THE SPAR GROUP LIMITED

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH 2017

SALIENT FEATURES

12.6%	10.2%	50.1%	240 cents
TURNOVER	HEADLINE EARNINGS	NET ASSET VALUE PER SHARE	INTERIM DIVIDEND

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion		Change %	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
Revenue		13.9	**48 381.4**	42 484.2	92 227.3
Turnover		12.6	**47 353.4**	42 056.4	90 688.5
Cost of sales			**(42 815.2)**	(38 397.7)	(82 281.5)
Gross profit			**4 538.2**	3 658.7	8 407.0
Other income			**1 028.0**	427.8	1 538.8
Net operating expenses			**(4 359.2)**	(2 821.2)	(7 347.6)
Trading profit			**1 207.0**	1 265.3	2 598.2
BBBEE transactions			**(0.2)**	(7.2)	(20.9)
Operating profit		(4.1)	**1 206.8**	1 258.1	2 577.3
Other non-operating items					(24.5)
Interest income			**59.0**	22.4	98.4
Interest expense			**(56.5)**	(66.6)	(110.4)
Finance costs including foreign exchange gains/(losses)			**23.3**	(74.8)	(106.5)
Share of equity accounted associate (losses)/income			**(2.9)**	2.0	4.9
Profit before taxation		7.8	**1 229.7**	1 141.1	2 439.2
Income tax expense			**(321.7)**	(315.7)	(624.2)
Profit for the period attributable to ordinary shareholders		10.0	**908.0**	825.4	1 815.0
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss on post-retirement medical aid					(7.9)
Deferred tax relating to actuarial loss on post-retirement medical aid					2.2
Actuarial gain/(loss) on retirement funds			**232.7**	(59.8)	(220.1)
Deferred tax relating to actuarial gain/(loss) on retirement funds			**(36.6)**	7.5	30.7
Items that may be reclassified subsequently to profit or loss:					
Loss on cash flow hedge			**(2.9)**	(40.9)	(39.2)
Tax relating to loss on cash flow hedge			**0.4**		11.0
Exchange differences from translation of foreign operations			**(147.2)**	132.6	(29.4)
Share of associates' movement in translation reserve			**(0.2)**		
Total comprehensive income		10.3	**954.2**	864.8	1 562.3
EARNINGS PER SHARE					
Earnings per share	(cents)	(1.1)	**471.6**	476.8	1 010.0
Diluted earnings per share	(cents)	6.5	**468.0**	439.3	999.5
SALIENT STATISTICS					
Headline earnings per share	(cents)	(0.9)	**475.5**	480.0	1 020.0
Diluted headline earnings per share	(cents)	6.7	**471.9**	442.2	1 009.4
Normalised headline earnings per share	(cents)	(11.7)	**445.1**	504.3	1 033.0
Dividend per share	(cents)	(5.9)	**240.0**	255.0	665.0
Net asset value per share	(cents)	50.1	**3 005.6**	2 002.0	3 140.1
Operating profit margin	(%)		**2.5**	3.0	2.8
Return on equity	(%)		**19.6**	24.9	40.5
HEADLINE EARNINGS RECONCILIATION					
Profit for the period attributable to ordinary shareholders			**908.0**	825.4	1 815.0
Adjusted for:					
Loss on disposal of property, plant and equipment			**13.3**	5.6	15.0
– Gross			**13.6**	6.0	17.9
– Tax effect			**(0.3)**	(0.4)	(2.9)
Impairment of goodwill			**5.3**		4.9
Loss on disposal of associate interests					0.7
Profit on disposal of business			**(3.8)**		(1.1)
Profit on disposal of assets held for sale			**(7.3)**		(3.0)
Fair value adjustment to assets held for sale					1.4
Headline earnings		10.2	**915.5**	831.0	1 832.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
ASSETS			
Non-current assets	**10 367.3**	7 367.2	10 610.4
Property, plant and equipment	**6 015.9**	3 436.5	6 160.3
Goodwill and intangible assets	**3 813.2**	3 616.6	4 008.3
Investment in associates	**81.9**	34.4	38.4
Other investments	**51.9**	2.3	54.2
Operating lease receivables	**77.6**	87.4	100.5
Loans	**295.9**	162.4	217.8
Deferred taxation asset	**30.9**	27.6	30.9
Current assets	**15 292.5**	13 063.0	16 584.7
Inventories	**3 803.9**	2 746.7	3 810.9
Trade and other receivables	**10 090.3**	9 674.6	10 544.0
Prepayments	**99.2**	95.7	75.4
Operating lease receivables	**67.0**	55.0	63.4
Loans	**225.7**	29.9	46.8
Income tax recoverable			4.2
Cash and cash equivalents – SPAR	**803.5**	355.8	1 611.8
Cash and cash equivalents – Guilds and trusts	**202.9**	105.3	428.2
Assets held for sale	**124.3**	190.2	160.7
Total assets	**25 784.1**	20 620.4	27 355.8
EQUITY AND LIABILITIES			
Capital and reserves	**5 787.2**	3 465.7	5 642.9
Stated capital	**2 231.5**	67.6	2 231.5
Treasury shares	**(4.1)**	(36.4)	(18.7)
Currency translation reserve	**(139.5)**	169.9	7.9
Share-based payment reserve	**278.0**	441.9	261.1
Equity reserve	**(699.1)**	(545.7)	(713.0)
Hedging reserve	**(30.7)**	(40.9)	(28.2)
Retained earnings	**4 151.1**	3 409.3	3 902.3
Non-current liabilities	**6 987.8**	4 124.5	7 590.1
Deferred taxation liability	**297.4**	232.8	290.7
Post-employment benefit obligations	**1 081.5**	521.0	1 392.2
Financial liabilities	**1 482.8**	804.6	1 568.0
Long-term borrowings	**3 976.1**	2 465.0	4 164.3
Operating lease payables	**97.5**	101.1	116.0
Other non-current financial liabilities	**2.9**		
Long-term provisions	**49.6**		58.9
Current liabilities	**13 009.1**	13 030.2	14 122.8
Trade and other payables	**11 254.6**	10 683.6	13 162.5
Current portion of long-term borrowings	**389.9**	203.0	265.9
Operating lease payables	**68.5**	60.0	65.6
Provisions	**34.1**	124.9	38.0
Income tax liability	**102.3**	43.2	83.7
Other current financial liabilities		41.1	
Short-term borrowings		186.1	
Bank overdrafts	**1 159.7**	1 688.3	507.1
Total equity and liabilities	**25 784.1**	20 620.4	27 355.8

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency translation reserve
Audited capital and reserves at 30 September 2015	67.6	(26.9)	37.3
Total comprehensive income for the year			132.6
Actuarial loss on retirement funds			
Recognition of share-based payments			
Take-up of share options		81.4	
Transfer arising from take-up of share options			
Share repurchases		(90.9)	
Dividends paid			
Recognition of BBBEE transaction			
Unaudited capital and reserves at 31 March 2016	67.6	(36.4)	169.9
Total comprehensive income for the year			(162.0)
Actuarial loss on post-retirement medical aid			
Actuarial loss on retirement funds			
Recognition of share-based payments			
Take-up of share options		154.1	
Transfer arising from take-up of share options			
Transfer arising from closure of BBBEE transaction			
Share repurchases		(136.4)	
Dividends paid			
Issue of shares	2 163.9		
Recognition of BBBEE transaction			
Non-controlling interest arising on business acquisition			
Purchase obligation of non-controlling interest			
Exchange rate translation			
Audited capital and reserves at 30 September 2016	**2 231.5**	**(18.7)**	**7.9**
Total comprehensive income for the year			**(147.2)**
Actuarial gain on retirement funds			
Share of associates' movement in translation reserve			**(0.2)**
Recognition of share-based payments			
Take-up of share options		**109.7**	
Transfer arising from take-up of share options			
Share repurchases		**(95.1)**	
Dividends paid			
Exchange rate translation			
Unaudited capital and reserves at 31 March 2017	**2 231.5**	**(4.1)**	**(139.5)**

Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
425.1	3 371.0	(545.7)	–	–	3 328.4
	825.4		(40.9)		917.1
	(52.3)				(52.3)
10.6					10.6
(54.0)					27.4
54.0	(54.0)				–
					(90.9)
	(680.8)				(680.8)
6.2					6.2
441.9	3 409.3	(545.7)	(40.9)	–	3 465.7
	989.6		12.7		840.3
	(5.7)				(5.7)
	(137.1)				(137.1)
31.2					31.2
(98.5)					55.6
98.5	(98.5)				–
(216.5)	216.5				–
					(136.4)
	(471.8)				(471.8)
					2 163.9
4.5					4.5
				384.8	384.8
		(180.3)		(384.8)	(565.1)
		13.0			13.0
261.1	**3 902.3**	**(713.0)**	**(28.2)**	**–**	**5 642.9**
	908.0		**(2.5)**		**758.3**
	196.1				**196.1**
					(0.2)
16.9					**16.9**
(65.8)					**43.9**
65.8	**(65.8)**				**–**
					(95.1)
	(789.5)				**(789.5)**
		13.9			**13.9**
278.0	**4 151.1**	**(699.1)**	**(30.7)**	**–**	**5 787.2**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
CASH FLOWS FROM OPERATING ACTIVITIES	**(990.9)**	(942.5)	1 547.3
Operating profit before:	**1 206.8**	1 258.1	2 577.3
Non-cash items	**268.4**	197.8	637.1
Loss on disposal of property, plant and equipment	**13.6**	6.0	17.9
Net working capital changes	**(1 380.5)**	(1 411.5)	17.9
– Increase in inventories	**(139.7)**	(263.5)	(133.6)
– Decrease/(increase) in trade and other receivables	**252.0**	(226.6)	(722.2)
– (Decrease)/increase in trade payables and provisions	**(1 492.8)**	(921.4)	873.7
Cash generated from operations	**108.3**	50.4	3 250.2
Interest received	**48.4**	19.3	89.0
Interest paid	**(57.0)**	(56.0)	(110.0)
Taxation paid	**(301.1)**	(275.4)	(529.3)
Dividends paid	**(789.5)**	(680.8)	(1 152.6)
CASH FLOWS FROM INVESTING ACTIVITIES	**(887.0)**	(386.1)	(1 613.5)
Investment to expand operations	**(299.9)**	(179.4)	(441.9)
Investment to maintain operations	**(205.6)**	(122.3)	(346.8)
– Replacement of property, plant and equipment	**(208.9)**	(126.5)	(372.6)
– Proceeds on disposal of property, plant and equipment	**3.3**	4.2	25.8
Acquisition of businesses/subsidiaries	**(111.1)**	(44.4)	(757.5)
Proceeds from disposal of businesses	**8.0**		10.0
Proceeds on disposal of assets held for sale	**31.3**	16.5	43.6
Net movement in loans and investments	**(309.7)**	(56.5)	(120.9)
CASH FLOWS FROM FINANCING ACTIVITIES	**223.6**	121.5	1 666.6
Proceeds from issue of shares			2 163.9
Proceeds from exercise of share options	**43.9**	27.4	83.0
Share repurchases	**(95.1)**	(90.9)	(227.3)
Proceeds/(repayments) from borrowings	**274.8**	185.0	(353.0)
Net movement in cash and cash equivalents	**(1 654.3)**	(1 207.1)	1 600.4
Net cash balances/(overdrafts) at beginning of period	**1 532.9**	(37.8)	(37.8)
Exchange rate translation	**(31.9)**	17.7	(29.7)
Net (overdrafts)/cash balances at end of period	**(153.3)**	(1 227.2)	1 532.9

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION AND COMPLIANCE WITH IFRS

The condensed consolidated interim financial statements have been prepared in accordance with 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 the information as required by IAS 34 Interim Financial Reporting, the JSE Ltd Listings Requirements and the requirements of the Companies Act of South Africa, 71 of 2008, as amended. The accounting policies are in terms of International Financial Reporting Standards and are consistent with those applied in the financial statements for the year ended 30 September 2016.

The information contained in the interim report has neither been audited nor reviewed by the group's external auditors. The condensed 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. SEGMENTAL REPORTING

Segment accounting policies are consistent with those adopted for the preparation of the condensed consolidated financial results.

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.

2. SEGMENTAL REPORTING (CONTINUED)

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	IAS 19 adjustment	Consolidated Total
Unaudited six months ended March 2017					
Total revenue	**32 781.2**	**9 810.4**	**5 789.8**		**48 381.4**
Operating profit	**1 010.4**	**204.7**	**4.9**	**(13.2)**	**1 206.8**
Profit before tax	**1 084.9**	**184.6**	**(26.6)**	**(13.2)**	**1 229.7**
Other information					
Interest income	**52.8**	**5.5**	**0.7**		**59.0**
Interest expense	**16.2**	**25.6**	**14.7**		**56.5**
Depreciation	**94.3**	**98.9**	**129.2**		**322.4**
Statement of financial position					
Total assets	**13 179.6**	**8 067.2**	**4 537.3**		**25 784.1**
Total liabilities	**9 287.1**	**6 655.7**	**3 581.2**	**472.9**	**19 996.9**
Unaudited six months ended March 2016					
Total revenue	31 224.1	11 260.1			42 484.2
Operating profit*	1 060.5	197.6			1 258.1
Profit before tax*	974.0	167.1			1 141.1
Other information					
Interest income	18.0	4.4			22.4
Interest expense	31.7	34.9			66.6
Depreciation	85.4	107.3			192.7
Statement of financial position					
Total assets*	11 783.1	8 837.3			20 620.4
Total liabilities	9 566.7	7 588.0			17 154.7
Audited year ended September 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

* *Revised to be consistent with current period classification.*

3. BUSINESS COMBINATIONS

3.1 During the course of the financial year The SPAR Group Ltd acquired the assets of six (2016: three) retail stores in South Africa. These acquisitions were funded from available cash resources. The principal activity of these acquisitions is that of retail trade and all its aspects. These 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.

3.2 Assets acquired and liabilities assumed at date of acquisition

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
Assets	**12.0**	9.5	5 314.9
Liabilities			(4 407.0)
Total identifiable net assets at fair value	**12.0**	9.5	907.9
Non-controlling interest			(384.8)
Goodwill arising from acquisition	**99.1**	34.9	737.7
Purchase consideration transferred	**111.1**	44.4	1 260.8
Cash and cash equivalents acquired			(306.8)
Business acquisition costs			21.0
Loss on cash flow hedge through OCI			39.2
Deferred consideration			(224.3)
Contingent consideration			(32.4)
Net cash outflow on acquisition	**111.1**	44.4	757.5

3.3 Assets and liabilities at date of disposal

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
The assets and liabilities disposed of relate to South African retail stores.			
Non-current assets	**4.2**	–	8.9
Property, plant and equipment	**2.6**		8.9
Goodwill	**1.6**		
Profit on disposal of business	**3.8**		1.1
Proceeds	**8.0**	–	10.0

3.4 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.

3. BUSINESS COMBINATIONS (CONTINUED)

3.5 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 requires 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.

4. FINANCIAL RISK MANAGEMENT

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
Financial instruments classification			
Net bank (overdrafts)/cash balances	**(153.3)**	(1 227.2)	1 532.9
Loans*	**521.6**	192.3	264.6
Other equity investments***	**51.9**	2.3	54.2
Trade and other receivables*	**10 090.3**	9 674.6	10 544.0
Trade and other payables**	**(11 254.6)**	(10 683.6)	(13 162.5)
FEC liability***		(0.2)	(0.7)
FEC liability****	**(2.9)**	(40.9)	
Borrowings**	**(4 366.0)**	(2 854.1)	(4 430.2)
Financial liability***	**(1 482.8)**	(804.6)	(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 and 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 which 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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value hierarchy (continued)
The following financial instruments on the statement of financial position are carried at fair value.

The financial instruments are further categorised into the appropriate fair value hierarchy:

Financial instruments		**Fair value**		
Rmillion	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Unaudited six months ended March 2017				
Other equity investments	**51.9**		**51.9**	
FEC liability designated as a hedging instrument	**(2.9)**	**(2.9)**		
Financial liability	**(1 482.8)**			**(1 482.8)**
Total	**(1 433.8)**	**(2.9)**	**51.9**	**(1 482.8)**
Unaudited six months ended March 2016				
Other equity investments	2.3		2.3	
FEC liability at fair value through profit and loss	(0.2)	(0.2)		
FEC liability designated as a hedging instrument	(40.9)	(40.9)		
Financial liability	(804.6)			(804.6)
Total	(843.4)	(41.1)	2.3	(804.6)
Audited year ended September 2016				
Other equity investments	54.2		54.2	
FEC liability at fair value through profit and loss	(0.7)	(0.7)		
Financial liability	(1 568.0)			(1 568.0)
Total	(1 514.5)	(0.7)	54.2	(1 568.0)

Level 3 sensitivity information
The fair value of the level 3 financial liabilities of R1 482.8 million (2016: R804.6 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 assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth.

The following factors were applied in calculating the financial liabilities at 31 March 2017:

TIL JV Ltd
– Discount rate of 7.2% (2016: 8.67%)
– Closing rand/euro exchange rate of 14.29 (2016: 16.82)

SPAR Holding AG
– Discount rate of 2.0%
– Closing rand/Swiss franc exchange rate of 13.38

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Level 3 sensitivity information (continued)

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

TIL JV Ltd

	Discount rate %	Sensitivity %	Liability Rmillion
Unaudited six months ended March 2017			
Financial liability	**7.2**	**0.5**	**(13.5)**
Financial liability	**7.2**	**(0.5)**	**13.1**
Unaudited six months ended March 2016			
Financial liability	8.7	0.5	(17.4)
Financial liability	8.7	(0.5)	17.8
Audited year ended September 2016			
Financial liability	7.2	0.5	(15.8)
Financial liability	7.2	(0.5)	16.2

SPAR Holding AG

	Discount rate %	Sensitivity %	Liability Rmillion
Unaudited six months ended March 2017			
Financial liability	**2.0**	**0.5**	**(13.3)**
Financial liability	**2.0**	**(0.5)**	**12.9**
Audited year ended September 2016			
Financial liability	2.0	0.5	(15.5)
Financial liability	2.0	(0.5)	16.1

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
TIL JV Ltd			
Balance at beginning of year	**824.4**	729.8	729.8
Finance costs recognised in profit or loss	**28.1**	32.8	96.3
Net exchange differences arising during the period	**(68.9)**	42.0	(1.7)
Balance at end of period	**783.6**	804.6	824.4
Undiscounted value of financial liability	**1 003.4**	1 180.4	1 094.2
SPAR Holding AG			
Balance at beginning of year	**743.6**	–	–
Initial recognition	**–**	–	789.4
Initial recognition reducing non-controlling interest balance			384.8
Initial recognition in equity reserve			180.3
Deferred consideration			224.3
Finance costs recognised in profit or loss	**7.0**		7.7
Net exchange differences arising during the period	**10.5**		4.2
Foreign exchange translation	**(61.9)**		(57.7)
Balance at end of period	**699.2**	–	743.6
Undiscounted value of financial liability	**736.9**	–	803.6
Total present value of financial liabilities	**1 482.8**	804.6	1 568.0
Total undiscounted value of financial liabilities	**1 740.3**	1 180.4	1 897.8

The TIL JV Ltd financial liability is calculated as the present value of the non-controlling interests share of the expected redemption value and discounted from the expected exercise dates to the reporting date. As at 31 March 2017, the financial liability was valued at R783.6 million based on management's expectation of future profit performance. Repayments will commence in December 2019 and continue in 2020 and 2022.

The total obligation of the SPAR Holding AG financial liability of CHF56.3 million is calculated at the present value of the obligation, discounted from the expected settlement date to the reporting date. This financial liability will be repaid between December 2020 and February 2021.

Interest is recorded in respect of these liabilities within finance costs using the effective interest rate method. Net exchange differences on these financial liabilities have also been presented in finance costs.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management
The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The group's overall capital management strategy remained unchanged in 2017. The strategy entails a philosophy of tight risk management and minimum use of derivative instruments.

The capital structure of the group consists of equity attributable to shareholders comprising issued capital, reserves and retained earnings and borrowings.

Treasury shares are held from time to time for the purpose of settling option holder obligations and these are only acquired on approval from shareholders and where the market presents value in their acquisition.

The strong cash inflow generated by group operations is utilised to fund distribution centre expansions and other capital expenditure, and to settle dividends declared, taxation and trade payable obligations.

5. CONTINGENT LIABILITIES

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
Guarantees issued in respect of the finance obligations	**1 039.8**	1 006.3	1 065.6
– Loan guarantees	**722.0**	693.8	743.7
– Rental guarantees	**3.2**	0.9	3.1
– Customs and excise guarantees	**150.4**	139.2	152.3
– IT retail computer equipment lease scheme	**164.2**	172.4	166.5

The board has limited guarantee facilities to R990 million (2016: R930 million) relating to Southern Africa. The board has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of 238 million euros, and SPAR Holding AG borrowing facilities to the value of 40 million Swiss francs.

The company has guaranteed the finance obligations of SPAR Retail Stores (Pty) Ltd, Kaplian Trading (Pty) Ltd, TIL JV Ltd, Annison 45 (Pty) Ltd and Sun Village Supermarket (Pty) Ltd to its bankers.

These guarantees commenced 15 April 2011, 25 July 2011, 24 June 2015, 29 September 2015 and 13 December 2016 respectively and are for an indefinite period.

6. COMMITMENTS

6.1 Operating lease commitments

Future minimum lease payments due under non-cancellable operating leases:

Rmillion	Land and buildings	Other
Unaudited six months ended March 2017		
Payable within one year	**1 648.0**	**65.3**
Payable later than one year but not later than five years	**5 176.8**	**156.2**
Payable later than five years	**4 127.5**	**20.2**
Total	**10 952.3**	**241.7**
Unaudited six months ended March 2016		
Payable within one year	1 113.4	27.4
Payable later than one year but not later than five years	3 739.2	50.6
Payable later than five years	3 121.9	2.6
Total	7 974.5	80.6
Year ended September 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

6.2 Operating lease receivables

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

Rmillion	Unaudited six months ended March 2017	Unaudited six months ended March 2016	Audited year ended September 2016
Receivable within one year	**994.6**	788.7	937.8
Receivable later than one year but not later than five years	**2 929.3**	2 540.8	2 755.7
Receivable later than five years	**1 753.3**	1 411.1	1 515.9
Total operating lease receivables	**5 677.2**	4 740.6	5 209.4

6.3 Capital commitments

Contracted	**403.5**	165.3	322.0
Approved but not contracted	**56.7**	19.9	154.6
Total capital commitments	**460.2**	185.2	476.6

Capital commitments will be financed from group resources.

7. EVENTS AFTER THE REPORTING DATE

No material events have occurred subsequent to 31 March 2017 which may have an impact on the group's reported financial position at this date.

SPAR COMMENTARY FOR THE SIX MONTHS ENDED 31 MARCH 2017

HIGHLIGHTS

- Turnover up 12.6%
- Profit before tax up 7.8%
- Headline earnings up 10.2%
- Net asset value per share up 50.1%
- Interim dividend declared 240 cents per share

REVIEW OF TRADING RESULTS

The SPAR Group achieved positive growth for the six months to 31 March 2017, largely supported by the recent diversification of its operations into international markets:

- SPAR Southern Africa defended its market position with continued growth in turnover and stable gross margins. This was despite a challenging trading environment characterised by heightened competition and constrained consumer spending. The store network grew to 2 069 stores, with new stores opened across all brands and the group completed 89 store upgrades.
- BWG Group (SPAR Ireland) has continued to deliver solid euro-denominated growth despite a deflationary trading environment. It benefitted from the positive contribution of recent acquisitions, including the Londis brand and Gilletts stores. However, rand strength against the euro substantially eroded this business result on consolidation. SPAR Ireland increased its store network in Ireland, bringing its total store network to 1 335 stores.
- An ongoing focus on improving the retail performance of the recently acquired SPAR Switzerland culminated in the appointment of a new Chief Executive Officer from SPAR South Africa to drive the process. The positive performance of the core distribution activities was dampened by disappointing results from the corporate owned stores. The group is aggressively driving interventions to enhance this retail performance. SPAR Switzerland's total store network remained constant at 301 stores.

GROUP FINANCIAL REVIEW

Summary segmental analysis

Rmillion	Southern Africa	Ireland	Switzerland	The SPAR Group Ltd
Turnover	32 498.2	9 636.7	5 218.5	47 353.4
Gross profit	2 636.9	1 175.7	725.6	4 538.2
Operating profit	1 010.4	204.7	(8.3)	1 206.8
Profit before taxation	1 084.9	184.6	(39.8)	1 229.7

The reported turnover of The SPAR Group was up 12.6% to R47.4 billion (2016: R42.1 billion), with 31.4% of total turnover generated in foreign currency. The Southern African business, with reported turnover growth of 4.9%, was impacted by tough trading conditions which are being aggravated by the uncertain economic and political landscape. The turnover of the BWG Group increased by 1.6% in constant euro-currency terms. However, the significant appreciation of the rand against the euro over this period saw a 13.1% decline in reported turnover to R9.6 billion (2016: R11.1 billion). SPAR Switzerland contributed turnover of R5.2 billion as it reached its acquisition anniversary. Additional factors which had a minor impact on reported turnover in all regions was the later timing of the Easter holiday in 2017 compared to the prior year, as well as there being an additional day of trading in 2016.

The group's gross margin increased to 9.6% (2016: 8.7%). SPAR Southern Africa maintained its gross margin at 8.1%, despite the competitive market. BWG Group and SPAR Switzerland, which both operate in the higher margin convenience sector, reported gross margins of 12.2% (2016: 10.3%) and 13.9% respectively.

Group operating expenses rose 54.5%, the major impact being the inclusion of SPAR Switzerland which was acquired with effect from 1 April 2016. On a comparable basis (excluding SPAR Switzerland), operating expenses increased 8.3%. In Southern Africa, operating expenses were up 12.9% due to increased costs associated with the defensive purchase of corporate stores which contributed 3.1%. Increased marketing and property-related costs were responsible for adding 1.9% and 0.6% respectively. Wholesale employment costs increased 3.2% and included higher IT staff costs associated with current infrastructure investment. The BWG Group's expenses grew by 2.0% on a net basis and were again very well controlled.

SPAR Switzerland incurred an operating loss of R8.3 million. This was largely attributable to the declining sales performance which impacted all divisions, and the disappointing trading performance of the corporate retail stores. This loss was further impacted by an IAS 19 pension cost adjustment, which if ignored would have seen this business report a small operating profit of R4.9 million.

Profit before tax was up 7.8% to R1.2 billion (2016: R1.1 billion), as a result of net interest income of R2.5 million compared to net interest expense of R44.2 million a year ago. Lower interest charges were incurred in Ireland following the debt refinancing, while SPAR Southern Africa benefitted from higher cash balances following from the successful equity raising in April 2016.

Profit after tax improved 10.0% to R908.0 million (2016: R825.4 million), due to lower effective tax rates in Ireland and Switzerland.

Headline earnings per share declined marginally by 0.9% to 475.5 cents (2016: 480.0 cents), fundamentally due to the higher weighted average number of shares of 192.5 million shares (2016: 173.1 million shares) as a result of the issue of shares in April 2016 to part fund the foreign acquisitions, as well as settling the BBBEE share schemes in August 2016. The board approved an interim dividend of 240 cents.

Cash generated from operations rose to R108.3 million (2016: R50.4 million) because of reduced receivables in Ireland and lower payables across all operations due to payment timings. The SPAR Group's cash flow from investing activities showed an outflow of R887.0 million, including total net capital expenditure of R505.5 million. Taking into account the impact of a net R274.8 million inflow from borrowings, the group had a net overdraft position of R153.3 million (2016: overdraft of R1.2 billion) at the reporting date.

The group's capex during the period included operational investments of R213.3 million in Southern Africa. This comprised expenditures totalling R95.6 million to expand the perishables facilities at the North Rand and Western Cape Distribution Centres. In addition, the group invested in IT infrastructure upgrades and software development. Further investments of R111.1 million were made to acquire six corporate stores, defending strategic retail locations in South Africa. The BWG Group's capital expenditure amounted to R196.4 million, the majority of which included investments in retail property to deliver on its five-year growth strategy. Capital expenditure in the Swiss operations of R99.1 million was incurred, including store refurbishments and technology upgrades in support of the group's strategy to enhance the retail offering.

The capital expenditure budget in Southern Africa for the next six months is approximately R500.0 million and includes land purchases for future expansion at the KwaZulu-Natal distribution centre and for the construction of a future distribution centre west of Johannesburg.

GEOGRAPHICAL REVIEW

SPAR Southern Africa

The turnover of SPAR Southern Africa increased 4.9% to R32.5 billion (2016: R31.0 billion) reflecting a weak retail market. Continued growth in liquor sales, albeit at a slower pace than in prior periods, positively supported this performance, whereas depressed building material sales had a converse effect. Combined food and liquor wholesale turnover growth was recorded at 5.4% compared to internally calculated food inflation of 8.2%.

Reflecting the challenging market backdrop, volumes processed through the seven distribution centres decreased 5.1% to 112.5 million cases (2016: 118.6 million cases).

The retail turnover of SPAR stores, reflecting the tough market conditions, increased 4.5% to R38.5 billion (2016: R36.8 billion) and recorded organic like-for-like growth of 3.8%. Combined food and liquor retail sales, which allow for a better industry comparison, increased by 5.0%. Wholesale turnover grew 5.0% to R26.1 billion, demonstrating that SPAR's independent retailers remain loyal to the group's voluntary trading model. The relevance of SPAR-branded private-label products, offering consumers value and quality, continued to be confirmed with sales increasing 8.3% to R5.1 billion. Wholesale perishable sales growth continued to outstrip the ambient categories and was underpinned by strong performances in meat, bakery and chilled products.

SPAR maintained its organic growth focus in order to support the profitability of existing retailers. The marginal increase in total retail space growth of 0.6% (2016: 0.5%) was largely on plan, although delays in rolling out a few new retail projects by developers also had an impact. A total of 59 SPAR stores were refurbished during the period to ensure they continued to provide retail offerings in line with evolving consumer trends. A net of six stores were opened, bringing the total SPAR store numbers to 896 by 31 March 2017.

The retail turnover of TOPS at SPAR increased 9.1% to R5.2 billion (2016: R4.7 billion), as growth was impacted by competitors' aggressive entry into the liquor market. Same store growth amounted to 5.6% for the period. Wholesale turnover closely followed the retail performance and grew 8.9% to R3.0 billion (2016: R2.7 billion). During the period, the TOPS at SPAR store network increased by 14 stores on a net basis to 705 stores while 13 stores were revamped.

Constrained consumer spending had a significant sector-wide impact on demand for building materials with Build it's retail turnover growth slowing to 3.6% for the period, slightly higher than building sector inflation of 3.3%. Oversupply in the cement market, which is a significant component of Build it's overall sales, put pressure on cement prices and thereby turnover. Blended cement and imports are also debasing this market. These products negatively affected retailer loyalty through direct purchasing and concerted efforts are being made to reverse this. Retail activity in the neighbouring countries of Namibia, Lesotho and Mozambique has been adversely influenced by either political or economic instability, while second quarter rains in South Africa slowed sales. At a wholesale level, turnover increased 1.4% to R3.4 billion (2016: R3.3 billion). Build it's house brand imports showed strong growth of 20.0% for the period. As at 31 March 2017, Build it's store network totalled 354 stores, having opened a net six stores in the period.

SPAR Ireland

The BWG Group again performed ahead of budget for the six months and reported euro-denominated growth of 1.6%. However, the business experienced a significant slow-down in second quarter growth across all customer categories. This was largely attributed to new deflation trends. Latest measures indicate that food and non-alcoholic drinks declined 2.6%, while alcohol dropped 5.2%. While the Irish economy is growing and consumer spending has increased, this trend has not yet been seen in the grocery retail sector.

A buoyant hospitality sector boosted the sales of BWG Food Services, which supplies hotels and restaurants. The SPAR and Londis retail brands reported good performances with sales increases of 4.2% and 3.0%, respectively. Both brands benefitted from new business as a net eleven stores were added in Ireland and BWG grew its market share.

The XL brand, which soon celebrates its 20th anniversary, also delivered strong sales growth for the period.

Led by strong sales volume growth, the BWG Group's distribution volumes showed good increases. The number of cases despatched from the Kilcarbery distribution centre increased 13.2% from a year ago, with the strongest growth experienced in the perishables category.

Appleby Westward, BWG Group's operations located in South West England, also recorded positive wholesale sales growth of 4.1% in Sterling terms, with like-for-like sales increasing 1.7%. The substantial weakening of the Sterling since the Brexit decision has negated these positive results and in reported euro terms, the Appleby Westward sales declined 10.3%. This business represents approximately 11.0% of the consolidated BWG Group.

Stringent cost management partially mitigated the currency impact, while efficiencies in the chilled and frozen distribution implemented in the prior year also contributed to the improved profit performance.

The total number of stores across BWG Group's store formats as at 31 March 2017 was 1 335, with 33 new stores opened.

SPAR Switzerland

The sales of SPAR Switzerland were adversely impacted by muted economic growth of 0.4% in Switzerland, as well as a slightly deflationary environment with food and non-alcoholic beverage prices down 0.8% and alcoholic beverages 1.3% lower over the comparable period. SPAR retail sales on a like-for-like basis declined by 4.2% over this period in local currency terms. Three new stores were opened and at the period end there were 184 SPAR and SPAR Express stores serviced.

Expansion into the Italian part of Switzerland has been promising and the first SPAR Express store in this region will launch early in the second half of the year.

The cash and carry business, trading as TopCC, was impacted by the negative performance reported in the Swiss restaurant and hospitality sectors. Sales performance in this division declined 3.1%.

Overall warehouse sales declined in line with the market. SPAR Switzerland's core distribution and warehousing activities delivered an improved gross margin, despite a 6.0% reduction in cases despatched due to the lower overall sales. The region reported turnover of R5.2 billion for the six months.

The performance of the 47 corporate stores was very disappointing, and retail operations remain the major focus for management to drive improved returns in Switzerland going forward.

In order to achieve the expected returns, the group transferred the Managing Director of SPAR's KwaZulu-Natal region to SPAR Switzerland to take over as Chief Executive Officer. Together with the recently bolstered retail team, he will be responsible for improving the retail offering to the same standard as the other regions in which the group operates. Plans include updated store designs and revised product offerings which have been positively received by local independent retailers.

PROSPECTS

In South Africa, the tough trading environment is likely to persist for the balance of this year, particularly with the political uncertainty undermining consumer and business confidence. SPAR's extensive distribution capacity and SPAR-branded products that offer exceptional value to consumers ensure that its independent retailers are suitably positioned to address these challenges.

The BWG Group's economic growth outlook is cautious, largely influenced by the Brexit uncertainties. However, management's proactive approach to addressing the slowing sales should ensure SPAR Ireland adapts to the changing conditions and will deliver a result in line with expectation. Recent acquisitions have strengthened this business and further retail consolidation opportunities will be evaluated to achieve its growth objectives.

In Switzerland, the new retail focused management team is tasked with addressing issues in the retail environment and the group recognises that this will take some time to achieve. The focus is primarily on retail execution and performance to achieve the required returns, supported by SPAR Switzerland's world-class distribution capability.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim gross cash dividend of 240 cents per share has been declared by the board in respect of the six months ended 31 March 2017. 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	Tuesday, 20 June 2017
Shares to commence trading ex-dividend	Wednesday, 21 June 2017
Record date	Friday, 23 June 2017
Payment of dividend	Monday, 26 June 2017

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 21 June 2017 and Friday, 23 June 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 192 cents per share for shareholders liable to pay tax on dividends and 240 cents per share for shareholders exempt from such dividend tax;
- The issued share capital of The SPAR Group Ltd is 192 602 355 (2016: 185 166 384) ordinary shares; and
- The SPAR Group Ltd's tax reference number is 9285/168/20/0.

By order of the board

Mandy Hogan — Pinetown

Company Secretary — 30 May 2017

DIRECTORATE AND ADMINISTRATION

DIRECTORS: MJ Hankinson* (Chairman), GO O'Connor (Chief Executive Officer), MW Godfrey, WA Hook, MP Madi*, M Mashologu*, HK Mehta*, P Mnganga*, R Venter, CF Wells*

* *Non-executive*

COMPANY SECRETARY: MJ Hogan

THE SPAR GROUP LTD ('SPAR' or 'the company' or 'the group')

REGISTRATION NUMBER: 1967/001572/06

ISIN: ZAE000058517

JSE SHARE CODE: SPP

REGISTERED OFFICE: 22 Chancery Lane, PO Box 1589, Pinetown, 3600

TRANSFER SECRETARIES: Link Market Services South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000

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

SPONSOR: One Capital, PO Box 784573, Sandton, 2146

BANKERS: Rand Merchant Bank, a division of FirstRand Bank Ltd, PO Box 4130, The Square, Umhlanga Rocks, 4021

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