THE SPAR GROUP LTD

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021
AND CASH DIVIDEND DECLARATION

SALIENT FEATURES

+7.5% to

R64.2bn

Group turnover^

2020: R59.7bn

+28.1% to

R1.7bn

Operating profit

2020: R1.3bn

+34.4% to

608.3 cents

Normalised# diluted headline earnings per share

2020: 452.7 cents

+40.0% to

280 cents

Dividend per share

2020: 200 cents

^ *Turnover represents revenue from the sale of merchandise.*

Headline earnings adjusted for fair value adjustments and foreign exchange effects on financial liabilities, and business acquisition costs.

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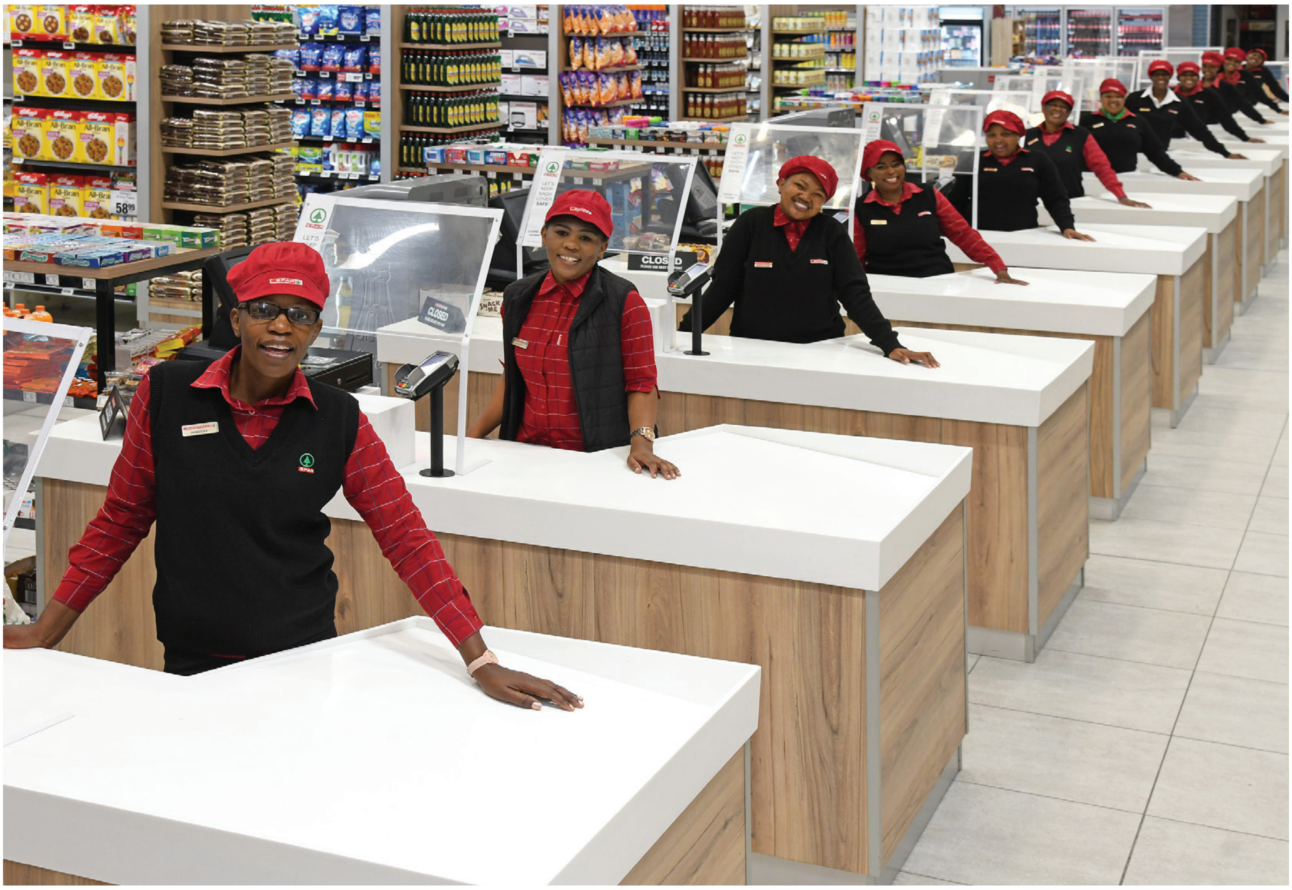

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	Note	Change %	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Revenue – sale of merchandise		7.5	**64 240.5**	59 749.4	124 277.4
Cost of sales			**(56 674.4)**	(53 020.9)	(109 497.5)
Gross profit			**7 566.1**	6 728.5	14 779.9
Revenue – other			**1 159.7**	1 084.0	2 366.9
Other income			**95.7**	71.8	208.7
Net operating expenses		8.6	**(7 111.3)**	(6 549.4)	(13 912.9)
Operating profit		28.1	**1 710.2**	1 334.9	3 442.6
Other non-operating items	3		**(3.9)**	(99.6)	(278.7)
Finance income			**284.4**	311.9	618.2
Finance costs*			**(447.2)**	(501.7)	(1 022.5)
Share of equity-accounted losses			**(1.3)**	(14.3)	(63.2)
Profit before taxation		49.6	**1 542.2**	1 031.2	2 696.4
Taxation			**(390.4)**	(317.4)	(740.2)
Profit after taxation		61.4	**1 151.8**	713.8	1 956.2
Attributable to:					
Equity holders of the company		58.2	**1 186.8**	750.4	2 074.7
Non-controlling interests			**(35.0)**	(36.6)	(118.5)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of post-retirement medical aid					20.7
Deferred tax relating to remeasurement of post-retirement medical aid					(5.7)
Remeasurement of retirement funds			**223.0**	77.4	189.3
Deferred tax relating to remeasurement of retirement funds			**(31.7)**	(9.6)	(24.8)
Items that may be reclassified subsequently to profit or loss:					
Gain on cash flow hedge				2.6	3.2
Tax relating to gain on cash flow hedge				(0.3)	(0.4)
Exchange differences from translation of foreign operations			**(281.9)**	330.2	294.2
Total comprehensive income			**1 061.2**	1 114.1	2 432.7
Attributable to:					
Equity holders of the company			**1 065.3**	1 157.6	2 557.1
Non-controlling interests			**(4.1)**	(43.5)	(124.4)
Earnings per share					
Basic (cents)		58.1	**616.4**	390.0	1 078.7
Diluted (cents)		58.1	**614.3**	388.5	1 075.0

** Finance costs on financial liabilities have been aggregated in the current period. Refer to note 7 for further details.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	Unaudited six months ended March 2021	Restated Unaudited six months ended March 2020	Audited year ended September 2020
ASSETS				
Non-current assets		**27 588.3**	28 448.9	28 375.7
Property, plant and equipment		**8 029.3**	8 806.5	8 725.3
Right-of-use assets		**6 949.8**	6 962.5	6 605.9
Finance lease receivable*		**4 584.3**	4 413.9	4 713.4
Goodwill and intangible assets		**6 605.0**	6 824.2	6 983.4
Investment in associates and joint ventures		**77.8**	122.6	102.9
Other investments		**13.9**	28.6	21.8
Operating lease receivables		**7.7**	4.0	6.2
Loans and other receivables		**861.7**	756.7	795.0
Block discounting loan receivable		**187.9**	320.0	199.0
Deferred taxation asset		**270.9**	209.9	222.8
Current assets		**22 888.1**	23 170.7	24 324.2
Inventories		**5 309.2**	5 576.8	5 377.3
Trade and other receivables		**14 583.4**	15 294.7	15 637.9
Prepayments		**300.2**	377.9	288.9
Operating lease receivables		**0.2**	0.5	
Loans and other receivables		**127.8**	171.6	204.4
Current portion of block discounting loan receivable		**69.3**	175.0	163.6
Income tax receivable		**6.9**	1.6	0.9
Other current financial assets			16.1	0.9
Finance lease receivable*		**734.9**	600.5	716.8
Cash and cash equivalents – SPAR		**1 469.1**	746.4	1 670.7
Cash and cash equivalents – guilds and trusts		**287.1**	209.6	262.8
Assets held for sale		**34.2**	96.0	38.7
Total assets		**50 510.6**	51 715.6	52 738.6
EQUITY AND LIABILITIES				
Capital and reserves		**7 626.3**	6 931.1	7 889.7
Stated capital		**2 231.5**	2 231.5	2 231.5
Treasury shares		**(6.6)**	(47.3)	(15.3)
Reserves#		**481.1**	619.5	590.3
Non-controlling interests		**(94.2)**	10.6	(70.3)
Retained earnings		**5 014.5**	4 116.8	5 153.5
Non-current liabilities		**20 149.2**	19 901.5	19 694.3
Deferred taxation liability		**278.0**	290.4	277.6
Post-employment benefit obligations		**1 068.7**	1 419.1	1 270.0
Financial liabilities	7	**50.0**	43.7	49.7
Long-term borrowings		**7 218.8**	6 603.0	6 693.1
Block discounting loan payable		**190.8**	326.2	203.5
Finance lease payable*		**11 342.9**	11 218.7	11 200.4
Other non-current financial liabilities			0.4	
Current liabilities		**22 735.1**	24 883.0	25 154.6
Trade and other payables		**16 896.4**	17 751.5	19 411.4
Current portion of financial liabilities	7		1 886.8	2 102.5
Current portion of long-term borrowings		**323.8**	410.4	362.8
Current portion of block discounting loan payable		**72.8**	179.9	167.8
Finance lease payable*		**1 720.0**	1 665.7	1 728.4
Provisions		**8.7**	19.2	12.9
Income tax payable		**100.9**	102.3	158.4
Bank overdrafts		**3 612.5**	2 867.2	1 210.4
Total equity and liabilities		**50 510.6**	51 715.6	52 738.6

* *Refer to note 10 for prior period reclassification.*

\# *Reserves have been aggregated in the current period. Refer to the condensed consolidated statement of changes in equity for further details.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
Capital and reserves at 30 September 2019	2 231.5	(23.9)	257.8	285.9	5 496.1	(749.7)	(30.4)		7 467.3
Change in accounting policy					(616.1)				(616.1)
Restated capital and reserves at 1 October 2019	2 231.5	(23.9)	257.8	285.9	4 880.0	(749.7)	(30.4)	–	6 851.2
Profit for the period					750.4			(36.6)	713.8
– Gain on cash flow hedge							2.3		2.3
– Remeasurement of post-retirement medical aid					67.8				67.8
Recognition of share-based payments				15.0					15.0
Take-up of share options		59.8		(32.2)					27.6
Transfer arising from take-up of share options				32.2	(32.2)				–
Settlement of share-based payments		20.1		(9.8)	(10.3)				–
Treasury shares acquired		(103.3)							(103.3)
Dividends paid					(993.2)				(993.2)
Non-controlling interest arising on business acquisition								54.1	54.1
Equity reserve transferred to retained earnings					(545.7)	545.7			–
Exchange rate translation			337.1			(34.4)		(6.9)	295.8
Capital and reserves at 31 March 2020	2 231.5	(47.3)	594.9	291.1	4 116.8	(238.4)	(28.1)	10.6	6 931.1
Profit for the period					1 324.3			(81.9)	1 242.4
– Gain on cash flow hedge							0.5		0.5
– Remeasurement of post-retirement medical aid					15.0				15.0
– Remeasurement of retirement funds					96.7				96.7
Recognition of share-based payments				7.2					7.2
Take-up of share options		32.0		(14.4)					17.6
Transfer arising from take-up of share options				14.4	(14.4)				–
Dividends paid					(384.9)				(384.9)
Exchange rate translation			(37.0)			0.7	(0.6)	1.0	(35.9)
Capital and reserves at 30 September 2020	**2 231.5**	**(15.3)**	**557.9**	**298.3**	**5 153.5**	**(237.7)**	**(28.2)**	**(70.3)**	**7 889.7**
Profit for the period					**1 186.8**			**(35.0)**	**1 151.8**
– Remeasurement of post-retirement medical aid					**191.3**				**191.3**
Recognition of share-based payments				**15.7**					**15.7**
Take-up of share options		**38.8**		**(17.0)**					**21.8**
Transfer arising from take-up of share options				**17.0**	**(17.0)**				**–**
Settlement of share-based payments		**56.2**		**(23.0)**	**(33.2)**				**–**
Treasury shares acquired		**(86.3)**							**(86.3)**
Dividends paid					**(1 280.3)**			**(17.4)**	**(1 297.7)**
Additional interest acquired from non-controlling interest					**(0.4)**			**(2.4)**	**(2.8)**
Equity reserve transferred to retained earnings					**(186.2)**	**186.2**			**–**
Exchange rate translation			**(312.8)**			**24.7**		**30.9**	**(257.2)**
Capital and reserves at 31 March 2021	**2 231.5**	**(6.6)**	**245.1**	**291.0**	**5 014.5**	**(26.8)**	**(28.2)**	**(94.2)**	**7 626.3**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	Unaudited six months ended March 2021	Restated Unaudited six months ended March 2020	Audited year ended September 2020
CASH FLOWS FROM OPERATING ACTIVITIES		**(424.7)**	(77.9)	3 844.0
Operating profit before:		**1 710.2**	1 334.9	3 442.6
Non-cash items		**1 035.3**	939.2	2 214.4
Impairment of goodwill			12.6	13.3
Net loss on disposal of property, plant and equipment		**17.8**	20.1	52.4
Net working capital changes		**(1 254.3)**	(803.2)	698.8
– Increase in inventories		**(136.2)**	(343.3)	(205.4)
– Decrease/(increase) in trade and other receivables		**188.0**	(1 460.3)	(1 201.3)
– (Decrease)/increase in trade payables and provisions		**(1 306.1)**	1 000.4	2 105.5
Cash generated from operations		**1 509.0**	1 503.6	6 421.5
Finance income received*		**276.1**	308.5	573.7
Finance cost paid*		**(430.2)**	(454.6)	(913.5)
Taxation paid		**(481.9)**	(442.2)	(859.6)
Dividends paid		**(1 297.7)**	(993.2)	(1 378.1)
CASH FLOWS FROM INVESTING ACTIVITIES		**(594.9)**	(974.0)	(1 502.4)
Investment to expand property, plant and equipment		**(279.6)**	(303.5)	(661.2)
Investment to maintain operations		**(258.6)**	(217.0)	(368.1)
– Replacement of property, plant and equipment		**(284.5)**	(233.7)	(449.1)
– Proceeds on disposal of property, plant and equipment		**25.9**	16.7	81.0
Acquisition of intangible assets		**(108.5)**	(170.6)	(268.7)
Acquisition of businesses/subsidiaries	5.4	**(142.9)**	(528.4)	(681.6)
Proceeds from disposal of businesses	5.7	**11.0**		
Proceeds on disposal of assets held for sale		**4.2**	9.2	25.0
Principal element of lease receipts*		**348.8**	287.5	649.5
Cash inflows from loans and investments		**205.9**	294.5	283.2
Cash outflows from loans and investments		**(375.2)**	(345.7)	(480.5)
CASH FLOWS FROM FINANCING ACTIVITIES		**(1 495.6)**	(1 021.4)	(1 821.3)
Proceeds from exercise of share options		**21.8**	27.6	45.1
Treasury shares acquired		**(86.3)**	(103.3)	(103.3)
Non-controlling interest share repurchases		**(2.8)**		
Principal element of lease payments*		**(850.6)**	(744.8)	(1 547.6)
Proceeds from borrowings		**1 793.0**	843.5	937.3
Settlement of financial liability	7	**(1 962.1)**	(884.4)	(884.4)
Repayment of borrowings		**(408.6)**	(160.0)	(268.4)
Net (decrease)/increase during the period		**(2 515.2)**	(2 073.3)	520.3
Net cash balances/(overdrafts) at beginning of period		**723.1**	(67.4)	(67.4)
Exchange rate translation		**(64.2)**	229.5	270.2
Net (overdrafts)/cash balances at end of period		**(1 856.3)**	(1 911.2)	723.1

* *Refer to note 10 for prior period reclassification.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (Listings Requirements) for interim reports, and the requirements of the Companies Act, No. 71 of 2008 (as amended) (Companies Act) applicable to interim financial statements. The Listings Requirements require interim reports to be prepared in accordance with and containing the information required by International Accounting Standards (IAS) 34: Interim Financial Reporting, as well as the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the previous annual financial statements. The condensed consolidated financial statements have been prepared on the going concern and historical cost basis, except where otherwise indicated.

The presentation currency is the South African rand, except where otherwise indicated.

The condensed consolidated interim financial statements have been prepared under the supervision of the Chief Financial Officer, MW Godfrey, CA(SA), on behalf of The SPAR Group Ltd. The information contained in this report has neither been audited nor reviewed by the group's external auditors.

2. SALIENT FEATURES AND HEADLINE EARNINGS RECONCILIATION

	Rmillion		Change %	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
2.1	SALIENT FEATURES					
	Headline earnings per share	(cents)	52.1	**620.7**	408.0	1 135.3
	Diluted headline earnings per share	(cents)	52.2	**618.5**	406.5	1 131.5
	Normalised* headline earnings per share	(cents)	34.4	**610.5**	454.4	1 266.9
	Normalised* diluted headline earnings per share	(cents)	34.4	**608.3**	452.7	1 262.6
	Dividend per share	(cents)	40.0	**280.0**	200.0	865.0
	Net asset value per share	(cents)	9.9	**3 961.1**	3 602.7	4 102.2
	Operating profit margin	(%)	22.7	**2.7**	2.2	2.8
	Return on equity	(%)	47.1	**15.3**	10.4	27.0
2.2	HEADLINE EARNINGS RECONCILIATION					
	Profit for the period attributable to ordinary shareholders			**1 186.8**	750.4	2 074.7
	Adjusted for:					
	Loss on disposal of property, plant and equipment			**15.0**	18.6	49.6
	– Gross			**15.6**	20.1	52.4
	– Tax effect			**(0.6)**	(1.5)	(2.8)
	Impairment of goodwill				12.6	13.3
	Impairment of investments					63.6
	Loss on deemed disposal of an asset previously accounted for as an associate				6.7	
	Profit on disposal of business			**(1.5)**		(26.6)
	Profit on disposal of assets held for sale				(3.3)	(2.3)
	Profit on disposal of associate			**(5.3)**		
	Fair value adjustment – previously held investment					6.7
	Fair value adjustment to assets held for sale					4.6
	Headline earnings		52.2	**1 195.0**	785.0	2 183.6

* *Headline earnings adjusted for fair value adjustments and foreign exchange effects on financial liabilities, and business acquisition costs.*

3. OTHER NON-OPERATING ITEMS

Rmillion	Notes	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Remeasurement of financial instruments				
Fair value adjustments	7		(87.9)	(255.6)
Capital items				
Business acquisition costs	5.3	**(3.9)**	(11.7)	(23.1)
Total other non-operating items		**(3.9)**	(99.6)	(278.7)

4. 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. These geographical segments also represent operating segments as they meet the quantitative thresholds.

The Chief Executive Officer (the Chief Operating Decision Maker (CODM)) assesses the performance of the operating segments based on profit before tax, and for joint ventures and associates based on earnings after tax, and 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, Switzerland and Poland operations are not considered to be similar to those within Southern Africa or each other and are therefore disclosed as separate reportable segments.

As a result, the geographical segments of the group have been identified as Southern Africa, Ireland, Switzerland and Poland. 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.

The principal activity of the operating segments is the wholesale and distribution of goods and services to SPAR grocery stores and multiple other branded group retail outlets.

The group deals with a broad spread of customers, with no single customer exceeding 10% of the group's revenue.

ANALYSIS PER REPORTABLE SEGMENT

Rmillion	Southern Africa	Ireland	Switzerland	Poland	Consolidated total
Unaudited six months ended March 2021					
Statement of profit or loss					
Revenue from contracts with customers	**41 834.1**	**14 675.8**	**7 587.3**	**1 303.0**	**65 400.2**
Operating profit	**1 313.0**	**398.5**	**220.6**	**(221.9)**	**1 710.2**
Profit before tax	**1 257.1**	**299.4**	**219.1**	**(233.4)**	**1 542.2**
Finance income	**252.7**	**7.5**	**3.2**	**21.0**	**284.4**
Finance costs	**307.3**	**103.9**	**3.5**	**32.5**	**447.2**
Depreciation and amortisation	**223.0**	**314.6**	**375.4**	**63.1**	**976.1**
Taxation	**366.6**	**23.8**	**29.0**	**(29.0)**	**390.4**
Share of equity-accounted losses	**1.3**				**1.3**
Statement of financial position					
Total assets	**24 537.0**	**14 270.3**	**9 296.8**	**2 406.5**	**50 510.6**
Total liabilities	**19 634.7**	**12 187.2**	**8 101.1**	**2 961.3**	**42 884.3**
Unaudited six months ended March 2020					
Statement of profit or loss					
Revenue from contracts with customers	40 632.2	12 973.1	6 248.1	980.0	60 833.4
Operating profit	1 267.3	285.5	86.8	(304.7)	1 334.9
Profit before tax	1 053.8	264.9	37.4	(324.9)	1 031.2
Finance income	278.3	7.9	3.0	22.7	311.9
Finance costs	333.4	58.6	23.7	40.2	455.9
Depreciation and amortisation	198.0	272.3	338.9	104.6	913.8
Taxation	342.6	15.1	9.6	(49.9)	317.4
Share of equity-accounted losses	11.6			2.7	14.3
Impairment of goodwill	12.6				12.6
Statement of financial position					
Total assets	24 020.0	15 407.8	9 536.1	2 751.7	51 715.6
Total liabilities	19 248.6	13 818.7	8 672.0	3 045.2	44 784.5
Audited year ended September 2020					
Statement of profit or loss					
Revenue from contracts with customers	79 423.8	30 409.4	14 659.4	2 151.7	126 644.3
Operating profit	2 573.6	978.2	361.5	(470.7)	3 442.6
Profit before tax	2 299.2	651.7	296.6	(551.1)	2 696.4
Finance income	547.5	14.5	6.8	49.4	618.2
Finance costs	640.3	218.0	71.7	92.5	1 022.5
Depreciation and amortisation	398.9	600.0	758.8	218.5	1 976.2
Taxation	720.7	43.2	47.2	(70.9)	740.2
Share of equity-accounted losses	25.7			37.5	63.2
Impairment of goodwill	12.6	0.7			13.3
Statement of financial position					
Total assets	24 136.1	16 466.9	9 402.2	2 733.4	52 738.6
Total liabilities	18 762.5	14 496.8	8 279.0	3 310.6	44 848.9

4. SEGMENTAL REPORTING (continued)

Rmillion	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Disaggregated revenue as reviewed by the CODM			
Southern Africa			
Revenue – sale of merchandise	**41 472.2**	40 239.7	78 605.4
SPAR	**31 911.9**	31 648.5	62 851.2
TOPS at SPAR	**3 844.9**	4 169.4	6 436.5
Build it	**4 887.7**	3 871.7	7 965.0
S Buys	**569.2**	546.8	1 072.8
Encore	**258.5**	3.3	279.9
Revenue – other	**361.9**	392.5	818.4
Revenue from contracts with customers	**41 834.1**	40 632.2	79 423.8
Ireland			
Revenue – sale of merchandise	**14 428.8**	12 736.7	29 896.7
BWG	**12 495.3**	11 240.3	26 057.8
Appleby Westward	**1 933.5**	1 496.4	3 838.9
Revenue – other	**247.0**	236.4	512.7
Revenue from contracts with customers	**14 675.8**	12 973.1	30 409.4
Switzerland			
Revenue – sale of merchandise	**7 064.7**	5 808.6	13 641.9
Wholesale	**3 423.2**	2 550.1	6 183.3
TopCC	**2 487.4**	2 354.1	5 363.4
Retail	**1 154.1**	904.4	2 095.2
Revenue – other	**522.6**	439.5	1 017.5
Revenue from contracts with customers	**7 587.3**	6 248.1	14 659.4
Poland			
Revenue – sale of merchandise	**1 274.8**	964.4	2 133.4
Wholesale	**1 083.6**	679.5	1 518.4
Retail	**191.2**	284.9	615.0
Revenue – other	**28.2**	15.6	18.3
Revenue from contracts with customers	**1 303.0**	980.0	2 151.7
Total revenue – sale of merchandise	**64 240.5**	59 749.4	124 277.4
Total revenue – other	**1 159.7**	1 084.0	2 366.9
Total revenue from contracts with customers	**65 400.2**	60 833.4	126 644.3
Disaggregated total revenue – other:	**1 159.7**	1 084.0	2 366.9
Marketing and service revenues	**803.3**	772.0	1 706.0
Franchise fees	**202.8**	172.4	401.5
Other services	**153.6**	139.6	259.4

5. BUSINESS COMBINATIONS

5.1 ACQUISITION OF STORE SERVICE AG

On 28 February 2021 SPAR Holding AG, a subsidiary of SAH Ltd based in Switzerland, acquired a 100% share in Store Service AG (SSAG) for a consideration of CHF10.6 million. SSAG operates service station stores. SPAR Switzerland will generate sales growth through this acquisition and will be able to expand its expertise in the convenience business and strengthen the position of the SPAR Express stores. Positive short-term synergy effects on costs are expected, while long-term savings in administration costs are also realistic. The goodwill arising on the business combination represents these expected benefits.

The acquisition date fair value of all assets and liabilities acquired is still to be finalised as the purchase price allocation is still in process, the line items most likely to have a material adjustment being inventory, right-of-use assets and finance lease liabilities. As a result, the goodwill presented below is provisional.

5.2 RETAIL STORES ACQUIRED

During the financial period, the BWG Group acquired the assets of eight retail stores in the United Kingdom (UK) (March 2020: 25 stores in the UK and Ireland). The principal activity of these acquisitions is that of retail trade and all its aspects. These stores were purchased as part of the strategy for growth in the UK, and the goodwill arising on the business combinations is indicative of future turnover expected to be made by the group as a result of wholesale sales to these acquired stores as well as net profits to be made by the stores. These acquisitions were funded from available cash resources.

5.3 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT DATE OF ACQUISITION

	Unaudited six months ended March 2021		
Rmillion	**SSAG**	**UK retail stores**	**Total**
Assets	**268.8**	**90.8**	**359.6**
Property, plant and equipment	2.6	2.2	4.8
Right-of-use assets	0.9	83.2	84.1
Goodwill and intangible assets	1.4		1.4
Deferred taxation asset	21.7		21.7
Inventories	110.7	5.4	116.1
Trade and other receivables	54.0		54.0
Loss allowance on trade and other receivables	(0.2)		(0.2)
Cash and cash equivalents	77.7		77.7
Liabilities	**(292.3)**	**(83.9)**	**(376.2)**
Trade and other payables	(132.2)	(0.7)	(132.9)
Income tax payable	(9.4)		(9.4)
Finance lease payable	(0.9)	(83.2)	(84.1)
Post-employment benefit obligations	(149.8)		(149.8)
Total identifiable net (liabilities)/assets at fair value	(23.5)	6.9	(16.6)
Goodwill arising from acquisition	200.2	39.4	239.6
Purchase consideration	176.7	46.3	223.0
Cash balances acquired	(77.7)		(77.7)
Business acquisition costs	1.2	2.7	3.9
Contingent consideration (note 5.6)	(58.9)		(58.9)
Net cash outflow on acquisitions	41.3	49.0	90.3

5.4 CASH FLOW ON ACQUISITION OF BUSINESSES/SUBSIDIARIES

Rmillion	**Unaudited six months ended March 2021**	Unaudited six months ended March 2020
Net cash outflow (note 5.3)	**90.3**	528.4
Contingent consideration cash outflow on retail stores acquired in 2020 (note 5.6)	**52.6**	
Total net cash outflow relating to acquisitions	**142.9**	528.4

5. BUSINESS COMBINATIONS (continued)

5.5 CONTRIBUTION TO RESULTS FOR THE PERIOD

Rmillion	SSAG	UK retail stores	Total
Revenue – sale of merchandise	161.3	33.4	194.7
Operating profit	0.7	1.1	1.8

Had all acquisitions been consolidated from the beginning of the financial period, the contribution to the group result would have been as follows:

Rmillion	SSAG	UK retail stores	Total
Revenue – sale of merchandise	934.0	66.9	1 000.9
Operating profit	20.4	2.2	22.6

5.6 CONTINGENT CONSIDERATION

The contingent consideration payable on the SSAG acquisition will be settled towards the end of the 2021 financial year and is dependent on the recoverability of amounts included in the balance sheet acquired. The amount payable is estimated to be CHF3.5 million. The contingent consideration payable for UK and Irish retail stores acquired in 2020 was settled in October 2020 at an amount of R52.6 million. The contingent consideration for the Heaney Meats acquisition in 2020 is still payable at the option of the sellers, based on profits of any year until 2025, and is estimated at an amount of R71.5 million at current exchange rates.

5.7 ASSETS AND LIABILITIES AT DATE OF DISPOSAL

One retail store was sold in South Africa in the six months ended March 2021 (March 2020: nil).

Rmillion	Unaudited six months ended March 2021
Non-current assets	9.5
Property, plant and equipment	4.4
Goodwill	5.1
Profit on disposal of business	1.5
Proceeds	11.0

6. FINANCIAL RISK MANAGEMENT

Rmillion	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Financial instruments classification			
Financial assets held at amortised cost			
Finance lease receivable	**5 319.2**	5 014.4	5 430.2
Loans and other receivables	**989.5**	928.3	999.4
Block discounting loan receivable	**257.2**	495.0	362.6
Trade and other receivables	**14 583.4**	15 294.7	15 637.9
Financial liabilities at amortised cost			
Net (bank overdrafts)/cash balances	**(1 856.3)**	(1 911.2)	723.1
Block discounting loan payable	**(263.6)**	(506.1)	(371.3)
Finance lease payable	**(13 062.9)**	(12 884.4)	(12 928.8)
Trade and other payables	**(16 896.4)**	(17 751.5)	(19 411.4)
Borrowings	**(7 542.6)**	(7 013.4)	(7 055.9)
Financial liabilities		(1 037.7)	(1 023.8)
Financial assets and liabilities at fair value through profit or loss			
Foreign exchange contract asset		16.1	0.9
Financial liabilities	**(50.0)**	(892.8)	(1 128.4)
Designated hedging instrument			
Interest rate swap liability		(0.4)	

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.

6. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE HIERARCHY (continued)

The following financial instruments on the statement of financial position are carried at fair value through profit or loss and are further categorised into the appropriate fair value hierarchy:

		Fair value		
Rmillion	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Financial instruments				
Unaudited six months ended March 2021				
Financial liabilities	**(50.0)**			**(50.0)**
Total	**(50.0)**	**–**	**–**	**(50.0)**
Unaudited six months ended March 2020				
Interest rate swap liability	(0.4)		(0.4)	
Foreign exchange contract asset	16.1		16.1	
Financial liabilities	(892.8)			(892.8)
Total	(877.1)	–	15.7	(892.8)
Audited year ended September 2020				
Foreign exchange contract asset	0.9		0.9	
Financial liabilities	(1 128.4)			(1 128.4)
Total	(1 127.5)	–	0.9	(1 128.4)

Refer to note 7 for movements in level 3 financial instruments carried at fair value through profit or loss.

LEVEL 3 SENSITIVITY INFORMATION

The fair value of the level 3 financial liability of R50.0 million (March 2020: R892.8 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. No adjustments were made to the estimated profitability of S Buys Holdings (Pty) Ltd in the 6 months ended March 2021.

The following table shows how the fair value of the level 3 financial liability would change in relation to the interest rate if the interest rate increased or decreased by 0.5%.

	Discount rate %	**Sensitivity %**	**Liability Rmillion**
S Buys Holdings (Pty) Ltd			
Unaudited six months ended March 2021			
Financial liability	**6.5**	**0.5**	**(0.5)**
Financial liability	**6.5**	**(0.5)**	**0.4**

6. FINANCIAL RISK MANAGEMENT (continued)

LEVEL 3 SENSITIVITY INFORMATION (continued)

The following table shows how the fair value of the level 3 financial liabilities would change in relation to change in the estimated future profit targets by 5.0%. The S Buys Holdings (Pty) Ltd financial liability is based on a minimum profit value. A change in fair value would only result if profits increased between 35% and 40%.

	Sensitivity %	Liability Rmillion
S Buys Holdings (Pty) Ltd		
Unaudited six months ended March 2021		
Financial liability	**5.0**	**–**
Financial liability	**(5.0)**	**–**

7. FINANCIAL LIABILITIES

Rmillion	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Present value			
TIL JV Ltd		849.1	1 078.7
SPAR Holding AG		1 037.7	1 023.8
S Buys Holdings (Pty) Ltd	**50.0**	43.7	49.7
Total financial liabilities	**50.0**	1 930.5	2 152.2
Less: current portion of financial liabilities	**–**	1 886.8	2 102.5
Long-term portion of financial liabilities	**50.0**	43.7	49.7
Undiscounted value			
TIL JV Ltd		901.4	1 100.4
SPAR Holding AG		1 047.9	1 106.9
S Buys Holdings (Pty) Ltd	**55.9**	55.9	55.9
	55.9	2 005.2	2 263.2
Difference between undiscounted value and the carrying amount of the financial liabilities	**5.9**	74.7	111.0

The undiscounted value of the financial liabilities represents the amount the group is contractually required to pay at maturity to the holder of the obligation.

On 1 August 2014 The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a wholly owned subsidiary of The SPAR Group Ltd. The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model.

The financial liability is calculated as the present value of the non-controlling interests' share of the expected purchase value and discounted from the expected exercise dates to the reporting date. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The group has recognised 100% of the attributable profit.

In March 2020, 10.106% of the 20% minority interest was settled at an amount of R884.4 million. In January 2021, the remaining balance of 9.894% was settled at R1 041.7 million. Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs. The fair value adjustment on the financial liability has been presented in other non-operating items.

7. FINANCIAL LIABILITIES (continued)

On 1 April 2016 The SPAR Group Ltd acquired a controlling shareholding of 60% in SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. The total obligation of CHF56.3 million was accounted for as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. This obligation was settled in March 2021 at an amount of R920.4 million.

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

On 1 October 2017 The SPAR Group Ltd acquired a 60% shareholding in S Buys Holdings (Pty) Ltd which trades as S Buys. The SPAR Group Ltd agreed to 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 was recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. As at 31 March 2021, the financial liability was valued at R50.0 million (2020: R43.7 million) based on management's expectation of future profit performance.

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

The following tables show a reconciliation of the opening and closing balances of the financial liabilities:

Rmillion	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Financial liabilities at fair value through profit or loss			
TIL JV Ltd			
Carrying value at beginning of year	**1 078.7**	1 326.3	1 326.3
Finance costs recognised in profit or loss*	**20.0**	44.1	105.7
Net exchange differences arising during the period*		(33.5)	(33.5)
Fair value adjustment		87.9	255.6
Settlement of financial liability	**(1 041.7)**	(884.4)	(884.4)
Exchange rate translation	**(57.0)**	308.7	309.0
Carrying value at end of period	**–**	849.1	1 078.7
S Buys Holdings (Pty) Ltd			
Carrying value at beginning of year	**49.7**	37.2	37.2
Finance costs recognised in profit or loss*	**0.3**	6.5	12.5
Carrying value at end of period	**50.0**	43.7	49.7
Financial liabilities held at amortised cost			
SPAR Holding AG			
Carrying value at beginning of year	**1 023.8**	840.9	840.9
Finance costs recognised in profit or loss*	**1.9**	5.6	13.5
Net exchange differences arising during the period*	**(23.6)**	23.1	7.9
Settlement of financial liability	**(920.4)**		
Foreign exchange translation	**(81.7)**	168.1	161.5
Carrying value at end of period	**–**	1 037.7	1 023.8
Total financial liabilities	**50.0**	1 930.5	2 152.2

** Disclosed within finance costs.*

8. FINANCIAL GUARANTEES

Financial guarantees may be provided by the group to subsidiaries and affiliates. These financial guarantees are accounted for in terms of IFRS 4 and are initially measured at cost and subsequently in terms of IAS 37 which requires the best estimate of the expenditure to settle the present obligation. Management has assessed that no obligation exists at the reporting date to settle these guarantees issued.

Management's assessment is based on the ability of subsidiaries and affiliates having sufficient cash resources, in country, to service the underlying debt instrument's obligations as and when these become due.

The risk relating to financial guarantees is managed per geographical region through review of cash flow forecasts, budgets and monitoring of covenants.

The table below represents the full exposure of the group in relation to these financial guarantees.

Rmillion	Unaudited six months ended March 2021	Unaudited six months ended March 2020	Audited year ended September 2020
Guarantees issued in respect of the finance obligations	**552.7**	397.7	426.5
– Guarantee of direct deal loan agreements[1]	**312.2**	232.6	255.9
– Guarantee of Numlite (Pty) Ltd finance obligations[2]	**187.5**	165.1	170.6
– Guarantee of retailer finance obligation[3]	**53.0**	53.0	53.0

[1] *SPAR assists retailers to obtain loans at the prime interest rate through an approved financial institution. These loans are backed by a guarantee from SPAR in favour of the institution, enabling our retailers access to finance at attractive rates. The financial institution fulfils all administrative activities relating to the repayment of these loans, and will only revert to SPAR in the unusual instance of default on the part of the retailer. Retailer loans are secured by notarial bonds over assets, deeds of suretyship, cession and pledge of shares and in some instances, lease options. The recoverability of amounts owed by retailers is regularly reviewed and assessed on an individual basis. The board of directors (board) has limited the guarantee facility to R1.3 billion (2020: R1.0 billion).*

[2] *The board has limited the guarantee facility to R220.0 million (2020: R190.0 million) relating to Numlite (Pty) Limited.*

[3] *SPAR has guaranteed a loan extended by Investec to a retailer. The guarantee is limited to R53.0 million.*

9. EVENTS AFTER THE REPORTING DATE

The board is not aware of any matters or circumstances arising since the end of the financial period which have or may materially affect the financial position of the group or the results of its operations.

10. PRIOR PERIOD RESTATEMENT

SPAR has reclassified the prior period finance charges disclosed within the short-term finance lease receivable and finance lease payable to long-term finance lease receivable and finance lease payable respectively. Finance charges on finance lease receivables and payables have also been reclassified in the statement of cash flows and are now presented within finance income received and finance costs paid, and the cash outflows on finance lease receivables and payables represent the principal element of lease receipts and payments only. These reclassifications have been made to the March 2020 results only, in order to achieve consistency with the September 2020 presentation.

Rmillion	31 March 2020 Originally presented	Effect of restatement	31 March 2020 Restated
Prior period restatement impact on statement of financial position			
Non-current assets	28 020.4	428.5	28 448.9
Finance lease receivable	3 985.4	428.5	4 413.9
Current assets	23 599.2	(428.5)	23 170.7
Finance lease receivable	1 029.0	(428.5)	600.5
Non-current liabilities	19 400.3	501.2	19 901.5
Finance lease payable	10 717.5	501.2	11 218.7
Current liabilities	25 384.2	(501.2)	24 883.0
Finance lease payable	2 166.9	(501.2)	1 665.7
Prior period restatement impact on statement of cash flows			
Cash flows from operating activities	27.4	(105.3)	(77.9)
Finance income received	92.7	215.8	308.5
Finance cost paid	(133.5)	(321.1)	(454.6)
Cash flows from investing activities	(758.2)	(215.8)	(974.0)
Principal element of lease receipts	503.3	(215.8)	287.5
Cash flows from financing activities	(1 342.5)	321.1	(1 021.4)
Principal element of lease payments	(1 065.9)	321.1	(744.8)
Net decrease during the period	(2 073.3)	–	(2 073.3)

11. COVID-19 PANDEMIC UPDATE

From March 2020, all of our markets were impacted by the COVID-19 pandemic and subsequent lockdown measures to curb the spread of the virus. As an essential service provider of groceries, our stores traded throughout the lockdown periods, albeit with periods of restriction on the sale of alcohol, cigarettes and building materials experienced in South Africa. The group was swift to take the necessary proactive measures and implement effective protocols to safeguard our key priorities: the safety of our people, retailers, suppliers and consumers; managing the supply chain and keeping our retailers' shelves replenished; and supporting our communities. Below is a regional, high-level update on how the pandemic has influenced operations and financial results since the start of this interim financial period:

Southern Africa: During the last month of the current period, March 2021, the SPAR business commenced trading against the elevated COVID-19 base brought on by pantry loading ahead of the lockdown regulations in March 2020. Trading during the period was also negatively impacted by consumers venturing back to restaurants as well as the larger shopping malls, where SPAR has low exposure. Our TOPS at SPAR liquor business resumed normal trading from 12 November 2020 with local government fully lifting the liquor ban. This was, however, short lived with the number of infections increasing following the festive period which resulted in a complete liquor trading ban from 29 December 2020 to 2 February 2021 when partial weekday trading was introduced. Our TOPS at SPAR liquor business lost approximately 40% of its total trading days due to the restrictions on the sale of liquor during the first six months of the financial year and suffered a 7.8% turnover decrease against the comparative period. Build it delivered an inspired performance with a turnover increase of 26.2% against the comparative period.

Ireland: BWG Foods delivered a strong result, despite experiencing its third wave of COVID-19 infections during the period and being under the maximum level of lockdown regulations for the full second quarter. The situation is improving with the rollout of the vaccine, however, the hospitality sector still remains closed. This lockdown adversely affected the hospitality and foodservice businesses. The impact of the pandemic on retail stores has been a function of store location. While stores located in the city centre have seen significant retail decline due to travel restrictions, the EUROSPAR and neighbourhood convenience brands have seen a strong performance as consumers work from home and prefer a faster shopping experience.

Switzerland: SPAR Switzerland has achieved an exceptional result, boosted by the continued benefit from the effect of in-country shopping during lockdown and consumers avoiding the large malls. While the wholesale and retail businesses felt these positive effects, the TopCC cash & carry business was negatively impacted by the restrictions on the hospitality industry during lockdown. The majority of restaurants were still open, with some restrictions, for the first two months of the financial period, while bars and clubs were closed for the full six months.

Poland: SPAR Poland was impacted at both wholesale and retail level by varying levels of lockdown regulations during the period. Lockdown regulations included travel restrictions, the closure of major shopping centres and a work from home stipulation with the exception of critical workers. While supermarkets inside shopping centres could trade, the stores located in malls have been negatively impacted due to much lower levels of footfall. The business rescue proceedings of the Piotr i Paweł business, previously delayed by the closure of courts due to lockdown regulations, were finalised during the period. This is a significant step in stabilising the Polish business.

12. CHANGES TO THE BOARD

Mandy Hogan resigned as Company Secretary effective 31 December 2020, and Kevin O'Brien was appointed as Acting Company Secretary, effective 25 March 2021.

Jane Canny was appointed as an independent, non-executive director effective 1 May 2021.

COMMENTARY

SALIENT FEATURES

Rmillion		Unaudited six months ended 31 March 2021	Unaudited six months[3] ended 31 March 2020	% Change
Turnover[1]		**64 240.5**	59 749.4	7.5
Operating profit		**1 710.2**	1 334.9	28.1
Earnings per share	(cents)	**616.4**	390.0	58.1
Headline earnings per share	(cents)	**620.7**	408.0	52.1
Diluted headline earnings per share	(cents)	**618.5**	406.5	52.2
Normalised[2] diluted headline earnings per share	(cents)	**608.3**	452.7	34.4
Dividend per share	(cents)	**280.0**	200.0	40.0
Net asset value per share	(cents)	**3 961.1**	3 602.7	9.9

IMPACT OF POLISH OPERATIONS ON HEADLINE EARNINGS

Rmillion		Unaudited six months ended 31 March 2021	Unaudited six months ended 31 March 2020	% Change
Headline earnings		**1 195.0**	785.0	52.2
Adjusted for fair value adjustment to, and foreign exchange effects on financial liabilities, and business acquisition costs		**(19.7)**	89.3	
Normalised[2] headline earnings		**1175.3**	874.3	34.4
Adjusted for Polish reported headline loss for the period attributable to ordinary shareholders		**130.7**	221.0	
Normalised[2] headline earnings excluding Polish result		**1 306.0**	1 095.3	19.2
Diluted weighted average number of ordinary shares net of treasury shares	(million)	**193.2**	193.1	
Normalised[2] diluted headline earnings per share	(cents)	**608.3**	452.7	34.4
Normalised[2] diluted headline earnings per share excluding Polish result	(cents)	**676.0**	567.1	19.2

This financial information is the responsibility of the directors and has been prepared for illustrative purposes only and because of its nature, it may not fairly present the group's financial position and results of operations. The table above has been provided to help shareholders understand the impact of the newly acquired Polish business on normalised earnings, for the six months ended 31 March 2021.

[1] *Turnover represents revenue from the sale of merchandise.*
[2] *Headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisition costs.*
[3] *The prior comparative period includes 183 days, versus 182 days in the current period.*

PERFORMANCE OVERVIEW

SPAR delivered strong growth, increasing group turnover by 7.5% to R64.2 billion. Reported operating profit saw excellent growth of 28.1% to R1.7 billion, reflecting the exceptionally strong performances from operations in Switzerland and Ireland, as well as reduced operational losses in Poland. Diluted headline earnings per share increased by 52.2%, in part, due to the final minority interests in both the Irish and Swiss businesses having been fully settled during the period, thereby reducing accounting adjustments for these financial liabilities. Normalised diluted headline earnings per share increased by 34.4% and reflects the strong underlying performance of the group, fundamentally driven by the foreign regions as described above. The board has declared an interim dividend of 280 cents per share, an increase of 40% on the prior reporting period.

- SPAR Southern Africa delivered wholesale turnover growth of 3.1%, continuing to reflect the weaker consumer spend and disruptions to the liquor business. Within this, the core SPAR grocery business reported turnover growth of 0.8%. Turnover growth slowed significantly in the month of March 2021, as it lapped the extraordinary performance recorded in March 2020, when consumers stocked up in advance of the COVID-19 lockdown. SPAR house brands performed ahead of the business delivering growth of 3.4% to R7.7 billion and represents 24.2% of core SPAR turnover. Within house brands, turnover for the SPAR private label range has grown by 4.8%. TOPS at SPAR continued to be negatively impacted by the reduced retail hours and lost trading days, effectively losing 72 trading days, approximately 40% of available trading days during this period. Although the liquor business has started to recover in the last quarter, the impact of the lost trading days saw wholesale liquor sales decline by 7.8% for the period. In a related category, the cigarette business was severely impacted by the initial restrictions on the sale of cigarettes. This business has not seen any meaningful recovery since restrictions were lifted and turnover was down by 13.1%. The Build it business continued to outperform expectations with sales of building materials increasing by a remarkable 26.2%. The consumer in this market remains surprisingly resilient and continued to invest in home improvements. The total Southern African store network increased to 2 457 stores, with 43 net new stores across all formats. In addition to launching new stores, the group completed 159 store upgrades during the period, which is a noteworthy achievement under difficult circumstances.
- BWG Foods (Ireland and South West England) delivered strong turnover growth of 13.3%, a solid 3.3% in EUR-denominated terms. Other than stores located in city centres and business parks, all retail brands continued to perform strongly as consumers supported their local community stores during the extended lockdown while Ireland experienced its third wave of the pandemic. The hospitality and foodservice businesses continued to be severely impacted as bars, hotels and restaurants remained closed for the period. The South West England based business, Appleby Westward, maintained its strong contribution to the business through the corporate retail store additions, together with growth in neighbourhood retail driving the wholesale business. SPAR Ireland's retail network now totals 1 392 stores.
- SPAR Switzerland reported an increase in turnover of 21.6% for the six month period. This represents an impressive 11.1% growth in CHF-denominated terms. This region continues to experience the impact of the COVID-19 pandemic with ongoing lockdown regulations. Neighbourhood SPAR retailers have benefitted from consumers choosing to shop locally rather than at the large malls. The acquisition of Store Service AG (SSAG), the owner of 60 petro-convenience stores, in March 2021, has also positively impacted the wholesale business. With lockdown regulations causing many restaurants, bars and hotels to close for partial periods, the TopCC cash and carry business reported a less than expected decline in turnover of 3.5% in CHF-denominated terms, recognising Swiss managements' initiatives to drive sales. SPAR Switzerland's total store network has grown to 388 stores during the period, boosted by the SSAG acquisition.
- SPAR Poland reported turnover growth of 32.2% (26.9% in PLN-denominated terms). Trading performance reflects slowly improving retailer loyalty. The mall-based stores have been significantly impacted by the closure of malls. During the reporting period the business rescue proceedings of the Piotr i Paweł business acquired in 2019 were finalised, which is a significant step forward in normalising business operations. Despite the ongoing disruptions caused by the COVID-19 pandemic, the business has made steady progress in the first half. The store network stands at 230 stores, including just eight remaining Piotr i Paweł stores yet to be converted to SPAR stores.

GROUP FINANCIAL REVIEW

SUMMARY SEGMENT ANALYSIS

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Income statement					
Turnover*	41 472.2	14 428.8	7 064.7	1 274.8	64 240.5
Gross profit	4 193.6	1 916.9	1 263.1	192.5	7 566.1
Gross profit margin (%)	10.1	13.3	17.9	15.1	11.8
Operating profit	1 313.0	398.5	220.6	(221.9)	1 710.2
Operating margin (%)	3.2	2.8	3.1	(17.4)	2.7
Profit before taxation	1 257.1	299.4	219.1	(233.4)	1 542.2
Financial position					
Total assets	24 537.0	14 270.3	9 296.8	2 406.5	50 510.6
Total liabilities	19 634.7	12 187.2	8 101.1	2 961.3	42 884.3

* *Turnover represents revenue from the sale of merchandise.*

Turnover for the group was strong, with growth of 7.5% to R64.2 billion (2020: R59.7 billion), with 35.5% (2020: 32.6%) of total reported turnover generated in foreign currency by BWG Foods with its operations in Ireland and South West England (EUR-denominated), Switzerland (CHF-denominated) and Poland (PLN-denominated). During the last month of the period, March 2021, all regions traded against the elevated COVID-19 bases brought on by pantry loading ahead of the lockdown regulations in March 2020. This has been particularly felt by the South African business since the economy opened up, whereas the European regions are emerging from a third wave of COVID-19 infections. The lockdown regulations in Europe have contributed towards total group turnover with a strong performance for the wholesale and retail businesses in Ireland and South West England, as well as Switzerland. Poland has also contributed towards the growth in turnover due to the onboarding of SPAR retailers. While South Africa has been impacted by the high base effect in March 2020, the strong trading in the European regions has helped deliver topline growth of 7.5%.

Gross margin for the group has increased to 11.8%, up from 11.3% in the prior period, mainly driven by an improvement in gross profit margin for the SPAR Southern Africa region. **SPAR Southern Africa** gross margin increased to 10.1% from 9.3%, largely boosted by the newly acquired private label procurement business, SPAR Encore, contributing six months towards the result, compared with one month in the prior period (acquired March 2020). **BWG Foods** saw a decline in gross margin from 13.5% to 13.3% influenced by a change in sales mix with the decline in its foodservice business due to the closure of the hospitality industry during lockdown regulations, as well as an increase in lower margin goods such as liquor and tobacco. **SPAR Switzerland** gross margin has declined from 18.2% to 17.9%, largely impacted by a change in sales mix of lower margin categories supplied to the newly acquired petro-convenience stores with SSAG. SPAR Poland saw a decline in gross margin from 23.9% to 15.1% due to an investment in price to grow retailer loyalty, as well as a decline in the number of higher gross margin corporate retail stores in the current period.

Operating expenses for the group increased by 8.6%. **SPAR Southern Africa** expenses increased by 13.8% but this was significantly impacted by SPAR Encore as a result of the timing of its acquisition in the prior period. SPAR South Africa reported an increase of 7.5%. Employment costs increased by less than 5.0% largely influenced by savings in overtime and contract workers as volumes slowed. Computer costs increased by 35.4% to accommodate ongoing remote working, together with the initial SAP development. Advertising and promotional costs increased by 18.7% due to increased promotional activity across all of the brands. **BWG Foods** saw a decrease in operating expenses of 2.6% in EUR-denominated currency (+6.1% in reporting currency), supported by a reduction in selling and marketing costs and operational cost savings. Overall expenditure continues to be extremely well managed by this business. **SPAR Switzerland** contained operating expense growth to 1.6% in CHF-denominated currency (11.1% in reporting currency). Staff costs have remained relatively constant. An increase in distribution costs due to increased volumes relative to the prior period has been partially offset by savings in marketing costs. **SPAR Poland** has managed costs downwards by 17.5%, a 20.8% decline in PLN-denominated currency. This is due to the sale of retail stores to independent retailers, thereby reducing costs associated with these stores, as well as an improved impact arising on IFRS 16 due to lease modifications. Furthermore, there was a reduction in costs relating to the business rescue proceedings relative to the prior year period.

Operating profit for the group is up 28.1% to R1.7 billion (2020: R1.3 billion), fundamentally driven by exceptional performances by the Swiss and Irish businesses, for reasons provided above. **SPAR Southern Africa** delivered operating profit of R1.3 billion, an increase of 3.6%, boosted by SPAR Encore. The S Buys pharmaceutical business has made a small positive contribution. The wholesale model for the S Buys business has adapted from a regional to national distribution model, driving greater efficiencies, with a focus on Pharmacy at SPAR retailers. **BWG Foods** delivered operating profit growth of 27.2% in EUR-denominated currency (39.6% in reporting currency), boosted by a strong contribution from its corporate retail stores and strong performances from its retail brands in Ireland, against well managed expenses which reduced in EUR-denominated terms. **SPAR Switzerland** delivered operating profit growth of an extraordinary 132.2% in CHF-denominated currency (154.1% in reporting currency). In addition to well managed costs, this business has benefitted from growth in supply to the PAM/Edelweiss group of stores, as well as the SSAG acquisition. **SPAR Poland** has improved operational losses by 30.1% in PLN-denominated currency (27.2% in reporting currency), due to increased sales to its growing independent retailer base, as well as a reduction in expenses as mentioned above.

Profit before tax increased by 49.6% to R1.5 billion (2020: R1.0 billion). This has also been significantly impacted by the fair value adjustments, previously required for financial liabilities to settle the Irish minority interests, no longer required in the current period, as well as a 14.2% decline in net finance costs for the period, as the business benefitted from reduced interest rates.

GROUP FINANCIAL REVIEW (continued)

SUMMARY SEGMENT ANALYSIS (continued)

Diluted headline earnings increased 52.2% to 618.5 cents (2020: 406.5 cents). The difference between diluted headline and normalised diluted headline earnings per share is due to the final minority interests in both the Irish and Swiss businesses having been fully settled during the period, thereby reducing accounting adjustments for these financial liabilities. Normalised diluted headline earnings per share increased 34.4% and reflect the strong underlying performance of the group, fundamentally driven by the foreign regions.

Dividend per share increased 40.0% on the prior reporting period. The board has declared an interim dividend of 280 cents, having declared a conservative interim dividend of 200 cents per share in the prior period, given the uncertainties around the COVID-19 pandemic at the time.

Cash generated from operations totalled R1.5 billion (2020: R1.5 billion), in line with the prior period. Cash flow from investing activities saw an outflow of R594.9 million (2020: R974.0 million) to expand and maintain operations. The prior period included the acquisition of foodservice business Heaney Meats in Ireland, as well as a group of corporate stores in Ireland and South West England. Cash outflows from financing activities increased to R1.5 billion (2020: R1.0 billion) due to the repayment of borrowings. Financing activities also reflect a total of R2.0 billion paid during the period for the final settlement of both the Swiss and Irish minority shareholder interests. This was settled through increased borrowings. A total of R1.3 billion (2020: R1.0 billion) in dividends was paid to shareholders during the period. The group finished the period with a net overdraft of R1.9 billion (2020: R1.9 billion).

At period end, group net debt totalled R9.7 billion (2020: R11.1 billion) reflecting the strengthening of the rand against the euro and Swiss franc currencies. Approximately 95.0% of the group debt is foreign currency denominated (approximately 59.0% EUR-denominated and 36.0% CHF-denominated). Foreign currency borrowings are raised in and serviced by the relevant regions, thereby eliminating any foreign currency exchange risk for the Southern African company.

GEOGRAPHICAL REVIEW

TURNOVER*

Rmillion	Unaudited six months ended 31 March 2021	Unaudited six months ended 31 March 2020	% Change
SPAR – core grocery business	**31 911.9**	31 648.5	0.8
TOPS at SPAR/liquor sales	**3 844.9**	4 169.4	(7.8)
SPAR and TOPS at SPAR	**35 756.8**	35 817.9	(0.2)
Build it	**4 887.7**	3 871.7	26.2
SPAR South Africa	**40 644.5**	39 689.6	2.4
S Buys – pharmaceutical business**	**569.2**	546.8	4.1
SPAR Encore**	**258.5**	3.3	
Total Southern Africa	**41 472.2**	40 239.7	3.1
Ireland	**14 428.8**	12 736.7	13.3
Switzerland	**7 064.7**	5 808.6	21.6
Poland	**1 274.8**	964.4	32.2
Total group	**64 240.5**	59 749.4	7.5

* *Revenue from the sale of merchandise.*
** *Adjusted for intergroup sales.*

SPAR SOUTHERN AFRICA

Total wholesale turnover for SPAR Southern Africa increased by 3.1% to R41.5 billion (R40.2 billion) continuing to reflect the weaker consumer spend and disruptions to the liquor business. The core SPAR grocery business reported turnover growth of 0.8%. The business has seen changing consumer behaviour over the past 12 months due to the pandemic. It benefitted from increased home consumption with consumers choosing local, convenient and community-based SPAR stores during the initial strict lockdown. As lockdown measures were eased, consumers ventured back to restaurants as well as the larger shopping malls, where SPAR has low exposure, negatively impacting turnover during this period. This trend, coupled with the liquor trading restrictions, has attracted less customers for the overall 'weekend shop'. This has been particularly experienced by the smaller format stores.

The wholesale liquor business continued to be negatively impacted by the reduced retail hours and 72 lost trading days, representing 40.0% of the total retail trading days during the period. The liquor business has started to recover in the last quarter, with wholesale liquor sales declining by 7.8% for the six-month period.

During this period internally measured wholesale food inflation has risen to 5.2%. Case volumes handled through the six distribution centres reflect a decline in volumes from 126.0 million cases to 117.5 million cases.

Turnover from total house brands increased by 3.4% to R7.7 billion, representing 24.2% (2020: 23.6%) of core SPAR turnover. House brands comprises all internally generated brands, including home meal replacement offerings such as Chikka Chicken. It also includes the SPAR private label products, the products competing with the proprietary brands on shelf. SPAR private label products grew by 4.8%, representing 16.6% of core turnover. SPAR Encore assisted this growth by managing the procurement, packaging and distribution of products from independent manufacturers to our distribution centres. In keeping with the strategic emphasis on driving organic growth to support the profitability of existing retailers, in addition to private label execution, the business is focused on world-class retail concept execution to ensure that the retail offering remains relevant to the communities it serves.

GEOGRAPHICAL REVIEW (continued)

SPAR SOUTHERN AFRICA (continued)

The table below represents a comparison between the wholesale and retail turnover growth across the three divisions. For the SPAR core food business, there are no significant differences between wholesale and retail performance, which is a good indication of strong retailer loyalty. For TOPS at SPAR, the large negative growth differential between wholesale and retail can be explained by liquor returning to seven-day trading in the month of March and the stocking up of retail stores in advance of Easter, which fell in April.

COMPARISON OF SOUTHERN AFRICA WHOLESALE AND INDEPENDENT RETAIL TURNOVER GROWTH

	SPAR (groceries)			TOPS AT SPAR (liquor)			BUILD IT (building materials)		
Rbn	**For the six months ended 31 March 2021**	For the six months ended 31 March 2020	%	**For the six months ended 31 March 2021**	For the six months ended 31 March 2020	%	**For the six months ended 31 March 2021**	For the six months ended 31 March 2020	%
Wholesale	**31.9**	31.6	+0.8	**3.8**	4.2	-7.8	**4.9**	3.9	+26.2
Retail	**46.9**	46.7*	+0.4	**6.1**	7.4	-16.8	**8.4**	7.0	+19.6
Retail LFL			+0.2			-17.4			+18.7

* *Restated to include SPAR Express.*

The lockdown regulations with people working and learning from home have resulted in a reallocation of consumer spend towards home improvement. The consumer in this market remains surprisingly resilient and continued to invest in home improvements. The Build it business was well positioned to capture this opportunity and continued to outperform expectations with sales of building materials increasing by a remarkable 26.2%. Retailers have seen a pleasing uplift in sales through refurbishments of their stores, which has helped deliver strong like-for-like growth of 18.7%. The performance of this business is underpinned by a focus on retail execution to differentiate the brand and also the agility of the retailers and their ability to react quickly to customer needs.

BWG FOODS (IRELAND AND SOUTH WEST ENGLAND)

The third wave of COVID-19 infections caused Ireland to re-introduce stricter lockdown regulations during the period. This continued to have a severe impact on the cash & carry, as well as foodservice businesses. However, other than a small number of forecourt stores, business park stores and city-centre stores, the retail brands, EUROSPAR, SPAR, Londis, MACE, SPAR and XL have continued to perform strongly, offering retail excellence in neighbourhood convenience and more than offsetting the loss of turnover in hospitality and foodservice. The South West England based business, Appleby Westward has contributed positively towards the overall result through its retail network of stores that have also benefitted from consumers shopping at their neighbourhood stores during the lockdowns.

As of January 2021, Britain is no longer part of the European Union. The BWG Foods team have been preparing themselves for the challenges of Brexit. This required supplier interaction and scenario planning to help suppliers maintain existing in-bound service levels to BWG Foods' warehouses. Recognising the concerns of the independent retailers, the business provided regular updates and information at regional guild and council meetings for each of the retail brands. There has been minimal impact on both the cost of goods and the supply chains into Ireland to date. The retailers have been largely protected from any Brexit impact and have had almost no business disruption, with service levels to retail customers being maintained.

SPAR SWITZERLAND

Given the continuation of lockdown regulations in Switzerland, SPAR has continued to affirm its position in local convenience retailing, with a particular focus on fresh categories. The business also benefitted from the growth in supply of additional categories to the PAM/Edelweiss group of stores.

During the period, the business acquired SSAG, for a consideration of CHF10.6 million. SSAG operates 60 petro-convenience stores. The acquisition will enable SPAR Switzerland to generate sales growth at both wholesale and retail levels and strengthens the position of the SPAR brand in convenience retailing.

Despite the closure of restaurants, the TopCC cash and carry business has delivered a less than expected decline in turnover for the period of 3.5% in CHF-denominated currency, reflecting management's initiatives to maximise sales.

SPAR POLAND

While the business is behind on expectations, fundamentally related to COVID-19 setbacks, it has made steady progress during the six-month period. The business rescue proceedings have been finalised which will help stabilise the business in the coming months. The conversion of Piotr i Paweł stores is well under way with eight stores remaining to be converted to SPAR branding. Due to the closure of malls in line with lockdown regulations, trading at the mall-based stores has been impacted. The business continues to make steady progress across its supply chain especially in respect of fresh categories and is working closely with SPAR International on a range of private label products which will drive better value for consumers.

OUTLOOK

The impact of COVID-19 in the short to medium term remains uncertain and trading conditions are expected to remain challenging. Across all regions, the third quarter of the financial year will be impacted by the base effect of the prior year, which saw an extraordinary boost in grocery wholesale turnover due to a surge in home consumption, with consumers staying home due to lockdown regulations from March 2020 onwards. Conversely to this, certain categories in Southern Africa and revenue streams in the foreign regions will benefit from the effect of a low base.

In South Africa, consumer spending is expected to remain constrained. The business will focus on supporting the independent retailers through focused promotional and marketing initiatives, as well as growing the house brands offering, thereby securing better value for consumers. A strong pipeline of new stores and upgrades is planned across all formats, which will drive both total and organic growth. The COVID-19 regulations imposed on liquor and cigarettes may have disrupted the market for these categories indefinitely. Liquor sales should continue to show recovery against a weak comparative period unless further sales restrictions are enforced. While the Build it business is expected to perform strongly in the third quarter of the financial year, the continued high double-digit sales growth trajectory thereafter is uncertain due to the high base.

In Europe, lockdown measures are expected to ease during the summer months, which should enable some recovery for both the Irish hospitality and foodservice businesses, as well as the TopCC cash and carry business in Switzerland. These markets are also expected to benefit from people staying home for their summer holidays. Conversely to this, we expect a potential decline in home consumption impacting the retail stores as consumers venture back to restaurants during the summer months, or change their shopping habits.

The Polish business is focused on driving retailer loyalty and achieving breakeven. The finalisation of the business rescue process is a significant step in stabilising this business. Despite the setbacks while launching this business, we expect to make steady progress in the months ahead, which should benefit from an easing of lockdown regulations during the summer months.

Although uncertainty remains, the group benefits from its diversity, demonstrating its robustness against adverse cycles brought on by the pandemic and remains resilient during these disruptive times. At the core, is SPAR's extensive distribution and logistics capability, market-leading brands and overall support of independent retailers and this ensures that we remain suitably positioned to deliver strong profitability.

Graham 'O Connor
Chairman

Brett Botten
Chief Executive Officer

25 May 2021

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that an interim gross cash dividend of 280 cents (2020: 200 cents) per share has been declared by the board in respect of the six months ended 31 March 2021. The dividend has been declared out of income reserves.

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

Last day for ordinary shares to trade *cum*-dividend:	Tuesday, 8 June 2021
Shares to commence trading ex-dividend:	Wednesday, 9 June 2021
Record date:	Friday, 11 June 2021
Payment of dividend:	Monday, 14 June 2021

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 9 June 2021 and Friday, 11 June 2021, 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 224 cents per share for shareholders liable to pay tax on dividends, and 280 cents per share for shareholders exempt from such dividend tax
- The issued share capital of The SPAR Group Ltd is 192 602 355 ordinary shares
- The SPAR Group Ltd's tax reference number is 9285/168/20/0

By order of the board

KJ O'Brien
Acting Company Secretary

Pinetown
25 May 2021

CORPORATE INFORMATION

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(Independent non-executive) (** Non-executive)*

Acting Company Secretary: KJ O'Brien

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JSE share code: SPP

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