.9
Proceeds from exercise of share options		**53.8**	83.0
Proceeds from/(repayments of) borrowings		**79.4**	(353.0)
Share repurchases		**(129.8)**	(227.3)
Net movement in cash and cash equivalents		**(81.4)**	1 600.4
Net cash balances/(overdrafts) at beginning of year		**1 532.9**	(37.8)
Exchange rate translation		**20.5**	(29.7)
Net cash balances at end of year		**1 472.0**	1 532.9

1. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The preliminary summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and, as a minimum, contain the information as required by *IAS 34: Interim Financial Reporting*, the JSE Ltd Listings Requirements and the requirements of the Companies Act, 71 of 2008, as amended from time to time (Companies Act). The summarised consolidated financial statements have been prepared using accounting policies that comply with IFRS that are consistent with those applied in the consolidated financial statements for the year ended 30 September 2016.

In compliance with the disclosure requirements of the Companies Act, these preliminary summarised consolidated financial statements and the consolidated financial statements have been prepared under the supervision of Mr MW Godfrey CA(SA) (Group Financial Director) on behalf of The SPAR Group Ltd.

2. SALIENT STATISTICS AND HEADLINE EARNINGS

			AUDITED YEAR ENDED SEPTEMBER	
Rmillion		**% Change**	**2017**	**2016**
SALIENT STATISTICS				
Headline earnings per share	(cents)	(6.6)	**952.5**	1 020.0
Diluted headline earnings per share	(cents)	(6.2)	**946.4**	1 009.4
Dividend per share	(cents)	1.5	**675.0**	665.0
Net asset value per share	(cents)	8.7	**3 414.6**	3 140.1
Operating profit margin	(%)		**2.7**	2.8
Return on equity	(%)		**29.8**	40.5
HEADLINE EARNINGS RECONCILIATION				
Profit for the year attributable to ordinary shareholders			**1 820.1**	1 815.0
Adjusted for:				
Loss on disposal of property, plant and equipment			**13.9**	15.0
– Gross			**15.7**	17.9
– Tax effect			**(1.8)**	(2.9)
Profit on disposal of assets held for sale			**(7.5)**	(3.0)
Fair value adjustment to assets held for sale			**1.2**	1.4
Impairment of goodwill			**9.3**	4.9
Loss on disposal of associate interests				0.7
Profit on disposal of businesses			**(2.8)**	(1.1)
Headline earnings			**1 834.2**	1 832.9

3. SEGMENTAL REPORTING

Segment accounting policies applied in the summarised consolidated financial statements are consistent with those adopted for the preparation of the consolidated financial statements.

The principal segments of the group have been identified on a primary basis by geographical segment, which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns.

The Chief Executive Officer (the Chief Operating Decision Maker) is of the opinion that the operations of the individual distribution centres within Southern Africa are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. The risks and returns of the Ireland and Switzerland operations are not considered to be similar to those within Southern Africa or each other.

As a result, the geographical segments of the group have been identified as Southern Africa, Ireland and Switzerland. All segment revenue and expenses are directly attributable to the segments. Segment assets and liabilities include all operating assets and liabilities used by a segment, with the exception of inter-segment assets and liabilities, and IFRS adjustments made by segments to their management report for the purposes of IFRS compliance. These assets and liabilities are all directly attributable to the segments.

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Switzerland IAS 19 adjustment	Consolidated total
2017					
Total revenue	**65 074.4**	**20 890.3**	**11 209.5**		**97 174.2**
Operating profit	**2 005.3**	**508.2**	**95.2**	**(26.2)**	**2 582.5**
Profit before tax	**1 933.0**	**465.8**	**92.1**	**(26.2)**	**2 464.7**
Other information					
Interest income	**109.7**	**11.1**	**2.4**		**123.2**
Interest expense	**33.8**	**50.5**	**28.9**		**113.2**
Depreciation	**194.2**	**203.2**	**260.3**		**657.7**
Statement of financial position					
Total assets	**14 076.8**	**9 272.3**	**4 861.5**		**28 210.6**
Total liabilities	**10 070.8**	**7 364.7**	**3 791.7**	**408.4**	**21 635.6**
2016					
Total revenue	62 232.3	23 471.5	6 523.5		92 227.3
Operating profit	2 057.3	487.8	45.0	(12.8)	2 577.3
Profit before tax	2 001.2	431.7	19.1	(12.8)	2 439.2
Other information					
Interest income	86.8	10.1	1.5		98.4
Interest expense	42.3	51.4	16.7		110.4
Depreciation	174.3	213.9	143.2		531.4
Statement of financial position					
Total assets	13 521.2	8 741.5	5 093.1		27 355.8
Total liabilities	9 582.4	7 468.4	4 045.9	616.2	21 712.9

4. BUSINESS COMBINATIONS

4.1 Retail stores acquired

During the course of the financial year, GCL 2016 Ltd (Gilletts), a subsidiary of the BWG Group, acquired the assets of four retail stores, and The SPAR Group Ltd acquired the assets of seven retail stores (2016: two retail stores). These acquisitions were funded from available cash resources. The principal activity of these acquisitions is that of retail trade and all its aspects. The stores were purchased in order to protect strategic sites, and the goodwill arising on the business combinations is a reflection of future turnover expected to be made by the group as a result of these acquisitions. The goodwill recognised on acquisition is not deductible for tax purposes.

Total acquisition costs for business acquisitions concluded during the 2017 financial year amounted to R3.0 million (2016: R21.0 million) and have been recognised as an expense in profit or loss in the 'other non-operating items' line.

Assets acquired and liabilities assumed at date of acquisition

	2017			2016			
Rmillion	**UK retail stores**	**SA retail stores**	**Total**	**SPAR Holding AG**	**GCL 2016 Ltd**	**SA retail stores**	**Total**
Assets	**2.1**	**15.1**	**17.2**	5 157.5	143.7	13.7	5 314.9
Property, plant and equipment		**15.1**	**15.1**	2 873.8	14.6	13.7	2 902.1
Other investments			**–**	55.2			55.2
Loans			**–**	9.9			9.9
Inventories	**1.7**		**1.7**	1 303.1	56.9		1 360.0
Trade and other receivables	**0.4**		**0.4**	686.0	20.6		706.6
Provision for doubtful debts			**–**	(25.7)			(25.7)
Cash and cash equivalents			**–**	255.2	51.6		306.8
Liabilities	**–**	**–**	**–**	(4 195.5)	(211.5)	–	(4 407.0)
Post-employment benefit obligations			**–**	(732.5)			(732.5)
Long-term borrowings			**–**	(2 327.2)	(126.3)		(2 453.5)
Trade and other payables			**–**	(990.1)	(78.0)		(1 068.1)
Income tax liability			**–**	(3.3)	(2.6)		(5.9)
Deferred taxation liability			**–**	(142.4)	(4.6)		(147.0)
Total identifiable net assets at fair value	**2.1**	**15.1**	**17.2**	962.0	(67.8)	13.7	907.9
Goodwill arising from acquisition	**15.2**	**107.3**	**122.5**	332.5	363.2	42.0	737.7
Non-controlling interest			**–**	(384.8)			(384.8)
Purchase consideration	**17.3**	**122.4**	**139.7**	909.7	295.4	55.7	1 260.8
Paid in cash	**17.3**	**122.4**	**139.7**	685.4	263.0	55.7	1 004.1
Deferred consideration			**–**	224.3			224.3
Contingent consideration			**–**		32.4		32.4
Cash and cash equivalents acquired			**–**	(255.2)	(51.6)		(306.8)
Business acquisition costs	**3.0**		**3.0**	6.2	14.8		21.0
Loss on cash flow hedge through OCI			**–**	39.2			39.2
Deferred consideration			**–**	(224.3)			(224.3)
Contingent consideration			**–**		(32.4)		(32.4)
Net cash outflow on acquisition	**20.3**	**122.4**	**142.7**	475.6	226.2	55.7	757.5

4.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to three South African retail stores (2016: one retail store).

Rmillion	2017	2016
Non-current assets	**45.2**	8.9
Property, plant and equipment	**6.4**	8.9
Goodwill	**38.8**	
Profit on disposal of businesses	**2.8**	1.1
Proceeds	**48.0**	10.0

4.3 Contribution to results for the year

	2017			2016			
Rmillion	UK retail stores	SA retail stores	Total	SPAR Holding AG	GCL 2016 Ltd	SA retail stores	Total
Revenue	**4.6**	**468.3**	**472.9**	6 523.5	96.2	126.5	6 746.2
Trading (losses)/profit before acquisition costs	**(0.5)**	**(42.0)**	**(42.5)**	32.2	9.8	(11.4)	30.6

4.4 Finalisation of SPAR Holding AG (SPAR Switzerland) acquisition

The initial accounting for the acquisition of SPAR Switzerland in 2016 was provisional for the value of intangible assets acquired as the valuation of these assets had not yet been completed. This process has now been concluded, which has resulted in no value being attributed to intangible assets acquired for this business combination, and no change to the initial goodwill arising on acquisition.

4.5 Finalisation of GCL 2016 Ltd (Gilletts) acquisition

The initial accounting for the 2016 acquisition of Gilletts was provisional for the value of the repairs as a result of the dilapidation valuation, the contingent consideration, inventories, trade and other receivables, and trade and other payables. The working capital element of the acquisition was subject to a completion account process which required that the value of the working capital purchased at the date of acquisition be finalised. This process has now been concluded, and resulted in no material changes to the values disclosed for this business combination.

5. FINANCIAL LIABILITIES

	2017	2016
Present value		
TIL JV Ltd	**963.8**	824.4
SPAR Holding AG	**736.3**	743.6
	1 700.1	1 568.0
Undiscounted value		
TIL JV Ltd	**1 194.1**	1 094.2
SPAR Holding AG	**823.0**	803.6
	2 017.1	1 897.8

5.1 TIL JV Ltd

The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a subsidiary of The SPAR Group Ltd, effective from 1 August 2014. The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The financial liability is calculated as the present value of the non-controlling interests share of the expected purchase value and discounted from the expected exercise dates to the reporting date. As at 30 September 2017, the financial liability was valued at R963.8 million (2016: R824.4 million) based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

Repayments will commence in December 2019 and continue in 2020 and 2022.

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs. The estimated future purchase price is fair valued at each reporting date and any changes in the value of the liability as a result of changes in the assumptions used to estimate the future purchase price are recorded in profit or loss.

In 2017, a fair value adjustment was made to the TIL JV Ltd financial liability relating to changes in forecast profit assumptions. In 2016, there were no changes to these assumptions and therefore no fair value adjustment.

5.2 SPAR Holding AG

The SPAR Group Ltd acquired a controlling shareholding of 60% in the SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 April 2016. Part of the purchase price of this 60% shareholding is a deferred consideration of CHF16.0 million, which will be paid between December 2020 and February 2021, with the purchase of the remaining 40% of SPAR Holding AG. The purchase of the remaining 40% shareholding is at a set price of CHF40.3 million. The total obligation of CHF56.3 million was accounted for as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding.

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs.

6. FINANCIAL RISK MANAGEMENT

	2017	2016
Financial instruments classification		
Net bank balances	**1 472.0**	1 532.9
Loans*	**523.1**	264.6
Other equity investments***	**57.7**	54.2
Trade and other receivables*	**10 814.3**	10 544.0
Trade and other payables**	**(13 452.7)**	(13 162.5)
FEC liability****	**(4.9)**	
FEC asset/(liability)***	**0.2**	(0.7)
Borrowings**	**(4 524.8)**	(4 430.2)
Financial liabilities***	**(1 700.1)**	(1 568.0)

* *Classified under IAS 39 as loans and receivables.*
** *Classified under IAS 39 as financial liabilities measured at amortised cost.*
*** *Classified under IAS 39 as financial assets or liabilities at fair value through profit or loss.*
**** *Designated as a hedging instrument.*

Fair value hierarchy
The group's financial instruments carried at fair value are classified into three categories defined as follows:

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These instruments consist of the forward exchange contracts.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets that are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 are mainly comprised of other equity investments.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following financial instruments are carried at fair value and are further categorised into the appropriate fair value hierarchy:

Financial instruments

Rmillion	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3
2017				
Other equity investments	**55.3**		**55.3**	
FEC liability designated as a hedging instrument	**(4.9)**	**(4.9)**		
FEC asset at fair value through profit or loss	**0.2**	**0.2**		
Financial liabilities	**(1 700.1)**			**(1 700.1)**
Total	**(1 649.5)**	**(4.7)**	**55.3**	**(1 700.1)**
2016				
Other equity investments	54.2		54.2	
FEC liability at fair value through profit or loss	(0.7)	(0.7)		
Financial liabilities	(1 568.0)			(1 568.0)
Total	(1 514.5)	(0.7)	54.2	(1 568.0)

Level 2 valuation method and inputs

The level 2 financial instruments consist of the investment in Group Risk Holdings (Pty) Ltd (GRH) and the Hypo Vorarlberg bank security deposit. The value of the investment in GRH is based on the group's premium contributions relative to other shareholders in GRH. The Hypo Vorarlberg bank security deposit is a portfolio of listed shares and bonds, the value of which are observable in the market.

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R1 700.1 million (2016: R1 568.0 million) was estimated by applying an income approach valuation method, including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the estimated future profit targets and the discount rates applied. The estimated profitability was based on historical performances but adjusted for expected growth.

The following factors were applied in calculating the financial liabilities at 30 September 2017:

TIL JV Ltd

– Discount rate of 7.2% (2016: 7.2%)
– Closing rand/euro exchange rate of 15.96 (2016: 15.59)

SPAR Holding AG

– Discount rate of 2.0% (2016: 2.0%)
– Closing rand/Swiss franc exchange rate of 13.95 (2016: 14.38)

The following tables show how the fair value of the level 3 financial liabilities would change in relation to the discount rate if the discount rate increased or decreased by 0.5%:

	Discount rate %	Sensitivity % change	Liability Rmillion
TIL JV Ltd			
2017			
Financial liability	**7.2**	**0.5**	**(14.0)**
Financial liability	**7.2**	**(0.5)**	**14.3**
2016			
Financial liability	7.2	0.5	(15.8)
Financial liability	7.2	(0.5)	16.2
SPAR Holding AG			
2017			
Financial liability	**2.0**	**0.5**	**(11.9)**
Financial liability	**2.0**	**(0.5)**	**12.1**
2016			
Financial liability	2.0	0.5	(15.5)
Financial liability	2.0	(0.5)	16.1

Movements in level 3 financial instruments carried at fair value

The following tables show a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value:

Rmillion	2017	2016
TIL JV Ltd		
Balance at beginning of year	**824.4**	729.8
Finance costs recognised in profit or loss	**60.1**	96.3
Net exchange differences arising during the period	**27.7**	(1.7)
Fair value adjustment	**51.6**	
Balance at end of year	**963.8**	824.4
SPAR Holding AG		
Balance at beginning of year	**743.6**	–
Financial liability initially recognised		789.4
Finance costs recognised in profit or loss	**14.2**	7.7
Net exchange differences arising during the period	**(37.6)**	4.2
Foreign exchange translation	**16.1**	(57.7)
Balance at end of year	**736.3**	743.6
Total financial liabilities	**1 700.1**	1 568.0

7. COMMITMENTS

Rmillion	Land and buildings	Other
7.1 Operating lease commitments		
Future minimum lease payments due under non-cancellable operating leases:		
2017		
Payable within one year	**1 804.0**	**69.9**
Payable later than one year but not later than five years	**5 495.4**	**144.0**
Payable later than five years	**4 357.3**	**16.0**
Total	**11 656.7**	**229.9**
2016		
Payable within one year	1 596.6	71.5
Payable later than one year but not later than five years	5 157.2	145.9
Payable later than five years	4 193.9	14.0
Total	10 947.7	231.4

7.2 Operating lease receivables

Future minimum sub-lease receivables due under non-cancellable operating leases:

Rmillion	2017	2016
Receivable within one year	**1 124.7**	937.8
Receivable later than one year but not later than five years	**3 185.9**	2 755.7
Receivable later than five years	**2 093.9**	1 515.9
Total operating lease receivables	**6 404.5**	5 209.4
7.3 Capital commitments		
Contracted	**549.8**	322.0
Approved but not contracted	**94.8**	154.6
Total capital commitments	**644.6**	476.6

Capital commitments will be financed from group resources.

8. CONTINGENT LIABILITIES

Rmillion	2017	2016
Guarantees issued in respect of the finance obligations	**1 089.1**	1 065.6
– Loan guarantees	**760.5**	743.7
– Rental guarantees	**4.2**	3.1
– Customs and excise guarantees	**155.9**	152.3
– IT retail computer equipment lease scheme	**168.5**	166.5

The board has limited guarantee facilities to R1 090.0 million (2016: R990.0 million) relating to Southern Africa.

9. EVENTS AFTER THE REPORTING DATE

9.1 Acquisition of S Buys pharmaceutical wholesaler

The group purchased a 60% shareholding in a pharmaceutical wholesaler effective 1 October 2017. The consideration paid for these shares was R45.0 million. There is an additional contingent consideration of R29.9 million, calculated based on a multiple of the profit after tax as at the end of the entity's August 2017 financial year.

This purchase was made in order to grow the Pharmacy at SPAR line of business, and the synergies as a result of this acquisition will be reflected in the value of the goodwill.

The group will purchase the remaining 40% shareholding between 30 September 2022 and 31 December 2022 for an amount based on the value of the remaining shareholders' loan and the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding will be recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. The non-controlling interest will be recognised at the proportionate share of the net assets of the business. An election has been made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding.

Assets acquired and liabilities assumed at date of acquisition are all provisional, as well as the financial liability, as these fair values are still in the process of being finalised.

9.2 Purchase of property

The group has purchased property to the value of R165.0 million, which is a shopping centre in Pinetown, KwaZulu-Natal, housing a range of tenants from which the company will derive rental income.

9.3 The directors are not aware of any matters or circumstances, other than the above, 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.

HIGHLIGHTS

- Turnover up 5.3%
- Profit before taxation up 1.0%
- Net asset value per share up 8.7%
- Annual dividend declared 675 cents per share

REVIEW OF TRADING RESULTS

The SPAR Group's financial results for the year under review were modest, with turnover increasing by 5.3% and profit before tax by only 1.0%. These results reflect the weak state of consumer buying power and confidence, which has been exacerbated by retrenchments, political uncertainty and climatic challenges in South Africa. Increased price competition among retailers is evident. Despite these challenges, the group is encouraged by the strong performances from our business in Ireland and the early positive signs of the turnaround in Switzerland. Continued rand strength against the euro substantially eroded the European results on final consolidation. The group served a retail store network of 3 768 at year-end.

- SPAR Southern Africa experienced a significant slowdown in sales which, together with cost pressures, resulted in net margin contraction. The core SPAR business reported muted sales growth of 4.2% in difficult trading conditions. The liquor sales continued to achieve double-digit growth, despite an increasingly competitive retail sector. The building materials business reflected the performance of the whole industry and reported wholesale sales growth of 2.1%.
- The group's operations in Ireland weathered deflationary pressures, with solid operating profit growth and market share gains across most of its retail brands. The SPAR and XL brands reported strong sales growth, while the successful integration of the Londis business into the BWG (SPAR Ireland) supply chain is being reflected in the 4.6% growth experienced by that brand. The Gilletts acquisition in South West England late last year further contributed to the impressive Irish result.
- SPAR Switzerland reversed a half-year loss as a result of early gains from implementing its plans to improve the retail offering. The results of this business are recognised for the full financial year, but only from 1 April 2016 acquisition date in the comparative.

FINANCIAL REVIEW

Summary segmental analysis

Rmillion	Southern Africa	Ireland	Switzerland	The SPAR Group Ltd
Income statement				
Turnover	**64 500.8**	**20 528.7**	**10 431.6**	**95 461.1**
Gross profit	**5 269.0**	**2 487.0**	**1 874.9**	**9 630.9**
Operating profit	**2 005.3**	**508.2**	**69.0**	**2 582.5**
Profit before taxation	**1 933.0**	**465.8**	**65.9**	**2 464.7**

Reported group turnover grew to R95.5 billion (2016: R90.7 billion). Tough overall trading conditions in Southern Africa led to a 4.5% growth in turnover to R64.5 billion (2016: R61.7 billion) in the region. The BWG Group contributed R20.5 billion (2016: R23.1 billion) to group turnover, reflecting a very positive 1.5% euro-denominated growth. However, the euro's approximate 10.0% weakening against the rand over the year eroded the strong trading performance in Ireland. SPAR Switzerland, contributed 10.9% of the group's turnover for its first full period of consolidation.

SPAR's gross margin continues to be buoyed by its offshore businesses, which service the higher margin convenience sector, increasing to 10.1% (2016: 9.3%) during the year to finish at R9.6 billion, of which 45.3% was generated in the northern hemisphere. In line with its strategy, SPAR Southern Africa continued to support its retailers through better pricing, and gross margins declined marginally to 8.17% (2016: 8.24%). In Ireland, the contribution from Gilletts, (acquired July 2016), as well as increasing perishables volumes contributed to higher margins. The Swiss business enjoys higher gross margins of 18.0%, as a result of operating in the convenience sector.

The SPAR Group reported a total operating profit of R2.6 billion, up 0.2% from the previous year (2016: R2.6 billion). In Southern Africa, operating profit decreased 2.5%, as tough trading conditions eroded margins and increased costs were associated with stores acquired and subsidised. SPAR Ireland contributed R508.2 million, representing an increase of 4.2%. SPAR Switzerland added R69.0 million, after adjusting for an IFRS pension charge of R26.2 million.

The group's profit before tax was up 1.0% to R2.5 billion (2016: R2.4 billion). The Southern African operations benefited from net interest income of R75.9 million (2016: R44.5 million) while lower finance costs in Ireland also had a positive impact. The group's profit after tax improved marginally by 0.3% to R1.8 billion (2016: R1.8 billion), impacted by an increased effective tax rate. Reported headline earnings were flat at R1.8 billion, but increased 1.2% on a normalised basis after adjusting for the fair value adjustment and foreign exchange adjustments to financial liabilities.

The issue of shares to fund the Irish and Swiss acquisitions, as well as to settle the BBBEE share scheme that vested in August 2016 resulted in an increased effective number of ranking shares in the current year. This impacted the headline earnings per share causing it to decrease 6.6% to 952.5 cents (2016: 1 020.0 cents). The board approved a final dividend of 435 cents per share, resulting in a total annual dividend of 675 cents per share representing a growth of 1.5%.

SPAR's ongoing focus on working capital management supported cash generation from operations which increased 1.3% to R3.3 billion. Overall cash flow was, however, negatively impacted by weaker operating profit performance in Southern Africa, but this was offset by cash inflows from operations in Ireland, as well as proceeds from borrowings in Ireland.

Capital expenditure increased to R1 090.9 million (2016: R788.7 million). This comprised R516.0 million (2016: R339.5 million) in Southern Africa, including the expansion of the Western Cape and North Rand perishables facilities, as well as the acquisition of the West Rand property for future distribution centre development. In Ireland and Switzerland, capital expenditure amounted to R354.1 million (2016: R325.6 million) and R220.8 million (2016: R123.6 million) respectively, which was utilised for retail store refurbishments and technology upgrades.

Budgeted capital expenditure for the year ahead in Southern Africa, amounting to R666.0 million (2016: R752.0 million), includes the purchase of additional land in the Eastern Cape for a new dry warehouse facility, the acquisition of a retail property in KwaZulu-Natal and further technology investments. In Ireland, budgeted capital projects address a wide range of retail development projects. In Switzerland, CHF26.0 million has been budgeted in 2018 for retail investments and upgrades to cash-and-carry premises. It is anticipated that the foreign subsidiaries will fund all capital expenditure from their own cash flows.

GEOGRAPHICAL REVIEW

Southern Africa

The turnover of SPAR Southern Africa increased 4.5% in a highly competitive retail market despite double-digit liquor sales growth. Internally measured food inflation for the year was reported at 6.0%, significantly lower than at the half year due to declining commodity prices in the second half.

Operating expenses were up 8.7% (2016: 11.9%) underpinned by increased marketing and selling costs. Volumes processed through the seven distribution centres decreased 2.6% during the year to 224.5 million cases (2016: 226.4 million cases).

SPAR Southern Africa recorded a 3.4% decrease in profit before tax to R1.9 billion (2016: R2.0 billion), which was boosted by net interest income of R75.9 million (2016: R44.5 million).

Combined food and liquor retail sales, which allow for a better industry comparison, increased by 5.3%. The performance of **SPAR** stores was impacted by lower consumer spending with retail turnover growth of 4.5% to R76.5 billion (2016: R73.2 billion) and like-for-like growth of 4.2%. Wholesale turnover increased 4.2% to R51.7 billion while demand for SPAR-branded products grew 9.7% during the year, with total sales of R8.0 billion. SPAR's total house brand sales have increased to R10.2 billion.

The group maintained a selective approach to new store development to ensure the viability of all proposed expansion projects. Total retail space growth increased 1.7% (2016: 1.5%). A number of new developments continue to be delayed by property developers. SPAR continued to drive store refurbishments to meet evolving consumer preferences, with 149 stores being revamped (2016: 167 stores) in the year. A net 13 stores were opened during the year, bringing the total store numbers to 903 by 30 September 2017.

TOPS at SPAR has extended its double-digit growth trajectory, achieving a 12.4% increase in reported retail turnover to R10.0 billion (2016: R8.9 billion) while extensive store upgrades supported same-store turnover growth of 9.7%. Wholesale turnover was up 11.2% to R5.8 billion (2016: R5.2 billion). Despite ongoing delays in obtaining liquor licences, 51 new TOPS stores opened and the brand closed the year with 733 stores. The total retail liquor space increased 5.8% for the period. The majority of stores have converted to the new TOPS at SPAR logo and 50 stores were revamped.

Build it delivered a 4.3% increase in retail sales to R12.2 billion (2016: R11.7 billion) while same-store growth amounted to 1.1%, reflecting the tough trading environment and low inflation that is impacting the whole industry. Wholesale turnover grew 2.1% to R7.1 billion. Cement inflation was measured at approximately 2.0% with strong price recovery in the second half of the year. Demand for the Build it house brand continues to grow with sales improving 18.7% to R338.6 million for the period. At year-end, Build it's store network stood at 368 stores, including 27 new Build it outlets opened during the year.

Ireland
In euro-denominated currency, turnover increased by 1.5% to €1.4 billion. The BWG Group reported a 11.1% decrease in turnover to R20.5 billion (2016: R23.1 billion), largely due to exchange rate fluctuations. This was partially offset by Gilletts' contribution (acquired July 2016), included for the whole year compared to three months in the prior year and strong performances from most of the other brands. The grocery market remained in a deflationary cycle with reported internal deflation of 2.0% for food and non-alcoholic beverages and deflation of 0.8% for alcohol and tobacco products in the year to September 2017 (Source: Irish Central Statistics).

The turnover and profit contributions of the Londis business continue to exceed plan, with sales growth of 4.6%. The XL and SPAR brands gained market share with sales growth of 6.6% and 4.2% respectively. EUROSPAR delivered strong sales growth compared to its supermarket peers. The BWG Wines and Spirits and BWG Foodservice businesses delivered excellent results with sales increasing 17.8% and 13.2% respectively. The turnover contribution of Appleby Westward, operating in South West England, declined 12.6% in euro terms, or 4.9% in sterling currency terms. This was substantially due to the loss of two independent groups of stores.

BWG Group's euro-denominated margin increased to 11.2% as it reacted rapidly to the deflationary market conditions. Operating profit grew 4.2% to R508.2 million (2016: R487.8 million) while profit before tax was up 7.9% to R465.8 million (2016: R431.7 million). In euro terms profit before tax increased 21.8%.

Total store numbers across BWG Group's store formats at 30 September 2017 was 1 330 stores, with 73 new stores opened during the year.

Switzerland
A majority stake in SPAR Switzerland, acquired effective 1 April 2016, was consolidated for the full year compared to six months in the prior year. Sales for the second six months were down 3.1% in local currency terms, in line with the negative growth reported across all retail. Swiss food retail inflation increased 0.3% year-on-year to end September 2017 (Source: Federal Statistical Office). Driving sales at both the retail and wholesale level in Switzerland remains a key priority for SPAR to improve this acquisition's business performance, including the roll out of category management practices to optimise retail performance.

The gross operating margin, which is higher than in other regions due to the nature of product distributed, increased to 18.0% (2016: 14.0%) and is considered sustainable as all product is supplied ex-warehouse. Furthermore, SPAR Switzerland is highly exposed to the convenience sector that commands higher margins.

SPAR Switzerland's operating profit increased to R69.0 million (2016: R32.2 million). Cost saving plans were implemented in all areas of the business, however, SPAR Switzerland's higher inherent cost structure reflects its greater exposure to retail due to its large proportion of corporate owned stores and TopCC cash-and-carry outlets. This business typically incurs selling and marketing expenditure amounting to some 70% of its overheads (at least double that of the rest of the group). An IAS 19 pension liability charge of R26.2 million (2016: R12.8 million) also impacted reported expenses.

Profit before tax amounted to R65.9 million (2016: R6.3 million). However, adjusting for the extraordinary IFRS pension charge and a financial liability relating to the future minority purchase obligation, the reported figure increases to R68.7 million (2016: R31.0 million). The actions taken during the last six months by the new management team at SPAR Switzerland are starting to achieve results and the focus on improving the retail offering will continue in the year ahead.

PROSPECTS

In Southern Africa, despite the expectation that political and economic uncertainties will continue, SPAR remains committed to driving its key strategic focus areas to support retailer profitability and deliver real business growth. These initiatives include ongoing, significant investments in the group's distribution network, competitive pricing and ensuring a comprehensive product range.

The BWG Group's growth outlook remains cautious as economic uncertainty in the region continues. Local management have reacted to the prevailing market conditions and are confident of delivering further strong results. This business will be evaluating further potential acquisition opportunities to expand its offering to consumers, while improving services to the existing retail network.

The results achieved in this period are early signs that the turnaround strategy being implemented in Switzerland has started delivering the expected benefits. The management team will continue to focus on retail performance to deliver SPAR's expected returns.

With its geographically diversified businesses comprising well-established retail brands in its chosen markets, SPAR's board and management are confident that the group is well placed to continue creating value for shareholders.

AUDIT OPINION

The auditors, Deloitte & Touche, have issued their opinion on the consolidated financial statements for the year ended 30 September 2017. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified opinion. A copy of the auditor's report together with a copy of the audited consolidated financial statements is available for inspection at the company's registered office. These preliminary summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects with the consolidated financial statements. These preliminary summarised consolidated financial statements for the year ended 30 September 2017, have been audited by the group's auditors who have issued an unmodified opinion. The auditor's report does not necessarily report on all of the information contained in these preliminary summarised consolidated financial statements. Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying preliminary summarised consolidated financial statements from the company's registered office. Any reference to future financial information included in this announcement has not been reviewed or reported on by the auditors.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a gross final cash dividend of 435 cents per share has been declared by the board in respect of the year ended 30 September 2017. The dividend has been declared out of income reserves.

This brings the total gross dividend for the year to 675 cents (2016: 665 cents) per ordinary share.

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

Last day to trade cum-dividend	Tuesday, 5 December 2017
Shares to commence trading ex-dividend	Wednesday, 6 December 2017
Record date	Friday, 8 December 2017
Payment of dividend	Monday, 11 December 2017

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 6 December 2017 and Friday, 8 December 2017, both days inclusive.

In terms of South African taxation legislation effective from 1 April 2012, the following additional information is disclosed:

- the South African local dividend tax rate is 20% (2016: 15%);
- the net local dividend amount is 348 cents per share for shareholders liable to pay tax on dividends and 435 cents per share for shareholders exempt from such dividend tax;
- the issued share capital of The SPAR Group Ltd is 192 602 355 ordinary shares; and
- The SPAR Group Ltd's tax reference number is 9285/168/20/0.

By order of the board

MJ Hogan
Company Secretary

Pinetown
14 November 2017

DIRECTORATE AND ADMINISTRATION

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** Non-executive*

Company Secretary: MJ Hogan

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JSE share code: SPP

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