THE SPAR GROUP LTD

2023

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

SALIENT FEATURES

R72.9 billion
Group turnover[1]
+7.9% (2022: R67.6 billion)

R1.5 billion
Operating profit
-17.5% (2022: R1.8 billion)

447.7 cents
Diluted headline earnings per share
-30.2% (2022: 641.1 cents)

5 576.0 cents
Net asset value per share
+27.5% (2022: 4 373.9 cents)

+58 stores
Net new stores

[1] *Turnover represents revenue from the sale of merchandise.*

CONTENTS

COMMENTARY

SUMMARY OF KEY INFORMATION

SPAR GROUP

- SPAR delivered turnover growth of 7.9% to R72.9 billion

SPAR SOUTHERN AFRICA

- Total turnover growth of 5.6%
  - Combined core grocery and liquor turnover growth of 6.5%, with grocery and liquor sales both impacted by the SAP software go-live challenges experienced at the KwaZulu-Natal distribution centre
    - SPAR grocery business increased sales by 7.9%; boosted by a solid private label performance
    - TOPS at SPAR liquor sales declined by 1.9%, primarily impacted by the high level of sales experienced in the prior comparative period, due to the easing of the COVID-19 liquor trading restrictions in September 2021
  - Despite the continued slowdown in the building sector, Build it continues to lead the market and delivered a credible performance with turnover declining by 3.8%
  - SPAR's growing pharmaceutical business, S Buys, increased turnover by 20.0%, driven by growing rates of Pharmacy at SPAR retailer loyalty and an increase in the number of high-value prescriptions

BWG GROUP (IRELAND AND SOUTH WEST ENGLAND)

- Both markets continued to record strong performances with turnover increasing by 8.8% (EUR-denominated) and by 15.1% (ZAR-denominated)

SPAR SWITZERLAND

- Due to the continued decline in volumes across the market, exaggerated by the loss of retail sales due to the transfer of a group of corporate stores to independent retailers during 2022, this region delivered a decline in turnover of 4.3% in CHF-denominated terms but increased by 6.9% in ZAR-denominated terms

SPAR POLAND

- Turnover increased by 4.9% (PLN-denominated) and 9.3% (ZAR-denominated), despite being adversely impacted by the loss of sales from 58 retailers who left SPAR in July 2022

SALIENT FEATURES

Rmillion		**Unaudited six months ended 31 March 2023**	Unaudited six months ended 31 March 2022	% change
Turnover[1]		**72 924.6**	67 605.2	7.9
Operating profit		**1 512.0**	1 832.0	(17.5)
Earnings per share	(cents)	**425.3**	605.5	(29.8)
Headline earnings per share	(cents)	**447.9**	642.6	(30.3)
Diluted headline earnings per share	(cents)	**447.7**	641.1	(30.2)
Dividend per share	(cents)	**–**	175.0	–
Net asset value per share	(cents)	**5 576.0**	4 373.9	27.5

[1] *Turnover represents revenue from the sale of merchandise.*

The weighted average number of ordinary shares (net of treasury shares) is 192 396 218 (2022: 192 440 366). In respect of diluted headline earnings per share the average number of ordinary shares (net of treasury shares) is 192 484 047 (2022: 192 888 881).

PERFORMANCE OVERVIEW

SPAR delivered a commendable trading performance amid challenging environments. Turnover for the group increased by 7.9% to R72.9 billion. Over the past 12 months, all regions have come under considerable inflationary cost pressures. The cost pressures, coupled with SAP software go-live challenges at the KwaZulu-Natal distribution centre (KZN DC) and subsequent loss of turnover during the latter half of the period, resulted in a decline in operating profit of 17.5% to R1.5 billion. Due to rising interest rates across all geographies, finance costs on debt and overdrafts have increased relative to the prior comparative period. Diluted headline earnings per share declined by 30.2% to 447.7 cents. In light of the challenges, the board of directors (board) believes it prudent not to declare an interim dividend.

SPAR Southern Africa reported an increase in turnover of 5.6%, which was negatively impacted by a constrained consumer environment exacerbated by high levels of electricity loadshedding, the high base effect of liquor sales in the prior comparative period, the loss of turnover from the SAP software go-live challenges experienced at the KZN DC, as well as a weaker trading performance from Build it. The SPAR core grocery business reported sales growth of 7.9% against internally measured wholesale price inflation of 10.8%. SPAR's on demand shopping platform, SPAR2U, was available in 234 sites at the end of March 2023. TOPS at SPAR liquor business reported a decline in wholesale turnover of 1.9% for the period (against extraordinary growth of 41.6% in the prior comparative period). On a combined basis, core grocery and liquor turnover increased by 6.5% for the period. Build it reported a decline in turnover of 3.8%, which is reflective of the intense slowdown in the building sector, with the manufacturing of building materials severely impacted by the increased levels of electricity loadshedding. The pharmaceutical business, S Buys Pharmacy at SPAR, continued to deliver excellent sales performances from both Pharmacy at SPAR and Scriptwise (specialised pharmacy), delivering 20.0% turnover growth for the period.

BWG Group (Ireland and South West England) delivered another strong trading performance with turnover increasing by 8.8% for the period in EUR terms, and 15.1% in ZAR terms. Both markets experienced the continued challenges brought on by consumers dealing with higher costs of living, driven by ongoing food price inflation, higher interest rates and energy costs. In Ireland, all retail brands performed strongly. The foodservices business was boosted by a full recovery of the hospitality sector, which was restricted for parts of the prior comparative period due to the COVID-19 pandemic restrictions. Furthermore, recently acquired small wholesale businesses were successfully integrated during the period, adding to the positive performance in this region. In the United Kingdom, Appleby Westward's corporate retail division benefitted from the acquisition of stores during the period, and the wholesale business reported solid growth.

SPAR Switzerland's turnover declined by 4.3% in CHF terms (increased by 6.9% in ZAR terms) against the prior comparative period. Food retailers across Switzerland remain under pressure due to continued loss of volumes relative to the extraordinary gains made during the pandemic when the Swiss borders were closed. Wholesale turnover increased by 2.0% in CHF terms, impacted by the transfer of petro-convenience corporate stores to independent retailers during 2022. Owing to the contraction in the restaurant industry caused by high costs of energy, goods and labour, coupled with consumers eating out less, turnover from the TopCC cash and carry business was adversely impacted and declined by 2.6% in CHF terms.

SPAR Poland made considerable progress during the period. The extension of the distribution centre in Czeladz was completed and the benefits of the extended range have been well received by retailers. SPAR Poland delivered turnover growth of 4.9% in PLN terms (9.3% in ZAR terms), compared to the prior comparative period. SPAR's strategy to invest in price has been well received by retailers, improving SPAR's competitiveness in the marketplace and against the backdrop of very high inflation which continues to place pressure on consumer disposable income. The growth in retailer loyalty and reduction in operating loss is encouraging. Retailer loyalty for the country has improved from 48% to 60% at period end.

GROUP FINANCIAL REVIEW

Summary segment analysis

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The Spar Group Ltd
Profit/(loss)					
Turnover[1]	**47 101.8**	**17 102.5**	**7 337.1**	**1 383.2**	**72 924.6**
Gross profit	**4 698.7**	**2 551.9**	**1 286.9**	**278.4**	**8 815.9**
Gross profit margin %	**10.0**	**14.9**	**17.5**	**20.1**	**12.1**
Operating profit/(loss)	**1 022.8**	**436.7**	**110.0**	**(57.5)**	**1 512.0**
Operating margin %	**2.2**	**2.6**	**1.5**	**(4.2)**	**2.1**
Profit/(loss) before taxation	**918.7**	**314.3**	**57.6**	**(114.7)**	**1 175.9**
Financial position					
Total assets	**28 134.4**	**17 471.1**	**12 338.2**	**2 491.1**	**60 434.8**
Total liabilities	**22 948.1**	**13 734.4**	**9 670.6**	**3 353.7**	**49 706.8**

[1] *Turnover represents revenue from the sale of merchandise.*

Turnover for the group, representing revenue from the sale of merchandise, increased by 7.9% to R72.9 billion (2022: R67.6 billion). This is an overall robust trading performance, given the challenging conditions faced during the period. Foreign currency denominated turnover contributed 35.4% (2022: 34.0%) of reported ZAR turnover with operations in the following regions: Ireland and South West England (EUR-denominated), Switzerland (CHF-denominated) and Poland (PLN-denominated).

Gross profit margin for the group increased to 12.1%, up from 11.9% in the prior comparative period. Despite persistent high inflationary price increases, high commodity input prices and supply chain challenges, SPAR Southern Africa delivered a slight improvement in gross profit margin from 9.9% to 10.0%. BWG Group increased its overall gross margin from 14.1% to 14.9% driven by a change in product mix with an increase in the sales of impulse purchases such as confectionary and soft drinks. SPAR Switzerland's gross margin has declined from 18.6% to 17.5%, due to the decrease in the proportion of higher margin retail sales due to lower volumes, but also the transfer of corporate retail stores to independent retailers. SPAR Poland has increased its gross margin from 18.2% to 20.1%, predominantly driven by improved terms with suppliers.

Operating expenses for the group increased by 14.7% to R8.7 billion.

SPAR Southern Africa's expenses increased by 17.2%. Within this, the major cost drivers during the period were employee costs, IT costs, marketing costs, and fuel and distribution costs. Fuel and distribution costs increased by 26.9%, due to the increase in the fuel price and increased diesel consumption due to electricity load shedding. Employee costs increased by 9.1%, IT costs increased by 50.8% and marketing costs increased by 19.2%, mainly due to the execution of strategic imperatives and digital transformation initiatives. IT costs include increases in cloud-based licensing and additional operational costs required for the SAP software implementation. Marketing costs include the increase in advertising and promotional costs to assist retailers in driving deep value promotions across all brands, but also the increased activity to promote SPAR2U, SPAR's on demand shopping platform which reached the necessary scale in terms of number of sites during the period. This platform continues to receive positive reviews from consumers. Operating expenditure was adversely impacted by the increase in provision for bad debts during the period, demonstrating the continued financial pressure on SPAR retailers due to the impact of higher levels of electricity loadshedding.

BWG Group's operating expenses increased by 15.5% in EUR-denominated currency and 22.2% in ZAR terms, attributable to increases in fuel and energy costs, but also labour costs, owing to the ongoing labour challenges in both Ireland and the United Kingdom.

SPAR Switzerland's operating expenses decreased by 3.5% in CHF-denominated terms but increased by 7.9% in ZAR terms. The increase in fuel and energy costs due to persistent inflationary pressures was however, offset by the transfer of corporate retail stores to independent retailers during 2022, thereby reducing the costs to run these stores versus the prior comparative period.

SPAR Poland's operating costs declined by 17.0% in PLN-denominated currency and 13.6% in ZAR terms, benefitting from a foreign exchange gain in the current period versus a loss in the prior comparative period arising on the retranslation of all EUR-denominated leases and loans held. The major cost drivers during the period can be attributed to increases in fuel and energy costs, as has been the case across much of Europe.

Operating profit for the group declined considerably during the period, by 17.5% to R1.5 billion (2022: R1.8 billion). Across all regions, cost increases could not be restricted in line with lower-than-expected turnover growth.

SPAR Southern Africa delivered operating profit of R1.0 billion, a decrease of 28.0% against the prior comparative period.

Despite the increases in fuel, energy and labour costs across both markets, the BWG Group reported an increase in operating profit of 5.8% in local currency and 12.0% in ZAR terms to R436.7 million.

SPAR Switzerland delivered an operating profit of R110.0 million. Operating profit declined 41.5% in ZAR terms and 47.6% in CHF-denominated currency.

SPAR Poland delivered a reduction in operating losses of 65.3% in ZAR terms and 66.7% in PLN-denominated terms during the period, delivering an operating loss of R57.5 million.

Profit before tax for the group is R1.2 billion (2022: R1.6 billion), down 28.4% on the prior comparative period, fundamentally driven by the increase in interest rates globally which has caused a significant increase in finance costs arising on the group's foreign denominated debt and overdraft facilities in South Africa. Profit after tax declined by 28.8% to R853.6 million (2022: R1 198.9 million).

Headline earnings per share declined by 30.3% to 447.9 cents (2022: 642.6 cents) and diluted headline earnings declined by 30.2% to 447.7 cents (2022: 641.1 cents).

Group net debt for covenant purposes totalled R12.8 billion. As at 30 September 2022, group net debt totalled R9.8 billion. The increase in net debt of R3.0 billion between year end and the interim period end, reflects the increase in the net overdraft position in South Africa of R1.7 billion, predominantly relating to the working capital cash flow impact of SAP go-live challenges at the KZN distribution centre and financial support extended to SPAR Poland. The increase in net debt, also reflects an increase in foreign denominated borrowings of R1.3 billion due to the foreign exchange impact upon translation of the foreign denominated borrowings into reporting currency and increased foreign debt to fund capital expenditure in Switzerland and acquisitions in Ireland. Group net debt includes group borrowings of R8.5 billion (2022: R7.6 billion). Most of the of the group borrowings are foreign currency denominated, with 60.4% EUR-denominated and 37.8% CHF-denominated, in ZAR terms.

As at September 2022, the bank covenant measures remained well within the levels required by SPAR's financiers. However at 31 March 2023, owing to the weakening of the rand and translation of foreign debt into reporting currency (ZAR), coupled with lower than expected profitability due to, *inter alia*, cost increases that could not be restricted in line with lower-than-expected turnover growth, there was a breach of the group's leverage (pre-IFRS 16 net debt/EBITDA) covenant. Our financiers have approved a waiver of SPAR's breach of the group leverage covenant.

GEOGRAPHICAL OPERATIONAL REVIEW

SPAR Southern Africa

SPAR Southern Africa reported wholesale turnover growth of 5.6% to R47.1 billion (2022: R44.6 billion). Turnover for the core SPAR grocery business increased by 7.9% to R36.0 billion (2022: R33.4 billion) for the period, with internally measured wholesale inflation of 10.8%. The core business delivered an encouraging performance in the first four months of the period. The constrained high-inflationary consumer environment, coupled with the SAP integration challenges at KZN, impacted volumes during the period. Grocery and liquor case volumes handled through the six distribution centres reflect a decrease in volumes of 4.6% from 122.2 million cases to 116.6 million cases.

Significant progress has been made in respect of an accelerated growth plan in Southern Africa, in terms of marketing, omnichannel and retail excellence. One of the key focus areas has been the revival of SPAR's bakery and freshline range of products with SPAR Encore, which commenced last year. During the period, the Competition Commission approved the acquisition of the remaining stake in SPAR Encore. The completion of this transaction streamlines the structure of our private label business and the teams have now been fully integrated. Certain private label manufacturers were significantly impacted by the civil unrest in 2021 and were only fully operational by March 2022, which has enabled a recovery in certain private label products such as the processed meat category.

Turnover from house brands (all internally generated brands) increased by 9.6% to R8.9 billion, representing 24.7% (2022: 24.3%) of core SPAR turnover. Included within house brands are the SPAR private label products which delivered an increase in turnover of 10.0% during the period, representing 16.5% of core turnover (2022: 16.5%).

SPAR's on demand shopping offering, SPAR2U scaled to 234 sites at the end of the first half. This is excellent progress compared with 87 sites as at 30 September 2022.

Across all SPAR grocery formats there were 1 098 stores (2022: 1 081 stores) at period end.

TOPS at SPAR liquor sales saw a decline from the extraordinary level of sales seen in the prior comparative period due to the COVID-19 dynamics and liquor restrictions easing in September 2021. TOPS at SPAR has the most liquor retail outlets in South Africa, ending the period with 898 stores (2022: 879 stores). Turnover declined by 1.9% to R5.3 billion (2022: R5.4 billion).

Build it continues to be impacted by market-related dynamics. The performance of this business is linked to the strength of its supply chain and its focus on quality building material, coupled with in-store retail excellence. There has been an increase in independent retailers selling inferior imported goods which is impacting the sector. The more recent slowdown can be attributed to the unprecedented levels of electricity loadshedding experienced during the period and the impact this has had on the manufacturing sector, causing continued inflationary pressures on building materials. There has also been a slowdown in the demand for building, due to the rise in living costs. Build it delivered a decline in turnover of 3.8% to R4.8 billion (2022: R5.0 billion). At the end of March, Build it had 403 stores (2022: 404 stores).

The S Buys pharmaceutical business delivered another strong sales performance. Turnover increased by 20.0% to R729.4 million (2022: R607.7 million), supported by growth in both Scriptwise (specialist pharmacy) and the Pharmacy at SPAR businesses. There were 150 (2022: 145) Pharmacy at SPAR stores at period end.

Comparison of wholesale and retail turnover growth – Southern Africa

The table below summarises the wholesale and retail sales growth comparison across the groceries, liquor and building materials segments in Southern Africa.

	SPAR CORE (Groceries)			TOPS AT SPAR (Liquor)			BUILD IT (Building materials)		
Rbillion	**For the six months ended March 2023**	For the six months ended March 2022	%	**For the six months ended March 2023**	For the six months ended March 2022	%	**For the six months ended March 2023**	For the six months ended March 2022	%
Wholesale	**36.0**	33.4	7.9	**5.3**	5.4	(1.9)	**4.8**	5.0	(3.8)
Retail	**52.5**	48.5	8.2	**9.2**	8.9	3.4	**8.8**	8.7	1.1
Retail LFL			6.8			1.3			(1.2)

Impact of loadshedding in South Africa

South Africa experienced unprecedented levels of electricity loadshedding during the period. This had a direct impact on the trading performance and profitability of our retailers. Higher levels of loadshedding are expected to impact retailer profitability due to the additional energy costs associated with back-up solutions required during loadshedding hours. Our retailers have experienced a significant increase in operating costs, primarily driven by the increased cost of diesel required to run generators during the higher levels of loadshedding, coupled with higher repairs and maintenance costs, and product wastage, as generators occasionally fail under extended periods of usage. SPAR estimates the added cost of diesel incurred by our retailers required to run generators during the period, amounted to more than R700 million. The SPAR retailers have access to funding for generators, batteries and other machinery through the SPAR Guild development fund and other SPAR arranged funding.

SPAR's distribution centres continue to benefit from modern solar energy installations. This equipment has assisted in the management of energy costs, however it is not sufficient to deal with the full impact of loadshedding. During the period, SPAR's costs for diesel, to run generators, has more than tripled when measured against the prior comparative period, albeit nowhere near the costs borne at retail. Whilst the SPAR retailers carry the majority of the loadshedding-related costs, the wholesale business is impacted by the resulting financial pressure experienced by our retailers.

BWG Group (Ireland and South West England)

The BWG Group continues to deliver strong performances, despite the marketplace challenges, specifically persistent inflationary cost pressures in fuel and energy costs, and labour shortages across both markets. Turnover increased by 8.8% in EUR-denominated terms and 15.1% in ZAR terms to R17.1 billion (2022: R14.9 billion).

BWG Foods in Ireland enjoyed a strong performance across all its convenience food retail brands including, SPAR Express, SPAR, EUROSPAR, Londis, Mace and XL. The hospitality sector has fully recovered post pandemic, driving positive performances in foodservices and by the Value Centre cash and carry business. Small wholesale business acquisitions which have been successfully integrated into the business, positively impacted the turnover performance. Management confirmed the strategy for the EUROSPAR format during the period, competing in the supermarket sector. This sector remains highly competitive and is dominated by four large players. Feedback from retailers in respect of the new strategy has been well received. At period end, BWG Foods had 1 103 stores (2022: 1 094 stores).

In South West England, Appleby Westward has managed to keep price inflation to a minimum which has delivered benefits in terms of customer retention and recruitment. Pricing versus all main competitors has improved in both the retail and wholesale operations in this region. Appleby Westward also benefitted from the growth in company owned stores again this period. At period end, the business in South West England had 346 stores (2022: 345 stores), consisting of 134 corporate retail stores and 212 independent retailer stores.

SPAR Switzerland

In reporting currency SPAR Switzerland delivered an increase in turnover of 6.9% to R7.3 billion (2022: R6.9 billion). However, turnover declined by 4.3% in CHF-denominated currency. Against the same period in 2019, before the onset of the COVID-19 pandemic, the Swiss business increased turnover by 9.1% in local currency terms.

In 2021, SPAR Switzerland acquired Store Services AG, the operator of 60 petro-convenience stores located on Avia fuel courts. The majority of these stores were subsequently rebranded as SPAR Express stores and transferred to independent retailers over the course of 2022, resulting in the loss of retail turnover in the current period versus the prior comparative period, and hence the decline in turnover in local currency, as we have effectively lost the retail margin on this business. Wholesale turnover was also impacted by the transfer of these stores and increased by 2.0% in local currency during the period. Volumes have decreased due to an increase in cross border shopping as the borders reopened post the COVID-19 pandemic restrictions. Inflationary pressures in Switzerland have increased cross border shopping levels as well.

SPAR Switzerland had 373 stores (2022: 372 stores) at period end.

Turnover from the TopCC cash and carry business declined by 2.6% (in CHF terms), due to the contraction of the local gastronomy sector but also a reduction in the number of small businesses that TopCC used to cater to.

SPAR Poland

SPAR Poland delivered turnover growth of 4.9% in PLN-denominated currency. In ZAR terms, turnover increased by 9.3% to R1.4 billion (2022: R1.3 billion). Inflation has surged in Poland over the last two years, primarily due to the war in Ukraine.

Management has achieved significant improvements in the three strategic focus areas as set out at the beginning of the period; gross profit margin, retailer loyalty growth and store expansion. Retailer loyalty for the whole region increased from 48% to 60% during the period owing to the improved loyalty levels in the south of the country. The retailers in the south are benefitting from the improved and extended product range, as a result of the expanded distribution centre in Czeladz, which was completed during the period. The changes to the distribution network have helped streamline logistics and increase efficiencies.

The low levels of business confidence in the region due to geopolitical uncertainty with the Ukrainian war persisting on its border resulted in the store expansion programme progressing slower than expected. Seventeen new stores were opened during the period and the business remains on track for its target of 45 new stores for the period. Ten non-performing independent stores were closed during the period. SPAR Poland had 187 stores (2022: 180 stores) at period end.

FOCUS ON GOVERNANCE

Shareholders are hereby reminded of the changes to the board, which took place during the reporting period and the board is pleased to report the progress in respect of the composition of the board in line with the King IV code on corporate governance. In December, a new independent non-executive director was appointed chairman, currently acting as executive chairman until a group CEO has been appointed. In February, one long-serving independent non-executive director stepped down and a non-executive director and the group CEO retired. The process to find a new group CEO is well underway and the board is conscious of the uncertainty caused during this period. The executive chairman continues to fulfil an important role supported by the chairman's committee in supporting the country CEOs and addressing the group opportunities and challenges. Two new independent non-executive directors were appointed, selected for their specific skillsets. In May, SPAR also appointed a new company secretary, dedicated to supporting the board and committees in further elevating governance within the group. The former company secretary will focus on environmental, socio-economic and other governance matters as SPAR's dedicated ESG executive, driving SPAR's commitment to the future of our brand and our planet. An independent non-executive director has been appointed deputy chair of the board.

UPDATE ON GROUP SAP IMPLEMENTATION

The group commenced the launch of its new SAP software system at the South African central office in October 2022. The distribution centre in KZN was the first regional distribution centre to launch SAP, thereby limiting any risk to the rest of the regions in doing so. The go-live at KZN commenced during February 2023. The transition to SAP has resulted in various go-live and integration issues, negatively impacting distribution operations in KZN. This has caused interruptions in stock deliveries to our retailers' stores, resulting in reduced service levels and has had a significant impact on retailer loyalty in this region. Actions have been taken to improve supply to our retailers' stores, including servicing these stores from our Eastern Cape, South Rand and North Rand distribution centres, direct to store deliveries, as well as the increased use of supplier dropshipment channels. The estimated impact of SAP go-live issues at KZN amounts to R786 million of lost wholesale turnover during the period.

SPAR is resolving these issues with the assistance of SAP specialists and operational performance is improving. The various go-live issues are being resolved and the priority remains to improve order fulfilment to ensure more predictable and consistent supply to our retailers in this region. Once service levels have improved to a satisfactory level on the reduced retailer base, KZN will take back the servicing of the rest of its stores from the neighbouring distribution centres.

The roll out of SAP has been delayed in other regions until all issues at the KZN DC have been completely and satisfactorily resolved.

SHAREHOLDER DISTRIBUTION

Recognising the challenges facing the group, the board believes it is prudent not to declare an interim dividend for the period ended 31 March 2023 (2022: 175.0 cents per share). The board will revisit this decision going forward, taking into consideration the prevailing macro and operating conditions at the time. Returning capital to shareholders in the form of dividends and responsible capital allocation remains a priority for the board.

OUTLOOK

In Southern Africa, management remain focused on strategic growth areas to drive turnover, and have seen a positive uptick in sales post the period end. While conditions are expected to remain tough, management is taking action to reduce the impact thereof and will continue to attract consumers through real value house brand offerings. SPAR's new strategy for private label is being launched. Resolving all outstanding SAP software implementation challenges remains an urgent priority for the business and for our retailers in the KZN region. Operational and capital expenditure discipline and improved working capital are critical focus areas for management.

In the European regions, the summer months are traditionally positive months for retail trading and hospitality sector growth. BWG Group plans to build on the momentum delivered during the first half of the financial year across both markets and will focus on the execution of its new EUROSPAR supermarket strategy in Ireland. The Swiss team is focused on growth through new business opportunities, and strict cost discipline to improve profitability will be key in the months ahead. The board is considering business options in Poland and will announce its decision in due course.

Given the cost pressures across all markets, retailer profitability remains a key focus for all management teams. SPAR retailers are resilient. We salute them for facing these challenges and playing a positive role within their communities, while continuing to operate against headwinds that remain outside of their control. We will continue to provide the necessary support they need during these testing times and remain focused on the opportunities identified.

The board is positive about the future of the SPAR business.

Mike Bosman
Executive Chairman

Mark Godfrey
Chief Financial Officer

Date of release on SENS: 14 June 2023

CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion		% Change	Unaudited six months ended March 2023	Unaudited six months ended March 2022	Audited Year ended September 2022
Revenue – sale of merchandise		7.9	**72 924.6**	67 605.2	135 609.1
Cost of sales			**(64 108.7)**	(59 578.4)	(119 310.1)
Gross profit		9.8	**8 815.9**	8 026.8	16 299.0
Revenue – other			**1 301.8**	1 300.8	2 727.5
Other income			**142.1**	130.4	298.7
Net operating expenses		14.7	**(8 747.8)**	(7 626.0)	(15 896.5)
Operating profit		(17.5)	**1 512.0**	1 832.0	3 428.7
Other non-operating items			**(6.8)**	(3.3)	(9.1)
Finance income			**299.9**	291.4	599.0
Finance costs			**(630.3)**	(484.2)	(984.2)
Share of equity-accounted associate profits			**1.1**	5.5	7.3
Profit before taxation		(28.4)	**1 175.9**	1 641.4	3 041.7
Taxation			**(322.3)**	(442.5)	(821.9)
Profit after taxation		(28.8)	**853.6**	1 198.9	2 219.8
Attributable to:					
Equity holders of the company		(29.8)	**818.2**	1 165.2	2 152.0
Non-controlling interests			**35.4**	33.7	67.8
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of post-retirement medical aid					(0.3)
Deferred tax relating to remeasurement of post-retirement medical aid					0.1
Remeasurement of retirement funds			**20.1**	105.8	551.0
Deferred tax relating to remeasurement of retirement funds			**(1.7)**	(14.7)	(76.3)
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) differences from translation of foreign operations			**280.6**	(170.1)	374.2
Total comprehensive income		2.9	**1 152.6**	1 119.9	3 068.5
Attributable to:					
Equity holders of the company			**1 117.2**	1 107.4	3 000.7
Non-controlling interests			**35.4**	12.5	67.8
Earnings per share					
Basic	(cents)	(29.8)	**425.3**	605.5	1 118.2
Diluted	(cents)	(29.6)	**425.1**	604.1	1 116.9

CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

Rmillion	Unaudited six months ended March 2023	Unaudited six months ended March 2022	Audited Year ended September 2022
ASSETS			
Non-current assets	**32 839.5**	28 594.5	31 132.5
Property, plant and equipment	**9 990.5**	7 982.0	8 996.7
Right-of-use assets	**8 507.4**	7 502.4	8 320.5
Lease receivable	**4 738.3**	5 112.8	5 006.8
Goodwill and intangible assets	**8 290.5**	6 734.9	7 575.6
Investment in associates and joint ventures	**154.1**	87.2	130.7
Other investments	**15.8**	14.5	15.7
Operating lease receivable	**8.1**	7.9	8.2
Loans and other receivables	**842.0**	769.9	777.2
Block discounting loan receivable	**33.1**	118.0	47.5
Deferred taxation asset	**259.7**	264.9	253.6
Current assets	**27 572.4**	24 100.4	25 962.8
Inventories	**7 265.3**	6 001.4	6 554.0
Trade and other receivables	**17 780.3**	15 672.3	16 881.5
Prepayments	**284.1**	268.1	257.4
Loans and other receivables	**162.6**	171.0	207.2
Current portion of block discounting loan receivable	**37.9**	40.0	53.8
Income tax receivable	**29.2**	13.6	
Current portion of lease receivable	**935.4**	903.3	896.1
Cash and cash equivalents – SPAR	**762.2**	763.5	862.0
Cash and cash equivalents – Guilds and trusts	**315.4**	267.2	250.8
Assets held for sale	**22.9**	26.5	22.9
Total assets	**60 434.8**	52 721.4	57 118.2
EQUITY AND LIABILITIES			
Capital and reserves	**10 728.0**	8 417.2	10 009.1
Stated capital	**2 231.5**	2 231.5	2 231.5
Treasury shares	**(2.9)**	(28.6)	(30.9)
Reserves	**1 199.6**	399.2	937.1
Non-controlling interests	**261.0**	193.4	226.7
Retained earnings	**7 038.8**	5 621.7	6 644.7
Non-current liabilities	**21 128.2**	19 797.0	20 792.4
Deferred taxation liability	**464.2**	346.2	435.5
Post-employment benefit obligations	**227.5**	702.0	248.8
Long-term borrowings	**7 508.8**	6 327.4	7 041.9
Block discounting loan payable	**33.6**	118.9	48.4
Lease liability	**12 894.1**	12 302.5	13 017.8
Current liabilities	**28 578.6**	24 507.2	26 316.7
Trade and other payables	**20 396.8**	18 404.5	20 553.1
Current portion of financial liabilities		52.9	54.4
Current portion of long-term borrowings	**1 028.4**	460.8	554.7
Current portion of block discounting loan payable	**39.4**	42.9	55.6
Current portion of lease liability	**2 044.2**	1 949.5	1 976.6
Provisions	**56.3**	27.2	45.9
Income tax payable	**34.2**	60.2	63.4
Bank overdrafts	**4 979.3**	3 509.2	3 013.0
Total equity and liabilities	**60 434.8**	52 721.4	57 118.2

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
Balance at 30 September 2021	2 231.5	(13.3)	332.1	299.3	5 406.9	(26.8)	(28.2)	177.6	8 379.1
Profit for the period					1 165.2			33.7	1 198.9
Remeasurement of retirement funds					91.1				91.1
Recognition of share-based payments				9.9					9.9
Take-up of share options		11.0		(5.3)					5.7
Transfer arising from take-up of share options				5.3	(5.3)				–
Settlement of share-based payments		21.7		(17.0)	(4.7)				–
Treasury shares acquired		(48.0)							(48.0)
Dividends paid					(1 031.5)			(17.9)	(1 049.4)
Exchange rate translation			(170.1)						(170.1)
Balance at 31 March 2022	2 231.5	(28.6)	162.0	292.2	5 621.7	(26.8)	(28.2)	193.4	8 417.2
Profit for the period					986.8			34.1	1 020.9
Remeasurement of post-retirement medical aid					(0.2)				(0.2)
Remeasurement of retirement funds					383.6				383.6
Recognition of share-based payments				(11.8)					(11.8)
Take-up of share options		6.3		(2.3)					4.0
Transfer arising from take-up of share options				2.3	(2.3)				–
Settlement of share-based payments		3.0		5.4	(8.4)				–
Treasury shares acquired		(11.6)							(11.6)
Dividends paid					(336.5)			(0.8)	(337.3)
Exchange rate translation			544.3						544.3
Balance at 30 September 2022	**2 231.5**	**(30.9)**	**706.3**	**285.8**	**6 644.7**	**(26.8)**	**(28.2)**	**226.7**	**10 009.1**
Profit for the period					**818.2**			**35.4**	**853.6**
Remeasurement of retirement funds					**18.4**				**18.4**
Recognition of share-based payments				**10.7**					**10.7**
Take-up of share options		**36.6**		**(9.3)**					**27.3**
Transfer arising from take-up of share options				**9.3**	**(9.3)**				**–**
Settlement of share-based payments		**28.5**		**(28.8)**	**0.3**				**–**
Treasury shares acquired		**(37.1)**							**(37.1)**
Dividends paid					**(433.5)**			**(1.1)**	**(434.6)**
Exchange rate translation			**280.6**						**280.6**
Balance at 31 March 2023	**2 231.5**	**(2.9)**	**986.9**	**267.7**	**7 038.8**	**(26.8)**	**(28.2)**	**261.0**	**10 728.0**

CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

Rmillion	Notes	Unaudited six months ended March 2023	Unaudited six months ended March 2022	Audited Year ended September 2022
CASH FLOWS FROM OPERATING ACTIVITIES		**(317.8)**	273.2	2 444.3
Operating profit before:		**1 512.0**	1 832.0	3 428.7
Non-cash items		**1 190.4**	1 083.0	2 331.1
Impairment of goodwill		**29.2**	46.3	46.3
Net loss on disposal of property, plant and equipment (PPE)		**12.9**	10.9	10.5
Net working capital changes		**(1 937.4)**	(1 033.0)	(789.7)
– Increase in inventories		**(455.8)**	(827.8)	(1 049.0)
– Increase in trade and other receivables		**(645.0)**	(811.9)	(2 196.4)
– (Decrease)/increase in trade payables and provisions		**(836.6)**	606.7	2 455.7
Cash generated from operations		**807.1**	1 939.2	5 026.9
Finance income received		**305.9**	275.6	566.5
Finance costs paid		**(616.5)**	(441.8)	(932.8)
Taxation paid		**(379.7)**	(450.4)	(829.6)
Dividends paid		**(434.6)**	(1 049.4)	(1 386.7)
CASH FLOWS FROM INVESTING ACTIVITIES		**(889.9)**	(525.2)	(1 168.6)
Investment to expand PPE and intangible assets		**(745.6)**	(569.1)	(1 190.8)
Investment to maintain operations		**(380.8)**	(182.6)	(454.8)
– Replacement of PPE and intangible assets		**(405.3)**	(261.4)	(592.6)
– Proceeds on disposal of PPE		**24.5**	78.8	137.8
Acquisition of businesses/subsidiaries	4.3	**(180.9)**	(95.3)	(349.2)
Proceeds from disposal of businesses	4.6	**8.7**	1.6	9.6
Proceeds on disposal of assets held for sale				1.8
Principal element of lease receipts		**450.0**	396.8	819.8
Cash inflows from loans and investments		**186.2**	137.1	364.7
Cash outflows from loans and investments		**(227.5)**	(213.7)	(369.7)
CASH FLOWS FROM FINANCING ACTIVITIES		**(723.6)**	(1 474.1)	(2 439.5)
Proceeds from exercise of share options		**27.3**	5.7	9.7
Treasury shares acquired		**(37.1)**	(48.0)	(59.6)
Principal element of lease payments		**(1 042.0)**	(933.0)	(1 885.8)
Proceeds from borrowings		**780.1**	214.8	377.4
Settlement of financial liability		**(56.0)**		
Principal element of repayments of borrowings		**(395.9)**	(713.6)	(881.2)
Net decrease during the period		**(1 931.3)**	(1 726.1)	(1 163.8)
Net overdraft at beginning of period		**(1 900.2)**	(770.9)	(770.9)
Exchange rate translation		**(70.2)**	18.5	34.5
Net overdraft at end of period		**(3 901.7)**	(2 478.5)	(1 900.2)

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 the 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 STATISTICS AND HEADLINE EARNINGS RECONCILIATION

Rmillion		% Change	**Unaudited six months ended March 2023**	Unaudited six months ended March 2022	Audited Year ended September 2022
2.1 Salient statistics					
Headline earnings per share	(cents)	(30.3)	**447.9**	642.6	1 160.5
Diluted headline earnings per share	(cents)	(30.2)	**447.7**	641.1	1 159.1
Dividend per share	(cents)			175.0	400.0
Net asset value per share	(cents)	27.5	**5 576.0**	4 373.9	5 201.0
Operating profit margin	(%)	(22.2)	**2.1**	2.7	2.5
Return on equity	(%)	(41.7)	**8.1**	13.9	23.4
2.2 Headline earnings reconciliation					
Profit for the period attributable to ordinary shareholders			**818.2**	1 165.2	2 152.0
Adjusted for:					
Loss on disposal of property, plant and equipment			**12.9**	10.2	8.9
Gain on bargain purchase			**(0.5)**		
Impairment of goodwill			**29.2**	46.3	46.3
Impairment of assets held for sale					4.9
Impairment of property, plant & equipment			**1.1**	0.7	10.2
Loss from a sale and leaseback transaction				2.3	
Loss on disposal of business			**0.2**	1.3	3.6
Impairment of right-of-use asset			**0.6**	7.6	7.5
Fair value adjustment to assets held for sale				3.0	
Headline earnings		(30.3)	**861.7**	1 236.6	2 233.4

3. 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.

3. SEGMENTAL REPORTING continued

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 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 2023					
Statement of profit or loss					
Revenue from contracts with customers	**47 469.6**	**17 387.7**	**7 983.7**	**1 385.4**	**74 226.4**
Depreciation and amortisation	**247.3**	**336.4**	**440.4**	**47.4**	**1 071.5**
Total employment costs	**1 562.0**	**1 151.5**	**881.1**	**171.9**	**3 766.5**
Impairment of goodwill	**29.2**				**29.2**
Delivery costs – fuel	**438.1**	**291.9**	**86.5**	**53.0**	**869.5**
Advertising	**515.1**	**118.7**	**155.9**	**21.3**	**811.0**
Operating profit/(loss)	**1 022.8**	**436.7**	**110.0**	**(57.5)**	**1 512.0**
Profit/(loss) before tax	**918.7**	**314.3**	**57.6**	**(114.7)**	**1 175.9**
Finance income	**275.7**	**4.6**	**5.3**	**14.3**	**299.9**
Finance costs	**380.7**	**120.4**	**57.7**	**71.5**	**630.3**
Share of equity-accounted associate profits	**1.1**				**1.1**
Taxation	**266.3**	**44.7**	**11.2**	**0.1**	**322.3**
Statement of financial position					
Total assets	**28 134.4**	**17 471.1**	**12 338.2**	**2 491.1**	**60 434.8**
Total liabilities	**22 948.1**	**13 734.4**	**9 670.6**	**3 353.7**	**49 706.8**
Unaudited six months ended March 2022					
Statement of profit or loss					
Revenue from contracts with customers	45 052.3	15 109.3	7 476.2	1 268.2	68 906.0
Depreciation and amortisation	228.1	316.6	412.1	41.7	998.5
Total employment costs	1 431.0	955.3	853.0	160.8	3 400.1
Impairment of goodwill		46.3			46.3
Delivery costs – fuel	345.2	241.7	76.7	49.8	713.4
Advertising	431.8	110.1	146.8	23.5	712.2
Operating profit/(loss)	1 420.0	390.0	187.9	(165.9)	1 832.0
Profit/(loss) before tax	1 355.8	314.7	158.4	(187.5)	1 641.4
Finance income	267.7	6.0	3.8	13.9	291.4
Finance costs	333.2	82.2	33.3	35.5	484.2
Share of equity-accounted associate profits	1.3	4.2			5.5
Taxation	388.2	34.0	24.7	(4.4)	442.5
Statement of financial position					
Total assets	26 601.4	13 862.1	10 204.2	2 053.7	52 721.4
Total liabilities	21 603.2	11 433.5	8 374.7	2 892.8	44 304.2
Audited year ended September 2022					
Statement of profit or loss					
Revenue from contracts with customers	89 076.1	31 815.5	15 052.3	2 392.7	138 336.6
Depreciation and amortisation	462.4	624.4	825.2	82.9	1 994.9
Total employment costs	2 890.8	1 950.8	1 618.7	309.3	6 769.6
Impairment of goodwill		46.3			46.3
Delivery costs – fuel	840.4	535.1	163.2	95.4	1 634.1
Advertising	984.4	215.7	291.6	38.2	1 529.9
Operating profit/(loss)	2 451.7	970.5	409.5	(403.0)	3 428.7
Profit/(loss) before tax	2 335.6	810.4	351.1	(455.4)	3 041.7
Finance income	552.4	10.6	7.8	28.2	599.0
Finance costs	671.6	165.8	66.2	80.6	984.2
Share of equity-accounted associate profits	3.1	4.2			7.3
Taxation	682.7	89.6	53.8	(4.2)	821.9
Statement of financial position					
Total assets	26 968.1	16 104.4	12 018.1	2 027.6	57 118.2
Total liabilities	21 784.8	12 883.4	9 494.0	2 946.9	47 109.1

Segment disclosure of material costs for 2023 and 2022 has been provided in accordance with IFRS 8.23(f).

3. SEGMENTAL REPORTING continued

Rmillion	Unaudited six months ended March 2023	Unaudited six months ended March 2022	Audited Year ended September 2022
Disaggregated Revenue as reviewed by the CODM			
Southern Africa			
Revenue – sale of merchandise	**47 101.8**	44 621.4	88 090.9
SPAR	**36 003.0**	33 363.9	65 946.9
TOPS at SPAR	**5 345.2**	5 446.0	10 204.3
Build it	**4 771.1**	4 958.0	10 137.9
S Buys	**729.4**	607.7	1 290.9
Encore	**253.1**	245.8	510.9
Revenue – other	**367.8**	430.9	985.2
Revenue from contracts with customers	**47 469.6**	45 052.3	89 076.1
Ireland			
Revenue – sale of merchandise	**17 102.5**	14 853.3	31 295.6
BWG	**14 653.5**	12 753.7	26 672.0
Appleby Westward	**2 449.0**	2 099.6	4 623.6
Revenue – other	**285.2**	256.0	519.9
Revenue from contracts with customers	**17 387.7**	15 109.3	31 815.5
Switzerland			
Revenue - sale of merchandise	**7 337.1**	6 864.7	13 834.7
Wholesale	**3 476.4**	3 050.3	6 268.5
TopCC	**2 814.5**	2 585.6	5 256.6
Retail	**1 046.2**	1 228.8	2 309.6
Revenue – other	**646.6**	611.5	1 217.6
Revenue from contracts with customers	**7 983.7**	7 476.2	15 052.3
Poland			
Revenue – sale of merchandise	**1 383.2**	1 265.8	2 387.9
Wholesale	**1 148.6**	1 064.5	2 072.8
Retail	**234.6**	201.3	315.1
Revenue – other	**2.2**	2.4	4.8
Revenue from contracts with customers	**1 385.4**	1 268.2	2 392.7
Total revenue – sale of merchandise	**72 924.6**	67 605.2	135 609.1
Total revenue – other	**1 301.8**	1 300.8	2 727.5
Total revenue from contracts with customers	**74 226.4**	68 906.0	138 336.6
Disaggregated total revenue - other :	**1 301.8**	1 300.8	2 727.5
Marketing and service revenues	**830.1**	864.1	1 909.1
Franchise fees	**282.9**	247.4	515.4
Other services	**188.8**	189.3	303.0

4. BUSINESS COMBINATIONS

4.1 Acquisitions during the period

RETAIL STORES

During the financial period SPAR acquired the assets of four retail stores in South Africa (March 2022: Four), one of which is leased to an independent retailer trading the store for his account. The BWG Group acquired six retail stores in the United Kingdom (UK) (March 2022: seven). 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, 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.

MCCARRICK BROTHERS WHOLESALE LONGFORD LTD

On the 1 December 2022, the BWG Group acquired the entire share capital of McCarrick Brothers Wholesale Longford Ltd (McCarrick). McCarrick is a grocery wholesale business based in Longford, Ireland. The acquisition of McCarrick includes a contingent consideration which may be subject to change depending on the entity's sales performance.

TUNDEROSA LTD

On 10 October 2022, BWG Group acquired the entire share capital of Tunderosa Ltd, a company that manages and operates four Dublin city centre retail stores.

SMC FOOD CONCEPTS (PTY) LTD

SPAR Engine, a subsidiary of SPAR Encore, acquired the assets of SMC Food Concepts (Pty) Ltd t/a Souvlaki Meat Company. SMC Food Concepts is a South African commercial food production and packaging facility based in Springs, Johannesburg. The acquisition of the assets includes a contingent consideration which may be subject to change depending on the entity's profit performance.

4.2 Assets acquired and liabilities assumed at date of acquisition

	Unaudited six months ended March 2023					
Rmillion	**SA retail stores**	**UK retail stores**	**McCarrick Brothers Wholesale Longford Ltd**	**Tunderosa Ltd**	**SMC Food Concepts (Pty) Ltd**	**Total**
Assets	**18.4**	**44.7**	**57.1**	**102.8**	**4.5**	**227.5**
Property, plant and equipment	18.4	0.1	1.0	100.9	4.5	124.9
Right-of-use assets		44.6		1.7		46.3
Inventories			16.0			16.0
Trade and other receivables			29.4	0.2		29.6
Cash and cash equivalents			10.7			10.7
Liabilities	**–**	**(44.6)**	**(22.7)**	**(1.8)**	**–**	**(69.1)**
Trade and other payables			(22.7)	(0.1)		(22.8)
Lease liability		(44.6)		(1.7)		(46.3)
Total identifiable net assets at fair value	18.4	0.1	34.4	101.0	4.5	158.4
Goodwill/(gain on bargain purchase) arising from acquisition	16.9	7.7	40.6		(0.5)	64.7
Purchase consideration transferred	35.3	7.8	75.0	101.0	4.0	223.1
Cash balances acquired			(10.7)			(10.7)
Business acquisition costs		1.6	4.9	0.1	0.2	6.8
Contingent consideration (refer to note 4.5)			(36.8)		(1.5)	(38.3)
Net cash outflow on acquisition	**35.3**	**9.4**	**32.4**	**101.1**	**2.7**	**180.9**

4. BUSINESS COMBINATIONS continued

4.3 Cash flow on acquisition of business/subsidiaries

Rmillion	Unaudited six months ended March 2023
Net cash outflow (Note 4.2)	180.9
Total net cash outflow relating to acquisitions	**180.9**

4.4 Contribution to results for the period

Rmillion	SA retail stores*	UK retail stores	McCarrick Brothers Wholesale Longford Ltd	Tunderosa Ltd	SMC Food Concepts (Pty) Ltd	Total
Revenue	51.7	43.1	72.6	3.0	20.1	190.5
Operating (loss)/profit	(3.6)	(3.3)	0.1	2.5	0.4	(3.9)

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

Rmillion	SA retail stores*	UK retail stores	McCarrick Brothers Wholesale Longford Ltd	Tunderosa Ltd	SMC Food Concepts (Pty) Ltd	Total
Revenue	68.7	57.5	93.1	3.1	20.1	242.5
Operating (loss)/profit	(5.2)	(3.2)	1.9	2.7	0.4	(3.4)

* *Excludes the trading results relating to the store leased to an independent retailer trading the store for its account.*

4.5 Contingent consideration

McCarrick's contingent consideration of R36.8 million will be payable in May 2024 and is based on the 12 month sales performance commencing 1 April 2023.

SMC Food Concepts' contingent consideration of R1.5 million will be payable in October 2023, and is based on the 12 month profit before tax during the period ending 30 September 2023.

In the current period, the contingent consideration on the Ireland cash and carrys purchased in 2022 was increased by R23.2 million in line with their performance expectations. This will be payable in June 2024.

4.6 Assets and liabilities at date of disposal

One retail store was sold in South Africa during the six months ended March 2023 (March 2022: one).

Rmillion	Unaudited six months ended March 2023
Non-current assets	**8.9**
Property, plant and equipment	0.7
Goodwill	8.2
Loss on disposal of business	**(0.2)**
Net cash inflow on disposal	**8.7**

5. 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 have 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 2023**	Unaudited six months ended March 2022	Audited year ended September 2022
Guarantees issued in respect of the finance obligations	**787.7**	678.1	672.8
– Guarantee of Wesbank loan agreements[1]	**527.7**	445.4	428.2
– Guarantee of Numlite (Pty) Ltd finance obligations[2]	**225.1**	192.8	208.1
– Guarantee of retailer finance obligation[3]	**34.9**	39.9	36.5

[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 circumstance 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 has limited the guarantee facility to R1.0 billion (2022: R1.0 billion).*

[2] *The board has limited the guarantee facility to R250.0 million (2022: R220.0 million) relating to Numlite (Pty) Ltd, which provides retail computer equipment to our independent retailers.*

[3] *SPAR has guaranteed exposure relating to the retailer finance obligation.*

6. TOTAL NET DEBT

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Poland	Consolidated total
Unaudited six months ended March 2023					
Long-term borrowings	**120.1**	**3 036.2**	**3 043.8**	**1 308.7**	**7 508.8**
Current portion of long-term borrowings	**25.0**	**809.6**	**185.5**	**8.3**	**1 028.4**
Total borrowings	**145.1**	**3 845.8**	**3 229.3**	**1 317.0**	**8 537.2**
Bank overdrafts – SPAR	**3 971.8**	**376.4**		**631.1**	**4 979.3**
Total debt	**4 116.9**	**4 222.2**	**3 229.3**	**1 948.1**	**13 516.5**
Less: Cash and cash equivalents – SPAR	**(466.3)**	**(219.5)**	**(58.9)**	**(17.5)**	**(762.2)**
Total net debt	**3 650.6**	**4 002.7**	**3 170.4**	**1 930.6**	**12 754.3**
Unaudited six months ended March 2022					
Long-term borrowings	142.9	2 801.3	2 280.1	1 103.1	6 327.4
Current portion of long-term borrowings	59.2	160.5	151.1	90.0	460.8
Total borrowings	202.1	2 961.8	2 431.2	1 193.1	6 788.2
Current portion of financial liabilities	52.9				52.9
Bank overdrafts – SPAR	2 713.4	261.8		533.9	3 509.1
Total debt	2 968.4	3 223.6	2 431.2	1 727.0	10 350.2
Less: Cash and cash equivalents – SPAR	(315.4)	(291.4)	(143.2)	(13.6)	(763.6)
Total net debt	2 653.0	2 932.2	2 288.0	1 713.4	9 586.6

Total borrowings include EUR-denominated debt of EUR267.7 million (March 2022: EUR257.0 million) translated at an exchange rate of R19.2891 (March 2022: R16.1646) and CHF-denominated debt of CHF166.1 million (March 2022: CHF153.5 million) translated at an exchange rate of R19.4417 (March 2022: R15.8337).

Banking covenants

At 31 March 2023, there was a breach of the group's leverage (pre-IFRS 16 net debt/EBITDA) covenant influenced by the weakening of the rand and translation of foreign debt into reporting currency coupled with decreased profitability. Our financiers have approved a waiver of SPAR's breach of the group leverage covenant.

All other banking covenants have been complied with at the reporting date.

7. GOODWILL IMPAIRMENT ASSESSMENT

Goodwill was assessed for impairment as at 31 March 2023 as a result of the current macroeconomic conditions that have impacted inflation, fuel and energy prices and interest rates.

As at 31 March 2023, the group's cash generating units (CGU) had adequate headroom to support the goodwill balance. However, the model used in assessing the recoverable amount of the Polish CGU showed a higher degree of sensitivity when the below protracted key drivers were modelled:

- a decrease in the sales growth of 1.0%
- a decrease in the wholesale margin of 0.5%
- an increase in cost growth of 1.0%

Adequate headroom exists when applying the protracted key drivers individually, however there is a risk that a combination of these occurring simultaneously, will require an impairment to goodwill.

The following rates were applied in determining the value-in-use:		**Unaudited six months ended March 2023**	Audited year ended September 2022
Polish entity (New Polish Investments):			
Discount rate	(%)	**10.7**	12.0
Sales growth rate	(%)	**8.0 – 27.0**	21.1 – 27.5
Terminal value growth rate	(%)	**3.5**	2.2

Discount rates applied are consistent with external sources, and sales and terminal value growth rates reflect expected performance.

The sales growth rate has been updated for the latest inflation forecasts.

No impairment charges were necessary due to the sufficiency of headroom available in the Polish CGU.

8. RELATED PARTY TRANSACTIONS

During the period, the following significant related party transactions occurred with subsidiaries of the company:

Rmillion	**Unaudited six months ended March 2023**	Unaudited six months ended March 2022
Inter-company guarantee fees	**44.6**	43.4
Management fees received	**52.3**	45.9
Recoveries	**39.6**	37.3
Dividends received	**3.6**	20.3
Sales	**121.6**	140.4
Purchases	**(2 692.0)**	(2 310.4)

9. CONTINGENT LIABILITY

The dispute between the company and one of its larger retailers for damages is ongoing. The company has instructed attorneys to enter an Appearance to Defend. The matter has not progressed further since it was last reported in the 2022 annual financial statements.

10. EVENTS AFTER THE REPORTING DATE

Acquisition of SPAR Encore Ltd

The SPAR Group Ltd (SPAR) acquired a controlling 50% interest in SPAR Encore Ltd (previously Monteagle Africa Ltd) in February 2020. Following Competition Commission approval, SPAR has acquired the remaining 50% with effect 1 April 2023.

11. CHANGES TO THE BOARD

BW Botten retired as Chief Executive Officer, effective 31 January 2023.

GO O'Connor stepped down as Chairman of the board on 9 December 2022 and as Chairman of the Nominations Committee effective 10 January 2023, but remained as a member. He thereafter retired as non-executive director, effective 14 February 2023.

MJ Bosman was appointed as independent non-executive director and Chairman of the board effective 15 December 2022 and was subsequently appointed as Executive Chairman effective 1 February 2023. He was also appointed as Interim Chairman of the Nominations Committee effective 10 January 2023 and subsequently appointed as Chairman of the Nominations Committee and member of the Remuneration Committee effective 14 February 2023.

An interim Chairman's Committee was established on 1 February 2023 to strengthen governance whilst the temporary operating arrangements are in place. The Chairman's Committee is chaired by the Lead Independent Director and the members comprise the Chairpersons of the Nominations, Risk, Remuneration and Social, Ethics and Sustainability Committees.

AG Waller was appointed as Interim Chairman of the board during the period between GO O'Connor stepping down as Chairman and MJ Bosman's appointment to the role.

P Mnganga stepped down as independent non-executive director, effective 14 February 2023.

SA Zinn was appointed as an independent non-executive director and Chairperson of the Remuneration Committee and member of the Social, Ethics and Sustainability Committee and Nominations Committee effective 14 February 2023.

PMP da Silva was appointed as independent non-executive director and member of the Risk Committee effective 14 February 2023.

JA Canny was appointed as Chairperson of the Social, Ethics and Sustainability Committee effective 14 February 2023.

KJ O'Brien stepped down as Company Secretary effective 3 May 2023, and was appointed a member of the Social, Ethics and Sustainability Committee and Risk Committee effective 14 February 2023.

S Ashokumar was appointed as Company Secretary effective 3 May 2023.

SA Zinn was appointed as Deputy Chairperson, effective 13 June 2023.

CORPORATE INFORMATION

DIRECTORS

MJ Bosman (Executive Chairman), JA Canny*, PMP da Silva*, MW Godfrey, LM Koyana*, M Mashologu*, ST Naran*, AG Waller* (Lead independent), SA Zinn* (Deputy Chairperson)

(Independent non-executive)*

COMPANY SECRETARY

S Ashokumar

THE SPAR GROUP LTD

(SPAR) or (the company) or (the group)

REGISTRATION NUMBER

1967/001572/06

ISIN

ZAE000058517

JSE SHARE CODE

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SUPERSPAR

SPAR

KWIKSPAR

SPAR express

tops! at SPAR

SPAR SaveMor

SPAR SaveMor Liquors

Build it

S.Buys Pharmacy at SPAR Distribution Centre

Pharmacy at SPAR

EUROSPAR

MACE

XL

Londis

VALUE CENTRE

maxi

TopCC

oncore