THE SPAR GROUP LIMITED

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

SPAR

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, AG Waller*, 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
PricewaterhouseCoopers Inc.
PO Box 1274
Umhlanga Rocks
4320

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

Attorneys
Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

Website
www.spar.co.za

TURNOVER

+ 5.6% to

R50.0bn

2017: R47.4bn

HEADLINE EARNINGS PER SHARE

+ 13.8% to

541.2 cents

2017: 475.5 cents

NET ASSET VALUE PER SHARE

+ 10.9% to

3 334.7 cents

2017: 3 005.6 cents

INTERIM DIVIDEND PER SHARE

270 cents

2017: 240 cents

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion		Change %	Unaudited six months ended March 2018	Unaudited six months ended March 2017	Audited year ended September 2017
Revenue		5.3	**50 940.9**	48 381.4	97 174.2
Turnover		5.6	**50 026.6**	47 353.4	95 461.1
Cost of sales			**(45 058.4)**	(42 815.2)	(85 830.2)
Gross profit			**4 968.2**	4 538.2	9 630.9
Other income			**914.3**	1 028.0	1 713.1
Net operating expenses		4.7	**(4 565.5)**	(4 359.2)	(8 760.6)
Trading profit			**1 317.0**	1 207.0	2 583.4
BBBEE transactions			**(0.8)**	(0.2)	(0.9)
Operating profit		9.1	**1 316.2**	1 206.8	2 582.5
Other non-operating items			**(3.8)**		(54.6)
Interest income			**43.4**	59.0	123.2
Interest expense			**(68.6)**	(56.5)	(113.2)
Finance costs including foreign exchange gains and losses			**63.4**	23.3	(64.4)
Share of equity accounted associate losses			**(4.7)**	(2.9)	(8.8)
Profit before taxation		9.4	**1 345.9**	1 229.7	2 464.7
Income tax expense			**(318.2)**	(321.7)	(644.6)
Profit for the period attributable to ordinary shareholders		13.2	**1 027.7**	908.0	1 820.1
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain on post-retirement medical aid					11.4
Deferred tax relating to actuarial gain on post-retirement medical aid					(3.2)
Actuarial gain on retirement funds			**93.5**	232.7	432.1
Deferred tax relating to actuarial gain on retirement funds			**(16.9)**	(36.6)	(67.9)
Items that may be reclassified subsequently to profit or loss:					
Gain/(loss) on cash flow hedge			**0.2**	(2.9)	(4.6)
Tax relating to gain/(loss) on cash flow hedge				0.4	0.6
Exchange differences from translation of foreign operations			**(283.8)**	(147.4)	42.0
Total comprehensive income		(14.0)	**820.7**	954.2	2 230.5
EARNINGS PER SHARE					
Basic earnings per share	(cents)	13.2	**533.7**	471.6	945.2
Diluted earnings per share	(cents)	13.5	**531.0**	468.0	939.1
SALIENT STATISTICS					
Headline earnings per share	(cents)	13.8	**541.2**	475.5	952.5
Diluted headline earnings per share	(cents)	14.1	**538.5**	471.9	946.4
Normalised headline earnings per share	(cents)	14.4	**509.1**	445.1	975.8
Dividend per share	(cents)	12.5	**270.0**	240.0	675.0
Net asset value per share	(cents)	10.9	**3 334.7**	3 005.6	3 414.6
Operating profit margin	(%)		**2.6**	2.5	2.7
Return on equity	(%)		**15.8**	15.9	29.8
HEADLINE EARNINGS RECONCILIATION					
Profit for the period attributable to ordinary shareholders			**1 027.7**	908.0	1 820.1
Adjusted for:					
Loss on disposal of property, plant and equipment			**7.7**	13.3	13.9
– Gross			**9.7**	13.6	15.7
– Tax effect			**(2.0)**	(0.3)	(1.8)
Impairment of goodwill			**4.5**	5.3	9.3
Loss/(profit) on disposal of business			**2.2**	(3.8)	(2.8)
Profit on disposal of assets held for sale				(7.3)	(7.5)
Fair value adjustment to assets held for sale					1.2
Headline earnings		13.8	**1 042.1**	915.5	1 834.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	UNAUDITED SIX MONTHS ENDED MARCH 2017	AUDITED YEAR ENDED September 2017
ASSETS			
Non-current assets	**11 107.6**	10 367.3	11 438.4
Property, plant and equipment	**6 335.1**	6 015.9	6 553.9
Goodwill and intangible assets	**3 940.0**	3 813.2	4 162.2
Investment in associates and joint ventures	**128.6**	81.9	117.3
Other investments	**51.5**	51.9	57.7
Operating lease receivables	**178.5**	77.6	125.4
Loans	**453.3**	295.9	406.2
Deferred taxation asset	**20.6**	30.9	15.7
Current assets	**16 331.9**	15 292.5	16 631.2
Inventories	**3 950.6**	3 803.9	3 816.4
Trade and other receivables	**10 978.9**	10 090.3	10 814.3
Prepayments	**107.5**	99.2	78.1
Operating lease receivables	**37.7**	67.0	60.7
Loans	**102.5**	225.7	116.9
Income tax recoverable	**10.7**		4.1
Other current financial assets			0.2
Cash and cash equivalents – SPAR	**949.1**	803.5	1 565.6
Cash and cash equivalents – guilds and trusts	**194.9**	202.9	174.9
Assets held for sale	**114.1**	124.3	141.0
Total assets	**27 553.6**	25 784.1	28 210.6
EQUITY AND LIABILITIES			
Capital and reserves	**6 421.4**	5 787.2	6 575.0
Stated capital	**2 231.5**	2 231.5	2 231.5
Treasury shares	**(2.6)**	(4.1)	(16.1)
Currency translation reserve	**(233.9)**	(139.5)	49.9
Share-based payment reserve	**250.1**	278.0	293.0
Equity reserve	**(728.9)**	(699.1)	(717.0)
Hedging reserve	**(32.0)**	(30.7)	(32.2)
Retained earnings	**4 937.2**	4 151.1	4 765.9
Non-current liabilities	**6 537.8**	6 987.8	7 350.1
Deferred taxation liability	**338.4**	297.4	361.2
Post-employment benefit obligations	**762.8**	1 081.5	940.2
Financial liabilities	**1 627.8**	1 482.8	1 700.1
Long-term borrowings	**3 570.6**	3 976.1	4 160.4
Operating lease payables	**196.7**	97.5	141.4
Other non-current financial liabilities	**4.3**	2.9	4.9
Long-term provisions	**37.2**	49.6	41.9
Current liabilities	**14 594.4**	13 009.1	14 285.5
Trade and other payables	**12 113.8**	11 254.6	13 452.7
Current portion of long-term borrowings	**313.8**	389.9	364.4
Operating lease payables	**38.7**	68.5	62.8
Provisions	**40.0**	34.1	45.3
Income tax liability	**92.6**	102.3	91.8
Other current financial liabilities	**0.7**		
Bank overdrafts – SPAR	**1 994.8**	1 159.7	268.5
Total equity and liabilities	**27 553.6**	25 784.1	28 210.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency translation reserve
Audited capital and reserves at 30 September 2016	2 231.5	(18.7)	7.9
Profit for the period attributable to ordinary shareholders			
Loss on cash flow hedge			
Actuarial loss on retirement funds			
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			(147.4)
Unaudited capital and reserves at 31 March 2017	2 231.5	(4.1)	(139.5)
Profit for the period attributable to ordinary shareholders			
Loss on cash flow hedge			
Actuarial gain on post-retirement medical aid			
Actuarial gain on retirement funds			
Recognition of share-based payments			
Take-up of share options		21.3	
Transfer arising from take-up of share options			
Settlement of share-based payments		1.4	
Share repurchases		(34.7)	
Dividends paid			
Exchange rate translation			189.4
Audited capital and reserves at 30 September 2017	**2 231.5**	**(16.1)**	**49.9**
Profit for the period attributable to ordinary shareholders			
Gain on cash flow hedge			
Actuarial gain on retirement funds			
Recognition of share-based payments			
Take-up of share options		**185.2**	
Transfer arising from take-up of share options			
Settlement of share-based payments		**59.7**	
Share repurchases		**(231.4)**	
Dividends paid			
Non-controlling interest arising on business acquisition			
Purchase obligation of non-controlling interest			
Exchange rate translation			**(283.8)**
Unaudited capital and reserves at 31 March 2018	**2 231.5**	**(2.6)**	**(233.9)**

Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
261.1	3 902.3	(713.0)	(28.2)	–	5 642.9
	908.0				908.0
			(2.5)		(2.5)
	196.1				196.1
16.9					16.9
(65.8)					43.9
65.8	(65.8)				–
					(95.1)
	(789.5)				(789.5)
		13.9			(133.5)
278.0	4 151.1	(699.1)	(30.7)	–	5 787.2
	912.1				912.1
			(1.5)		(1.5)
	101.7				101.7
	74.6				74.6
16.4					16.4
(11.4)					9.9
11.4	(11.4)				–
(1.4)					–
					(34.7)
	(462.2)				(462.2)
		(17.9)			171.5
293.0	**4 765.9**	**(717.0)**	**(32.2)**	**–**	**6 575.0**
	1 027.7				**1 027.7**
			0.2		**0.2**
	76.6				**76.6**
16.8					**16.8**
(95.2)					**90.0**
95.2	**(95.2)**				**–**
(59.7)					**–**
					(231.4)
	(837.8)				**(837.8)**
				27.6	**27.6**
		(26.8)		**(27.6)**	**(54.4)**
		14.9			**(268.9)**
250.1	**4 937.2**	**(728.9)**	**(32.0)**	**–**	**6 421.4**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	UNAUDITED SIX MONTHS ENDED MARCH 2017	AUDITED YEAR ENDED September 2017
CASH FLOWS FROM OPERATING ACTIVITIES	**(1 160.5)**	(990.9)	1 411.2
Operating profit before:	**1 316.2**	1 206.8	2 582.5
Non-cash items	**346.3**	268.4	680.9
Net loss on disposal of property, plant and equipment	**9.7**	13.6	15.7
Net working capital changes	**(1 643.9)**	(1 380.5)	13.0
– Increase in inventories	**(250.9)**	(139.7)	(23.7)
– (Increase)/decrease in trade and other receivables	**(399.6)**	252.0	(221.7)
– (Decrease)/increase in trade payables and provisions	**(993.4)**	(1 492.8)	258.4
Cash generated from operations	**28.3**	108.3	3 292.1
Interest received	**34.8**	48.4	109.9
Interest paid	**(65.0)**	(57.0)	(112.5)
Taxation paid	**(320.8)**	(301.1)	(626.6)
Dividends paid	**(837.8)**	(789.5)	(1 251.7)
CASH FLOWS FROM INVESTING ACTIVITIES	**(730.5)**	(887.0)	(1 496.0)
Investment to expand operations	**(221.5)**	(299.9)	(842.1)
Investment to maintain operations	**(163.4)**	(205.6)	(248.8)
– Replacement of property, plant and equipment	**(185.1)**	(208.9)	(330.0)
– Proceeds on disposal of property, plant and equipment	**21.7**	3.3	81.2
Acquisition of businesses/subsidiaries	**(313.9)**	(111.1)	(142.7)
Proceeds from disposal of businesses	**15.1**	8.0	48.0
Proceeds on disposal of assets held for sale	**16.4**	31.3	25.9
Net movement on loans and investments	**(63.2)**	(309.7)	(336.3)
CASH FLOWS FROM FINANCING ACTIVITIES	**(358.2)**	223.6	3.4
Proceeds from exercise of share options	**90.0**	43.9	53.8
Share repurchases	**(231.4)**	(95.1)	79.4
Net movement in borrowings	**(216.8)**	274.8	(129.8)
Net movement in cash and cash equivalents	**(2 249.2)**	(1 654.3)	(81.4)
Net cash balances at beginning of period	**1 472.0**	1 532.9	1 532.9
Exchange rate translation	**(73.6)**	(31.9)	20.5
Net (overdrafts)/cash balances at end of period	**(850.8)**	(153.3)	1 472.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PRESENTATION 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 2017.

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	Switzerland IAS 19 adjustment	Consolidated total
UNAUDITED SIX MONTHS ENDED MARCH 2018					
Total revenue	**35 024.5**	**10 683.0**	**5 233.4**		**50 940.9**
Operating profit	**1 044.7**	**225.3**	**38.5**	**7.7**	**1 316.2**
Profit before tax	**1 095.7**	**202.5**	**40.0**	**7.7**	**1 345.9**
Other information					
Interest income	**36.9**	**5.0**	**1.5**		**43.4**
Interest expense	**30.9**	**24.7**	**13.0**		**68.6**
Depreciation	**104.9**	**113.0**	**117.8**		**335.7**
Statement of financial position					
Total assets	**14 797.2**	**8 484.5**	**4 271.9**		**27 553.6**
Total liabilities	**10 985.4**	**6 568.1**	**3 296.0**	**282.7**	**21 132.2**
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
AUDITED YEAR ENDED September 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

3. BUSINESS COMBINATIONS

3.1 Acquisition of S Buys pharmaceutical wholesaler

The group purchased a 60% shareholding in Fifth Season Investments 126 (Pty) Ltd which trades as S Buys, a pharmaceutical wholesaler, effective 1 October 2017. The final consideration paid for these shares was R74.9 million. This purchase was made in order to grow the Pharmacy at SPAR business.

The group will purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of 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. At acquisition, the non-controlling interest was recognised at the proportionate share of the net assets of the business. The non-controlling interest's share of profits or losses will not be recognised in equity, but as the movement in the fair value of the discounted financial liability to purchase the remaining shareholding.

None of the goodwill recognised on acquisition is expected to be deductible for tax purposes.

The initial accounting for the acquisition of S Buys is provisional for the value of intangible assets acquired as the valuation of these assets has not yet been completed. Once this valuation is finalised the values of the intangible assets acquired, deferred tax, and goodwill could change.

3.2 Purchase of commercial property

The group purchased a commercial property for R165.0 million, which is a shopping centre in Pinetown, KwaZulu-Natal, adjacent to the SPAR head office. This shopping centre houses a range of tenants, including certain group functions, from which the company derives rental income.

The property was purchased by a wholly owned subsidiary of The SPAR Group Ltd, Knowles Shopping Centre Investments (Pty) Ltd. This acquisition was funded from available cash resources.

The initial accounting for the acquisition of the commercial property is provisional for the value of deferred tax. Once this is finalised the values of the deferred tax and goodwill could change.

3.3 Retail stores acquired

During the course of the financial period the group acquired the assets of five (2017: six) retail stores in South Africa and GCL 2016 Ltd (Gilletts), a subsidiary of The BWG Group, acquired the assets of two (2017: nil) retail stores in the United Kingdom (UK). 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 an indication of future turnover expected to be made by the group as a result of these acquisitions. These acquisitions were funded from available cash resources.

3. BUSINESS COMBINATIONS (CONTINUED)

3.4 Assets acquired and liabilities assumed at date of acquisition

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018 Fifth Season Investments 126 (Pty) Ltd	Knowles Shopping Centre Investments (Pty) Ltd	SA Retail stores	UK Retail stores	Total
Assets	196.8	165.0	27.2	2.7	391.7
Liabilities	(127.8)				(127.8)
Total identifiable net assets at fair value	69.0	165.0	27.2	2.7	263.9
Non-controlling interest	(27.6)				(27.6)
Goodwill arising from acquisition	33.5		33.8	6.9	74.3
Purchase consideration transferred	74.9	165.0	61.0	9.6	310.6
Cash and cash equivalents acquired	(0.5)				(0.5)
Business acquisition costs		0.7		3.1	3.8
Net cash outflow on acquisition	74.4	165.7	61.0	12.7	313.9

	UNAUDITED SIX MONTHS ENDED MARCH		AUDITED YEAR ENDED		
	2017		September 2017		
Rmillion	SA Retail stores	Total	SA Retail stores	UK Retail stores	Total
Assets	12.0	12.0	15.1	2.1	17.2
Liabilities		–			–
Total identifiable net assets at fair value	12.0	12.0	15.1	2.1	17.2
Non-controlling interest		–			–
Goodwill arising from acquisition	99.1	99.1	107.3	15.2	122.5
Purchase consideration transferred	111.1	111.1	122.4	17.3	139.7
Cash and cash equivalents acquired		–			–
Business acquisition costs		–		3.0	3.0
Net cash outflow on acquisition	111.1	111.1	122.4	20.3	142.7

3.5 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to two SA retail stores (March 2017: one).

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	2017	AUDITED YEAR ENDED September 2017
Non-current assets	17.3	4.2	45.2
Property, plant and equipment	5.1	2.6	6.4
Goodwill	12.2	1.6	38.8
(Loss)/profit on disposal of business	(2.2)	3.8	2.8
Proceeds	15.1	8.0	48.0

4. FINANCIAL RISK MANAGEMENT

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	2017	AUDITED YEAR ENDED September 2017
Financial instruments classification			
Net bank (overdrafts)/cash balances	**(850.8)**	(153.3)	1 472.0
Loans*	**555.8**	521.6	523.1
Other equity investments***	**51.5**	51.9	57.7
Trade and other receivables*	**10 978.9**	10 090.3	10 814.3
Trade and other payables**	**(12 113.8)**	(11 254.6)	(13 452.7)
FEC (liability)/asset***	**(0.7)**		0.2
FEC liability****	**(4.3)**	(2.9)	(4.9)
Borrowings**	**(3 884.4)**	(4 366.0)	(4 524.8)
Financial liabilities***	**(1 627.8)**	(1 482.8)	(1 700.1)

* *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)

The following financial instruments on the statement of financial position 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
UNAUDITED SIX MONTHS ENDED MARCH 2018				
Other equity investments	**51.5**		**51.5**	
FEC liability designated as a hedging instrument	**(4.3)**	**(4.3)**		
FEC liability at fair value through profit and loss	**(0.7)**	**(0.7)**		
Financial liabilities	**(1 627.8)**			**(1 627.8)**
Total	**(1 581.3)**	**(5.0)**	**51.5**	**(1 627.8)**
UNAUDITED SIX MONTHS ENDED MARCH 2017				
Other equity investments	51.9		51.9	
FEC liability at fair value through profit and loss	(2.9)	(2.9)		
Financial liabilities	(1 482.8)			(1 482.8)
Total	(1 433.8)	(2.9)	51.9	(1 482.8)
AUDITED YEAR ENDED September 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 and loss	0.2	0.2		
Financial liabilities	(1 700.1)			(1 700.1)
Total	(1 649.5)	(4.7)	55.3	(1 700.1)

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R1 627.8 million (March 2017: R1 482.8 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 2018:

TIL JV Ltd
– Discount rate of 7.2% (2017: 7.2%).
– Closing rand/euro exchange rate of 14.57 (2017: 14.29).

SPAR Holding AG
– Discount rate of 2.0% (2017: 2.0%).
– Closing rand/Swiss franc exchange rate of 12.38 (2017: 13.38).

Fifth Season Investments 126 (Pty) Ltd
– Discount rate of 12.5%.

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 2018			
Financial liability	**7.2**	**0.5**	**(3.0)**
Financial liability	**7.2**	**(0.5)**	**3.0**
UNAUDITED SIX MONTHS ENDED MARCH 2017			
Financial liability	7.2	0.5	(13.5)
Financial liability	7.2	(0.5)	13.1
AUDITED YEAR ENDED September 2017			
Financial liability	7.2	0.5	(14.0)
Financial liability	7.2	(0.5)	14.3

SPAR Holding AG

	Discount rate %	Sensitivity %	Liability Rmillion
UNAUDITED SIX MONTHS ENDED MARCH 2018			
Financial liability	**2.0**	**0.5**	**(10.6)**
Financial liability	**2.0**	**(0.5)**	**10.7**
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 2017			
Financial liability	2.0	0.5	(11.9)
Financial liability	2.0	(0.5)	12.1

Fifth Season Investments 126 (Pty) Ltd

	Discount rate %	Sensitivity %	Liability Rmillion
UNAUDITED SIX MONTHS ENDED MARCH 2018			
Financial liability	**12.5**	**0.5**	**(1.3)**
Financial liability	**12.5**	**(0.5)**	**1.3**

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:

TIL JV Ltd

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	UNAUDITED SIX MONTHS ENDED MARCH 2017	AUDITED YEAR ENDED September 2017
Balance at the beginning of the year	**963.8**	824.4	824.4
Finance costs recognised in profit or loss	**34.0**	28.1	60.1
Net exchange differences arising during the period	**(85.6)**	(68.9)	27.7
Fair value adjustment			51.6
Balance at end of period	**912.2**	783.6	963.8
Undiscounted value of financial liability	**1 090.2**	1 003.4	1 094.2

SPAR Holding AG

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	UNAUDITED SIX MONTHS ENDED MARCH 2017	AUDITED YEAR ENDED September 2017
Balance at the beginning of the year	**736.3**	743.6	743.6
Finance costs recognised in profit or loss	**7.0**	7.0	14.2
Net exchange differences arising during the period	**20.1**	10.5	(37.6)
Foreign exchange translation	**(103.5)**	(61.9)	16.1
Balance at end of period	**659.9**	699.2	736.3
Undiscounted value of financial liability	**751.4**	736.9	803.6

Fifth Season Investments 126 (Pty) Ltd

Rmillion	UNAUDITED SIX MONTHS ENDED MARCH 2018	UNAUDITED SIX MONTHS ENDED MARCH 2017	AUDITED YEAR ENDED September 2017
Balance at the beginning of the year	**–**	–	–
Initial recognition	**54.4**	–	–
Initial recognition reducing non-controlling interest balance	**27.6**		
Initial recognition in equity reserve	**26.8**		
Finance costs recognised in profit or loss	**1.3**		
Balance at end of period	**55.7**	–	–
Undiscounted value of financial liability	**100.5**	–	–
Total present value of financial liabilities	**1 627.8**	1 482.8	1 700.1
Total undiscounted value of financial liabilities	**1 942.1**	1 740.3	1 897.8

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Movements in level 3 financial instruments carried at fair value (continue)

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 2018, the financial liability was valued at R912.2 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.

The Fifth Season Investments 126 (Pty) Ltd is calculated at the present value of the obligation, discounted from the expected settlement date to the reporting date, based on management's expectation of future profit performance. This financial liability will be repaid between 30 September 2022 and 31 December 2022.

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.

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 for the period ended 31 March 2018. 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 2018	2017	AUDITED YEAR ENDED September 2017
Guarantees issued in respect of the finance obligations	**1 095.0**	1 039.8	1 089.1
– Loan guarantees	**779.5**	722.0	760.5
– Rental guarantees	**1.2**	3.2	4.2
– Customs and excise guarantees	**142.4**	150.4	155.9
– IT retail computer equipment lease scheme	**171.9**	164.2	168.5

The board has limited guarantee facilities to R1 090.0 million (March 2017: R990.0 million) relating to Southern Africa. The company has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of €189.3 million (March 2017: €238.0 million), and the SPAR Holding AG borrowing facilities to the value of CHF30.0 million (March 2017: CHF40.0 million).

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 2018		
Payable within one year	**1 835.8**	**68.1**
Payable later than one year but not later than five years	**5 424.2**	**120.9**
Payable later than five years	**3 992.5**	**10.2**
Total	**11 252.5**	**199.2**
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
AUDITED YEAR ENDED September 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

6.2 Operating lease receivables

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

	UNAUDITED SIX MONTHS ENDED MARCH		AUDITED YEAR ENDED
Rmillion	2018	2017	September 2017
Receivable within one year	**1 210.3**	994.6	1 124.7
Receivable later than one year but not later than five years	**3 268.7**	2 929.3	3 185.9
Receivable later than five years	**1 997.2**	1 753.3	2 093.9
Total operating lease receivables	**6 476.2**	5 677.2	6 404.5
6.3 Capital commitments			
Contracted	**230.8**	403.5	549.8
Approved but not contracted	**110.8**	56.7	94.8
Total capital commitments	**341.6**	460.2	644.6

Capital commitments will be financed from group resources.

7. EVENTS AFTER THE REPORTING DATE

BWG Group debt refinancing

On 5 April 2018 the BWG Group entered a new syndicated bank facility which included the introduction of a fourth lender. The facility amount has been increased to fund approved acquisitions and extends the maturity of the facilities by 6 months to 31 December 2020.

Acquisition of 4 Aces Wholesale Limited (4 Aces)

The BWG Group acquired the entire issued share capital of 4 Aces Wholesale Limited for €14.0 million. Formal approval and clearance was received from the regulating authority in early May, and the acquisition completed on 11 May 2018. 4 Aces is a leading independent wholesaler supplying the grocery retail, licensed and foodservice trades in Ireland.

SALIENT FEATURES

Rmillion	2018	2017	Change %
Turnover	**50 026.6**	47 353.4	5.6
Operating profit	**1 316.2**	1 206.8	9.1
Profit before taxation	**1 345.9**	1 229.7	9.4
Earnings per share (cents)	**533.7**	471.6	13.2
Headline earnings per share (cents)	**541.2**	475.5	13.8
Dividend per share (cents)	**270.0**	240.0	12.5
Net asset value per share (cents)	**3 334.7**	3 005.6	10.9

OVERVIEW OF TRADING RESULTS

The SPAR Group reported a strong performance for the six months to 31 March 2018, boosted by satisfying contributions from the European operations. Total turnover grew 5.6% from R47.4 billion to R50.0 billion against the backdrop of tough trading markets.

- SPAR Southern Africa contributed a growth in wholesale turnover of 6.8%. The sales result was positively influenced by the earlier timing of the Easter holidays; however, this was muted by substantially lower internally measured food inflation and the general impact of the listeriosis outbreak. Sales in the chilled processed meat category were significantly affected, without a clear trend in substitute product sales becoming evident. The TOPS liquor brand continued to deliver impressive results with a wholesale sales growth of 12.6%. Despite a generally weak sector, the building materials business grew sales by 8.6% through increased retailer loyalty and strong marketing. The SPAR Southern Africa store network increased to 2 184 stores, with new stores opened across all brands. The group completed 131 store upgrades across all brands, compared to 89 upgrades in the previous period.
- The BWG Group (SPAR Ireland) has once again delivered solid euro-denominated results, with all retail brands reporting positive growth. The BWG Wines & Spirits and BWG Foodservice businesses reported impressive double-digit turnover growths, while the Gilletts corporate stores continued to make a strong contribution to the overall Irish performance. SPAR Ireland's store network remained constant at 1 330 stores.
- Despite the challenging sales environment, SPAR Switzerland has made significant progress in addressing the business performance. While the reported turnover growth remained negative, this was partly due to the strategic closure, or sale, of five unprofitable corporate retail stores in this period. This has had a marked impact on the profitability of the overall business. The core wholesale and cash-and-carry businesses continued to record profitability improvements. SPAR Switzerland's total store network declined to 289 stores.

GROUP FINANCIAL REVIEW

Rmillion	Southern Africa	Ireland	Switzerland	The SPAR Group Ltd
Income statement				
Turnover	**34 706.8**	**10 487.9**	**4 831.9**	**50 026.6**
Gross profit	**2 846.9**	**1 266.7**	**854.6**	**4 968.2**
Operating profit	**1 044.7**	**225.3**	**46.2**	**1 316.2**
Profit before taxation	**1 095.7**	**202.5**	**47.7**	**1 345.9**
Financial position				
Total assets	**14 797.2**	**8 484.5**	**4 271.9**	**27 553.6**
Total liabilities	**10 985.4**	**6 568.1**	**3 578.7**	**21 132.2**

The turnover of The SPAR Group grew by 5.6% to R50.0 billion (2017: R47.4 billion), with 30.6% of total turnover generated in foreign currency. The comparable Southern African business, with reported turnover growth of 5.4%, continued to be impacted by tough trading conditions despite early signs of improving consumer confidence. The turnover of the BWG Group increased by 2.8% in euro-currency terms. The depreciation of the rand against the euro over this period resulted in an 8.8% increase in reported turnover to R10.5 billion (2017: R9.6 billion). SPAR Switzerland contributed turnover of R4.8 billion (2017: R5.2 billion) with sales continuing to decline in an extremely difficult market. All regions benefited from the earlier timing of Easter in the current period compared to the prior year.

The group's gross margin increased to 9.9% (2017: 9.6%). Despite the competitive market, SPAR Southern Africa increased its gross margin slightly to 8.2%, as it continued to drive the fresh and perishable contribution through its facilities. The BWG Group and SPAR Switzerland, which both operate in the higher margin convenience sector, reported gross margins of 12.1% (2017: 12.2%) and 17.7% (2017: 13.9%) respectively.

Group operating expenses increased by 4.7%, or 3.8% if the newly acquired pharmaceutical business is excluded. Expenses were significantly impacted by the 7.3% reduction in costs in the Swiss business. In Southern Africa, comparable operating expenses were up 8.9%. This was attributable to strong increases in marketing and promotional expenditures which contributed 4.6%, higher transport and distribution costs and continued investment in IT infrastructure. A further 1.9% of the increase is due to additional costs associated with the corporate stores. The BWG Group's expenses grew by a well-controlled 2.1% in euro terms and were impacted by increased depreciation charges and higher staff costs.

Profit before tax was up 9.4% to R1.3 billion (2017: R1.2 billion), but was impacted by a net interest expense of R25.2 million, compared to net interest income of R2.5 million a year ago. The negative interest effect was countered by an increase in the foreign exchange gain recognised on the translation of the South African financial liability to purchase the Irish minority interests.

Profit after tax improved 13.2% to R1 027.7 million (2017: R908.0 million), due to lower effective tax rates in South Africa and Ireland.

Headline earnings per share increased by 13.8% to 541.2 cents (2017: 475.5). The board approved an interim dividend of 270 cents per share.

Cash generated from operations totalled R28.3 million (2017: R108.3 million) and decreased against the comparative period due to increased working capital levels. This was largely attributed to the earlier timing of the Easter holiday. The SPAR Group's cash flow from investing activities showed an outflow of R730.5 million, including total net capital expenditure of R384.9 million (2017: R505.5 million). During this period the group also concluded two major acquisitions in South Africa, namely a controlling interest in the S Buys pharmaceutical wholesaler for R74.9 million and the Knowles Shopping Centre for R165 million. Taking into account the impact of a net R216.8 million outflow to reduce borrowings, the group had a net overdraft position of R850.8 million (2017: overdraft of R153.3 million) at the reporting date.

The group's capital expenditure during the period included operational investments of R124.5 million in Southern Africa. These comprised primarily transport and logistics requirements and also include further investment in IT infrastructure upgrades and software development. The BWG Group's capital expenditure amounted to R179.7 million, the majority of which was warehouse equipment, but also included additional investments in retail property. Capital expenditure in the Swiss operations of R102.4 million was incurred, including further store refurbishments and ongoing technology upgrades to enhance the retail offering. The group made further investments of R70.6 million to acquire seven corporate stores, defending strategically located retail locations in South Africa and the United Kingdom.

The capital expenditure budget in Southern Africa for the next six months is expected to reduce to normal operating levels, as no further property acquisitions are planned and construction plans for the previously announced distribution facilities will not commence before 2019.

GEOGRAPHICAL REVIEW

SPAR Southern Africa

The turnover of SPAR Southern Africa increased 6.8% to R34.7 billion (2017: R32.5 billion), but was positively influenced by the inclusion of the S Buys pharmaceutical business acquired on 1 October 2017. Excluding this new turnover, the comparable business grew by 5.4% (2017: 4.9%), reflecting the continued tough retail market, which remains underpinned by weak consumer spend. This result was positively boosted by extremely strong liquor turnover growth of 12.6% and a very pleasing increase in the building materials business of 8.6%. The latter was contrary to a weak sector performance and reflected increased retailer loyalty and strong marketing investments. Combined food and liquor wholesale turnover growth was recorded at 5.1% and has to be viewed against internally calculated food inflation of 1.9%. This inflation measure has fallen 6.3% from that reported in the 2017 results.

Case volumes handled through the seven distribution centres continued to reflect the constrained market and increased 2.6% to 115.4 million cases (2017: 112.5 million cases). This positive growth reversed the decline in cases delivered experienced in the comparative period.

The retail turnover of **SPAR** stores increased 4.9% to R40.4 billion (2017: R38.5 billion) and recorded like-for-like growth of 2.9%. The combined food and liquor retail sales, which allow for a better industry comparison, increased by 5.7% and should be viewed against the significant decrease in food price inflation over the year. Wholesale turnover grew 4.2% to R27.2 billion, continuing to reflect the independent retailers' support of the group's voluntary trading model. The SPAR-branded private-label products continued to offer real consumer value and quality and remain a shopping differentiator for SPAR retailers. The substantial deflation recorded in certain commodity categories impacted the private-label turnover which increased by a muted 2.9% to R5.3 billion. Wholesale perishable sales growth continued to outstrip the ambient categories in line with the group's strategic focus on Fresh and was underpinned by strong performances in the butchery, bakery and frozen product categories.

The group maintained a strong organic growth focus to support the profitability of existing retailers. Total retail space recorded an impressive growth of 2.7% (2017: 0.6%) and was boosted by several large new stores. In addition, 80 SPAR stores were refurbished during the period to ensure they continued to provide retail offerings to exceed consumer demands. A net 18 stores were opened, bringing the total SPAR store numbers to 921 by 31 March 2018.

The retail turnover of **TOPS at SPAR** increased 12.8% to R5.8 billion (2017: R5.2 billion), as strong marketing initiatives and continued brand growth attracted consumer spend. Same store growth amounted to 8.6% for the period. Wholesale turnover closely tracked the retail performance and grew by 12.6% to R3.4 billion (2017: R3.0 billion). During the period, the TOPS at SPAR store network increased by 21 stores on a net basis to 754 stores, while 29 stores were revamped.

Build it's retail turnover growth increased to 10.4% for the period, significantly higher than building sector calculated inflation of 3.4%, and against the backdrop of a challenging trading environment. This performance was underpinned by further innovative marketing and a focus on retail execution to differentiate the brand. The group's buying teams drove increased retailer loyalty through improved product pricing. The influence of cement, which is a significant component of Build it's overall sales, has largely stabilised and the industry has seen slight inflation in this commodity over the period. Retail activity in the neighbouring countries reported strong growth increases in Mozambique, while Namibia reported improved performance, despite ongoing country challenges. At a wholesale level, turnover increased 8.6% to R3.7 billion (2017: R3.4 billion) reflecting further opportunities to increase retailer loyalty. Build it's house brand imports showed solid growth of 10.7% for the period. As at 31 March 2018, Build it's store network totalled 371 stores, having opened a net three stores in the period.

The **S Buys** pharmaceutical wholesale business was acquired with effect from 1 October 2017 with revenue and profit recognised for the first time in this period. This strategic investment will support the Pharmacy at SPAR brand and management are actively working to convert purchases to the wholesaler. At the end of the period there were 94 Pharmacy at SPAR stores. The S Buys Group reported turnover of R438.4 million for the period, which amounted to an impressive growth of 11.3%, driven by increases of 14.9% in the Scriptwise business catering for high-value speciality scripts and 9.7% in wholesale sales. The profitability of the business was, however, impacted by a lower than expected government regulated price increase.

SPAR Ireland

The BWG Group again delivered strong results for the six months and reported euro-denominated growth of 2.9%. Recent deflation trends have slowed and reversed in certain retail categories. Latest measures indicate that food and non-alcoholic drinks declined 0.2%, while alcohol and tobacco increased by 0.1%. An increase in consumer spending in the grocery retail sector remains elusive. The business recorded significant turnover growths in the month of March, not only impacted by the earlier Easter, but also driven by the major storm weather that closed down large portions of Ireland and the United Kingdom as consumers bought in large quantities of food and beverages.

The hospitality sector remained strong and again boosted the sales of the BWG Wines & Spirits and BWG Foodservice divisions which reported turnover growths of 11.8% and 18.6% respectively. In comparison with last year, all retail brands recorded positive growth, with the XL brand increasing by 6.3% and Londis reporting turnover up by 6.2%. The BWG Group suffered from the loss of a small retail group but still managed to close the period with an unchanged number of total stores.

The group's distribution volumes continued to show good increases and record case movements were handled in the Kilcarbery distribution centre. Recent recognition through several prestigious logistics and transport awards, including the Irish Logistics Company of the Year award, was a real highlight for this business.

In South West England, the Gilletts corporate stores grew by 7.4% and further contributed to the increased group turnover. Appleby Westward, BWG Group's wholesale operations, showed a decline following the loss of two independent retailer groups in the previous year. The combined business reported a decline in turnover of 0.2% in sterling terms. The further weakening of the sterling increased the loss in reported euro terms to 2.5%. This business represents approximately 11.7% of the consolidated BWG Group.

The total number of stores across BWG Group's store formats as at 31 March 2018 remained unchanged at 1 330, with 26 new stores opened.

The group's management continued to apply strict cost management measures which underpinned the double-digit growth in profit.

Subsequent to the reporting period, the BWG Group announced the completion of the acquisition of 4 Aces Wholesale, a leading independent wholesaler supplying the grocery retail, licensed and foodservice trades in Ireland. The acquisition of the wholesaler provides the group with new trading relationships with the Gala convenience stores that are currently serviced by 4 Aces, in addition to over 1 500 independent retail and trade customers.

SPAR Switzerland

Sales of SPAR Switzerland continued to be negatively impacted by low economic growth in the market. While slight inflationary trends have been noted – with prices of food and non-alcoholic beverages increasing by 0.9% and alcoholic beverages 0.4% higher, and a slight devaluation of the Swiss franc against the euro – these have been insufficient to slow the attraction of cross-border shopping. Largely as a result of this impact, SPAR Switzerland reported a decline in local currency measured turnover of 5.3%. However, this result was partly influenced by the strategic decision to exit from five unprofitable corporate retail stores. Six new stores were opened and at the end of the period there were 289 SPAR and SPAR Express stores serviced.

The cash-and-carry business, trading as TopCC, reported a modest recovery in turnover which was attributed to the various marketing programmes. The sector continues to be adversely impacted by the declining Swiss restaurant and hospitality sectors. The group is investigating upgrade opportunities in these stores with an increased emphasis on liquor, butchery and fresh produce offerings.

Warehouse turnover improved as SPAR retail activity was positively influenced by several innovative marketing campaigns and programmes, including the launch of a consumer loyalty card. The decline in warehouse volumes has largely been halted and turnover reported for this period was flat when measured against the comparative period.

Despite the decline in overall turnover, the business succeeded in improving margins and reducing costs. The latter saving was assisted by the corporate store closures and substantially contributed to the overall result. The region reported turnover of R4.8 billion for the six months (2017: R5.2 billion). Profit before tax increased to R47.7 million from a previous year loss of R39.8 million.

PROSPECTS

Despite the early indications of improving consumer and business confidence in Southern Africa, the trading environment is expected to remain largely unchanged in the medium term. While food price inflation has recently dropped to low levels, there is a real risk that this cycle will start to turn. Recent movements in fuel prices and foreign currency also suggest that consumers will remain under pressure, with a constrained spending outlook. In response, SPAR's extensive distribution capability and market-leading brands are well positioned to deliver exceptional value to consumers and thereby ensure that its independent retailers remain suitably positioned to meet these challenges.

The BWG Group's growth outlook, still underpinned by Brexit uncertainties, remains positively cautious in both territories where they operate. Management's proactive response to market changes should ensure that SPAR Ireland will deliver a result in line with expectation. The acquisition of the 4 Aces wholesale business subsequent to the reporting date, will further strengthen the Irish group's growth objectives.

The Swiss business will maintain its focus on driving the identified strategic initiatives to improve the performance. These plans will take time to realise but early signs point to positive change.

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive Officer

CHANGES TO THE BOARD OF DIRECTORS

Mr Andrew Waller was appointed as an independent non-executive director with effect from 7 February 2018.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim gross cash dividend of 270 cents per share has been declared by the board in respect of the six months ended 31 March 2018. The dividend has been declared out of income reserves.

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

Last day to trade cum-dividend	Tuesday, 19 June 2018
Shares to commence trading ex-dividend	Wednesday, 20 June 2018
Record date	Friday, 22 June 2018
Payment of dividend	Monday, 25 June 2018

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 20 June 2018 and Friday, 22 June 2018, 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%;
- The net local dividend amount is 216 cents per share for shareholders liable to pay tax on dividends and 270 cents per share for shareholders exempt from such dividend tax;
- The issued share capital of The SPAR Group Limited is 192 602 355 ordinary shares; and
- The SPAR Group Limited's tax reference number is 9285/168/20/0.

By order of the board

Mandy Hogan
Company Secretary

Pinetown
29 May 2018

The SPAR Group Ltd
Central Office
PO Box 1589, Pinetown 3600
Tel: +27 31 719 1900
Fax: +27 31 719 1990

www.spar.co.za