

THE SPAR GROUP LIMITED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2014



Revenue

↑7.7%

Profit after tax

↑9.4%

Headline earnings per share

↑9.1%

Interim dividend per share

↑8.9%

Net asset value per share

↑12.4%

Salient features

		Six months ended 31 March 2014	Restated Six months ended 31 March 2013	% change
Revenue	(Rm)	25 830.6	23 991.3	7.7
Profit after taxation	(Rm)	642.9	587.6	9.4
Headline earnings per share	(cents)	372.0	341.0	9.1
Net asset value per share	(cents)	1 876.9	1 669.2	12.4
Dividend per ordinary share	(cents)	195	179	8.9

Trading overview

Trading conditions remain tough with ongoing pressure on consumer spending due to rising unemployment, increasing household debt and interest rates. Mine strike action has affected trading in certain rural regions through reduced disposable income. Retailers continue to be faced with fierce competitor activity, as well as increasing energy and operating costs.

Group turnover increased 7.6% to R25.6 billion (2013: R23.8 billion), supported by the strong performance of liquor and building materials, which both delivered double digit growth and countered the impact of heightened competition experienced in food retail. The turnover growth was negatively influenced by the later Easter holidays in the current year.

Profit before taxation increased 8.6% to R889.5 million (2013: R819.1 million). Gross margins increased to 8.0% from the prior year, underpinned by stronger growth in ex-warehouse sales. SPAR successfully mitigated the impact of substantial fuel price increases, with its core expenses growing in line with revenue. Operating expenses rose 9.7% and were influenced by higher marketing expenditure and additional information technology costs. Profit after taxation increased by 9.4%.

Headline earnings rose 9.3% to R642.7 million (2013: R587.8 million) with a corresponding increase in headline earnings per share to 372.0 cents (2013: 341.0 cents). An interim dividend of 195 cents (2013: 179 cents) per share was declared, up 8.9%.

SPAR wholesale turnover increased 6.6% to R20.8 billion, benefiting from strong uptake of SPAR housebrands. Net retail trading space increased 0.8%, while 8 new stores were opened and 65 stores underwent upgrades in line with the group's focus on organic store growth. At the end of March the group serviced 873 SPAR stores. Total retail turnover increased 6.6% on a comparable store basis.

TOPS maintained its strong growth trajectory, albeit off a higher base, with wholesale turnover increasing 11.4% to R2.1 billion. Store numbers grew to 595 with 19 new stores opened during the period. The liquor performance was underpinned by product inflation of 5.7%.

Combined food and liquor retail sales, which allows for a better industry comparative, increased by 7.1% and 6.8% on a like-for-like store basis.

Build it staged a strong recovery, with pleasing wholesale turnover growth of 11.3% to R2.7 billion against muted market demand. Rand weakness negated the benefits of low-priced cement imports that had negatively impacted Build it's prior year performance. Build it housebrand imports increased 29.9%, in spite of the weak domestic currency, reflecting the strong consumer support. Eleven new stores were added during the period, bringing total store numbers to 299. The group continued to expand the brand into neighbouring countries, with new retailers joining the Build it guild in Mozambique and Botswana.

The group continued to invest in appropriate assets and capital expenditure remained in line with projections. Expenditure for the full year is expected to be R230 million, well within the original budget.

Notwithstanding an overdraft position at the reporting date of R1 147.3 million (2013: cash balance R125.2 million) the group's cash flow remains strong with the substantial change resulting from the timing of the month end creditor payments.

Prospects

SPAR anticipates that market conditions will remain largely unchanged for the remainder of the financial year with continued stress on consumer spending and muted economic growth. The trading performance for the first seven weeks of the second half of the year has remained consistent, and the group expects sales growth to be broadly in line with the first half.

Board of directors

Wayne Hook stepped down as Chief Executive Officer of The SPAR Group Limited on 31 January 2014 due to his wife's illness, but remains on the board as an Executive Director.

Graham O'Connor was appointed as Chief Executive Officer of the group on 1 February 2014. His appointment was ratified by shareholders at the annual general meeting on 11 February 2014.

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive

Declaration of ordinary dividend

Notice is hereby given that an interim gross cash dividend of 195 cents per share has been declared by the board in respect of the six months ended 31 March 2014. The dividend has been declared out of income reserves.

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

Last day to trade cum-dividend	Friday, 6 June 2014
Shares to commence trading ex-dividend	Monday, 9 June 2014
Record date	Friday, 13 June 2014
Payment of dividend	Tuesday, 17 June 2014

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 9 June 2014 and Friday, 13 June 2014, both days inclusive.

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

- The local dividends tax rate is 15%;
- No STC credits will be utilised;
- The net local dividend amount is 165.75 cents per share for shareholders liable to pay tax on dividends, and 195 cents per share for shareholders exempt from such dividend tax;
- The issued share capital of The SPAR Group Limited as at the date of declaration is 173 224 452 ordinary shares; and
- The SPAR Group Limited's tax reference number is 9285/168/20/0.

By order of the board
KJ O'Brien
Company Secretary

About this announcement

Statement

This short-form announcement is the responsibility of the directors and is a summary of the information in the full announcement. The interim group results were approved by the board of directors on 20 May 2014 and have not been reviewed or audited by the company's external auditors. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on SENS and on the company's website, www.spar.co.za.

Availability

The announcement is also available at the company's registered office, The SPAR Group Limited, 22 Chancery Lane, Pinetown, 3610, for inspection, at no charge, during normal business hours, from 21 May 2014 to 23 June 2014. Investors and/or shareholders may request copies of the full announcement from the Company Secretary at kevin.obrien@spar.co.za.

