

UNAUDITED CONDENSED
CONSOLIDATED **INTERIM**
FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 MARCH

2024



SPAR 

THE SPAR GROUP LTD

SALIENT FEATURES

+7.9%

GROUP TURNOVER

R77.2 BILLION*

2023: R71.5 billion

+0.2%

OPERATING PROFIT

R1 572.0 MILLION*

2023: R1 569.5 million

-7.6%

DILUTED HEADLINE EARNINGS
PER SHARE

464.8 CENTS*

2023: 503.1 cents

+27 STORES

NET NEW STORES
SOUTHERN AFRICA

+64 SITES

ADDITIONAL GROCERY AND
LIQUOR SITES USING SPAR2U
ON-DEMAND SHOPPING
SOLUTION IN SOUTHERN AFRICA

R1.4 BILLION*

2023: R0.9 billion

CASH GENERATED FROM
OPERATIONS

* From continuing operations, as the Polish operation has been classified as discontinued in the current period.



CONTENTS

Commentary	2
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of changes in equity	8
Condensed consolidated statement of cash flows	9
Notes to the condensed consolidated financial results	10
Corporate information	18

COMMENTARY

SUMMARY OF KEY TRADING INFORMATION FOR THE CONTINUING GROUP OPERATIONS

Group

- Mixed turnover growth of 7.9% to R77.2 billion from continuing operations

Southern Africa

- Combined core grocery and liquor turnover growth of 5.2%
 - Core grocery business delivered turnover growth of 4.0%, against internally measured wholesale price inflation of 7.0%
 - TOPS at SPAR liquor turnover recovery, increasing turnover by 12.8%
- Build it reported a nominal decline in wholesale turnover of 0.4%, reflecting a subdued construction industry
- The pharmaceutical business delivered impressive turnover growth of 15.0%, with both wholesale sales to Pharmacy at SPAR stores and the Scriptwise business performing strongly

European regions (in local currency)

- BWG Group (Ireland & South West England)
 - Solid combined turnover growth of 5.7% (EUR-denominated), despite challenging trading environments
- SPAR Switzerland
 - Turnover declined by 4.6% (CHF-denominated), due to the extremely challenging market environment with volume declines across the market

SALIENT FEATURES – CONTINUING OPERATIONS

Rmillion	Unaudited six months ended 31 March 2024	Unaudited six months ended 31 March 2023*	% change
Turnover ¹	77 161.4	71 541.4	7.9
Operating profit	1 572.0	1 569.5	0.2
Profit before tax	1 146.4	1 290.6	(11.2)
Earnings per share	(cents) 451.7	484.9	(6.8)
Headline earnings per share	(cents) 465.0	503.3	(7.6)
Diluted headline earnings per share	(cents) 464.8	503.1	(7.6)

¹ Turnover represents revenue from the sale of merchandise.

* The Polish operation has been classified as discontinued and comparative numbers re-presented. Refer to note 7 for further detail.

The weighted average number of ordinary shares (net of treasury shares) is 192 584 666 shares (2023: 192 396 218). In respect of diluted headline earnings per share the weighted average number of ordinary shares (net of treasury shares) is 192 643 660 (2023: 192 484 047).

PERFORMANCE OVERVIEW

SPAR's continuing operations delivered a mixed performance despite the challenging operating environments. Turnover for the continuing group operations consisting of Southern Africa, Ireland, South West England and Switzerland increased by 7.9% to R77.2 billion. All regions have been dealing with inflationary cost pressures and prolonged higher interest rates placing pressure on consumers and business alike. This, coupled with the hangover of system issues in South Africa has impacted the results for the first six months of the year.

While the continuing group delivered an operating profit of R1.6 billion with a marginal positive improvement on the prior comparative period, net finance costs negatively impacted profit before tax which declined by 11.2%. Consequently, diluted headline earnings per share declined by 7.6% to 464.8 cents.

SPAR Southern Africa reported a total increase in wholesale turnover of 4.8% for all business units. The SPAR wholesale grocery business reported sales growth of 4.0% against internally measured wholesale price inflation of 7.0%. Turnover from SPAR private label increased by 7.6%. SPAR's on demand shopping offering app, SPAR2U, was available in 420 sites at the end of March 2024, up from 356 sites at September 2023. Online volumes increased by 463% against the prior comparative period. TOPS at SPAR liquor business reported a strong recovery with an increase in wholesale turnover of 12.8% for the period, boosted by the timing of the Easter long weekend. On a combined basis, wholesale grocery and liquor turnover increased by 5.2% for the period. The group's building materials business, Build it, reported a flat wholesale sales performance declining by 0.4%, which reflects a subdued construction industry. The pharmaceutical business, S Buys Pharmacy at SPAR, continued to deliver double-digit sales growth, delivering 15.0% turnover growth for the period, increasing its contribution towards Southern Africa turnover from 1.5% to 1.7%. A detailed review of the Southern African region on a cost line basis has resulted in costs being well managed during the period.

BWG Group (Ireland and South West England) delivered a solid trading performance with turnover increasing by 5.7% for the period in EUR terms, and 16.0% in ZAR terms. Both markets continued to be characterised by a constrained consumer environment - driven by higher living costs, ongoing food price inflation and higher interest rates. In Ireland, the convenience retail brands continued to trade robustly. However, the EUROSPAR convenience supermarkets format felt the pressure of shoppers turning to large supermarkets and discounters in search of lower prices. The Appleby Westward group, which supports retail outlets in South West England, experienced a decline in volumes as consumers struggle with stubbornly high price inflation and seek better value at large supermarkets and discount stores.

SPAR Switzerland

Turnover for the Swiss business declined by 4.6% in CHF terms (increased by 8.7% in ZAR terms) against the prior comparative period. SPAR's neighbourhood and convenience stores have been impacted by price investments in key lines by large Swiss supermarket chains and discounters to help ease the pressures on consumers dealing with the rise in inflation, health insurance premiums, electricity and transport costs. Consumer pressure adds to the continued flow of shoppers across borders in search of lower prices. The sustained contraction in the Swiss gastronomy sector continues to negatively impact TopCC. Despite the negative topline growth, improved gross profit margin management and cost-saving initiatives supported the delivery of strong profitability against the prior comparative period.

Summary Segment Analysis

Rmillion	Continuing Operations				Discontinued Operation
	Southern Africa	Ireland	Switzerland	The SPAR Group Ltd	Poland
Profit or loss					
Turnover ¹	49 341.1	19 844.4	7 975.9	77 161.4	1 573.2
Gross profit	4 745.9	2 974.2	1 441.5	9 161.6	358.2
Gross profit margin %	9.6	15.0	18.1	11.9	22.8
Operating profit/(loss)	929.7	504.6	137.7	1 572.0	(720.0)
Operating margin %	1.9	2.5	1.7	2.0	(45.8)
Profit/(loss) before taxation	740.1	339.3	67.0	1 146.4	(813.0)
Financial position					
Total assets	28 111.8	19 123.4	13 052.8	60 288.0	1 435.5
Total liabilities	23 545.5	14 371.8	10 057.8	47 975.1	3 508.5
Stores	2 550	1 475	358	4 383	194

¹ Turnover represents revenue from the sale of merchandise.

GROUP FINANCIAL REVIEW

Turnover for the continuing group, representing revenue from the sale of merchandise, increased by 7.9% to R77.2 billion (2023: R71.5 billion). This is a solid trading performance, given the ongoing challenging conditions across all operating environments. Foreign currency denominated turnover contributed 36.1% (2023: 34.2%) of reported ZAR turnover with operations in the following European regions: Ireland and South West England (EUR-denominated) and Switzerland (CHF-denominated). Comparative figures for 2023 have been re-presented for the continuing group to exclude discontinued operations.

Gross profit margin for the continuing group remained flat at 11.9% versus the prior comparative period. Owing to gross margin management issues arising from system challenges in the KwaZulu-Natal (KZN) region, SPAR Southern Africa's gross profit margin declined from 10.0% to 9.6%. BWG Group increased its overall gross profit margin slightly from 14.9% to 15.0% driven by a more favourable category mix. SPAR Switzerland's gross profit margin increased from 17.5% to 18.1%, due to improved margin management within the wholesale and TopCC businesses.

Operating expenses for the continuing group increased by 9.6% to R9.2 billion, which in part, reflects the impact of foreign currency. Expenses were well managed overall. SPAR Southern Africa's expenses increased by 5.0% against an exaggerated base in the prior comparative period. The prior period was elevated due to the consequences of the SAP implementation in the KZN region, which resulted in substantial cost increases. Within this, transport and distribution costs were managed in line with the prior period. Delivery costs decreased by 1.1%. Marketing and advertising costs decreased by 5.0%. Employee costs increased by 12.4% due to the restructuring of the business and to drive new strategic initiatives. The balance of operating costs increases were managed below 6.0%. BWG Group's operating expenses were well managed, increasing by 6.0% in EUR-denominated currency and 16.3% in ZAR terms. The most significant cost driver was labour costs which increased by 9.4% in EUR terms, owing to national minimum wage increases in both Ireland and the United Kingdom during the period. SPAR Switzerland's operating expenses decreased by 2.6% in CHF-denominated terms but increased by 11.0% in ZAR terms. The Swiss team has performed well in terms of managing operating expenses, which were further positively impacted by the decrease in energy and fuel costs during the period.

Operating profit for the continuing group saw a marginal improvement of 0.2% to R1 572.0 million (2023: R1 569.5 million). Across all regions, cost increases were broadly managed in line with lower-than-expected turnover growth. SPAR Southern Africa delivered operating profit of R929.7 million, a decrease of 9.1% against the prior comparative period predominantly caused by the loss of gross profit margin owing to system related issues in the KZN region. BWG Group reported an increase in operating profit of 5.3% in local currency and 15.5% in ZAR terms to R504.6 million, owing to solid turnover growth as well as management's strategic focus on cost reduction to offset the increase in labour costs.

Despite the declines in turnover, SPAR Switzerland delivered a commendable increase in operating profit of 9.9% in CHF terms and 25.2% in ZAR terms to R137.7 million.

Profit before tax for the continuing group is R1 146.4 million (2023: R1 290.6 million), declining by 11.2% against the prior comparative period. Prolonged high interest rates across all markets have resulted in a major increase in net finance costs causing a significant deterioration in profit before tax. Profit after tax declined by 10.2% to R870.0 million (2023: R968.4 million).

Earnings per share declined by 6.8% to 451.7 cents per share (2023: 484.9 cents). Headline earnings per share declined by 7.6% to 465.0 cents (2023: 503.3 cents) and diluted headline earnings declined by 7.6% to 464.8 cents (2023: 503.1 cents). The weighted average number of ordinary shares (net of treasury shares) is 192 584 666 (2023: 192 396 218). In respect of diluted headline earnings per share the average number of ordinary shares (net of treasury shares) is 192 643 660 (2023: 192 484 047).

Cash generated by the group from operations in the period improved by R436.1 million over the corresponding prior period, almost exclusively because of the improved stockholdings. The group generated R1.2 billion from total operations (R1.4 billion from continuing operations), and despite a sharp increase in finance costs paid, improved the cash flows from operating activities by R839.4 million. The Board's decision not to declare a final dividend in 2023 has also benefitted this cash position. Overall, the weaker profit performance converted into an increase in the short-term bank overdrafts to R2.9 billion, at the period end.

Group net debt for covenant purposes amounted to R11.1 billion, against R12.8 billion as at 31 March 2023. Typically, net debt is higher at the interim period compared to at year end, due to the European working capital cycles peaking as they enter warmer months. As at 30 September 2023, group net debt totalled R10.0 billion. The increase in net debt of R1.1 billion between 30 September 2023 and March 2024, predominantly reflects the increase in the net overdraft position in South Africa, reflecting the impact of the weaker than expected performance of the business, as well as additional investments in the Polish business and SPAR Encore.

DISCONTINUED OPERATIONS

SPAR Poland has met the criteria to be classified as a discontinued operation. The board of directors of SPAR (board) is pleased to report this process is on track with its expected timeline of exiting the market by September 2024. The operating loss for SPAR Poland includes a R721.1 million impairment of assets held for sale in the disposal group.

SAP IMPLEMENTATION UPDATE

Following the first regional launch of SAP at the KZN distribution centre in February 2023, the business experienced several integration issues. Of these, two remain: the negative gross profit margin impact caused by buyers having less visibility of pricing and subsidies, and inefficiencies of the warehouse management system. With respect to the gross profit margin issue, further developments and designs are being implemented to improve the pricing screens and will be productionised in September 2024. The decision has also been made to implement a more cost effective warehouse management system that is better suited for our business.

BANKING FACILITIES

For the period ended 31 March 2024, financiers have agreed to amendments to banking covenants and remain supportive of the group. The group is not in breach of any financing covenants at period end. The group has various options to improve liquidity at its disposal and does not intend to seek additional funding from shareholders. The group has undertaken a full balance sheet optimisation review and is clear on its debt refinancing options. An implementation plan is underway.

SHAREHOLDER DISTRIBUTION

The group faced several challenges over the past year, leading the board to decide against declaring a dividend for the period ended 31 March 2024 (2023: 0.0 cents per share). The board will revisit this decision based on future macroeconomic and operational conditions. Despite the current stance, the board prioritises improved capital allocation and aims to resume declaring dividends to shareholders when appropriate.

OUTLOOK

While trading in the first half was weaker than expected, management is confident it is taking the necessary steps to position the business for an improved second half. The various cost saving initiatives and improved situation at the KZN region will improve profitability going forward. The operating environment in South Africa continues to be challenging. Inflation, prolonged high interest rates, muted GDP growth and high unemployment continue to place consumers under pressure. SPAR's tiered private label approach is well placed to offer better value for all shopping budgets. Agreeing on the target operating model, improving profitability and finalising the system modernisation rollout plan are key focus areas for the months ahead.

While the rate of grocery inflation has slowed in Ireland and South West England, prices are still increasing, albeit at a slower rate. There has been no reduction in interest rates to provide relief to consumers and household budgets are expected to remain under pressure in both markets. Both management teams are implementing various initiatives to combat the increasing business costs. Management looks forward to more favourable trading conditions in the second half, as summer is generally the strongest trading period.

The Swiss management team has reviewed all operational costs and has identified further potential efficiencies and savings for the second half. Summer remains the most opportunistic period for convenience food retail, with more people out and about or on holiday and this is expected to drive improved volumes for the remainder of the financial year.

The significant changes made at group executive and board levels continue to drive a new strategic era in terms of how things are done at SPAR. While the financial results have yet to reflect the more decisive and focused management initiatives, the improved speed of decision-making is evident in terms of what has been achieved in the first half. There is a new wave of energy across the business, focused on shifting the culture towards executing at speed with greater accountability. We believe this shift will enable the business to compete more effectively by offering enhanced support to SPAR's independent retailers so that our retailers can focus on what they do best – winning the hearts of the customers within the communities they serve.

Mike Bosman
Chairman

Angelo Swartz
Group CEO

Date of release of SENS: 12 June 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	Unaudited six months ended March 2024	Unaudited six months ended March 2023 re-presented*	Audited Year ended September 2023 re-presented*
Continuing operations				
Revenue – sale of merchandise	7.9	77 161.4	71 541.4	146 461.0
Cost of sales		(67 999.8)	(63 003.9)	(129 083.1)
Gross profit	7.3	9 161.6	8 537.5	17 377.9
Revenue – other		1 479.5	1 299.6	2 984.9
Other income		128.1	123.8	256.0
Net operating expenses	9.6	(9 197.2)	(8 391.4)	(18 102.1)
Operating profit	0.2	1 572.0	1 569.5	2 516.7
Other non-operating items		(0.2)	(6.8)	(13.0)
Finance income		286.2	285.6	577.2
Finance costs		(714.9)	(558.8)	(1 245.5)
Share of equity-accounted associate profits/(losses)		3.3	1.1	(7.0)
Profit before taxation	(11.2)	1 146.4	1 290.6	1 828.4
Taxation		(276.4)	(322.2)	(465.2)
Profit after taxation from continuing operations	(10.2)	870.0	968.4	1 363.2
Discontinued operations*		(813.1)	(114.8)	(920.7)
Profit after taxation	(93.3)	56.9	853.6	442.5
Attributable to:				
Equity holders of the company	(93.0)	56.9	818.2	401.3
Non-controlling interests			35.4	41.2
Profit/(loss) after taxation attributable to equity holders:	(93.0)	56.9	818.2	401.3
From:				
Continuing operations	(6.8)	870.0	933.0	1 322.0
Discontinued operations	608.3	(813.1)	(114.8)	(920.7)
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-retirement medical aid				6.0
Deferred tax relating to remeasurement of post-retirement medical aid				(1.6)
Remeasurement of retirement funds		(43.0)	20.1	56.8
Deferred tax relating to remeasurement of retirement funds		8.2	(1.7)	(6.9)
Items that may be reclassified subsequently to profit or loss:				
Exchange gain differences from translation of foreign operations		19.5	280.6	530.8
Total comprehensive income	(96.4)	41.6	1 152.6	1 027.6
Attributable to:				
Equity holders of the company		41.6	1 117.2	986.4
Non-controlling interests			35.4	41.2
Total comprehensive income/(loss) attributable to equity holders:	(96.3)	41.6	1 117.2	986.4
From:				
Continuing operations		987.4	1 364.4	2 117.1
Discontinued operations		(945.8)	(247.2)	(1 130.7)
Earnings per share from continuing operations attributable to equity holders:				
Basic (cents)	(6.8)	451.7	484.9	687.2
Diluted (cents)	(6.8)	451.6	484.7	686.9
Earnings per share from discontinued operations attributable to equity holders:				
Basic (cents)	607.2	(422.2)	(59.6)	(478.6)
Diluted (cents)	608.2	(422.1)	(59.6)	(478.4)
Earnings per share attributable to equity holders:				
Basic (cents)	(93.1)	29.5	425.3	208.6
Diluted (cents)	(93.1)	29.5	425.1	208.5

* The Polish operation has been classified as discontinued and comparative numbers re-presented. Refer to note 7 for further detail.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Unaudited six months ended March 2024	Unaudited six months ended March 2023	Audited Year ended September 2023
ASSETS			
Non-current assets	32 518.1	32 839.5	33 376.5
Property, plant and equipment	10 164.3	9 990.5	10 378.1
Right-of-use assets	8 547.7	8 507.4	8 974.2
Lease receivable	4 139.8	4 738.3	4 564.1
Goodwill and intangible assets	8 451.1	8 290.5	8 241.3
Investment in associates and joint ventures	154.2	154.1	150.2
Other investments	17.7	15.8	17.8
Operating lease receivable	6.3	8.1	5.9
Loans and other receivables	665.6	842.0	807.9
Block discounting loan receivable	15.8	33.1	18.3
Prepayments	55.4		
Employee benefit assets	106.2		
Deferred taxation asset	194.0	259.7	218.7
Current assets	27 782.8	27 572.4	28 207.6
Inventories	6 586.4	7 265.3	6 760.2
Trade and other receivables	18 253.8	17 780.3	18 313.3
Prepayments	385.0	284.1	282.8
Loans and other receivables	132.6	162.6	146.0
Current portion of block discounting loan receivable	8.0	37.9	14.0
Income tax receivable	11.1	29.2	38.3
Current portion of lease receivable	896.2	935.4	945.0
Cash and cash equivalents – SPAR	1 106.1	762.2	1 421.7
Cash and cash equivalents – Guilds and trusts	403.6	315.4	286.3
Assets held for sale	1 422.6	22.9	11.7
Total assets	61 723.5	60 434.8	61 595.8
EQUITY AND LIABILITIES			
Capital and reserves	10 239.9	10 728.0	10 221.6
Stated capital	2 231.5	2 231.5	2 231.5
Treasury shares	(1.5)	(2.9)	(1.5)
Reserves	1 219.4	1 199.6	1 213.7
Non-controlling interests		261.0	6.5
Retained earnings	6 790.5	7 038.8	6 771.4
Non-current liabilities	19 053.2	21 128.2	21 396.0
Deferred taxation liability	547.7	464.2	545.4
Post-employment benefit obligations	384.9	227.5	254.2
Long-term borrowings	5 748.0	7 508.8	7 318.2
Block discounting loan payable	16.1	33.6	18.7
Lease liability	12 356.5	12 894.1	13 259.5
Current liabilities	31 019.5	28 578.6	29 978.2
Trade and other payables	22 449.9	20 396.8	23 692.0
Current portion of long-term borrowings	2 012.1	1 028.4	947.0
Current portion of block discounting loan payable	8.3	39.4	15.2
Current portion of lease liability	2 026.5	2 044.2	2 100.5
Provisions	56.1	56.3	51.8
Income tax payable	40.3	34.2	13.8
Bank overdrafts	4 426.3	4 979.3	3 157.9
Liabilities associated with assets held for sale	1 410.9		
Total equity and liabilities	61 723.5	60 434.8	61 595.8

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 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
Profit for the period					(416.9)			5.8	(411.1)
Remeasurement of post-retirement medical aid					4.4				4.4
Remeasurement of retirement funds					31.5				31.5
Recognition of share-based payments				(1.9)					(1.9)
Take-up of share options		1.4		(0.2)					1.2
Transfer arising from take-up of share options				0.2	(0.2)				–
Settlement of share-based payments		4.1		(4.1)					–
Treasury shares acquired		(4.1)							(4.1)
Dividends paid								(2.0)	(2.0)
Share based payments transferred to retained earnings				(230.1)	230.1				–
Additional shareholding acquired from non-controlling interest					(116.3)			(258.3)	(374.6)
Exchange rate translation			250.2						250.2
Balance at 30 September 2023	2 231.5	(1.5)	1 237.1	31.6	6 771.4	(26.8)	(28.2)	6.5	10 221.6
Profit for the period					56.9				56.9
Remeasurement of retirement funds					(34.8)				(34.8)
Recognition of share-based payments				5.0					5.0
Settlement of share-based payments		14.0		(18.8)	4.8				–
Treasury shares acquired		(14.0)							(14.0)
Additional shareholding acquired from non-controlling interest					(7.8)			(6.5)	(14.3)
Exchange rate translation			19.5						19.5
Balance at 31 March 2024	2 231.5	(1.5)	1 256.6	17.8	6 790.5	(26.8)	(28.2)	–	10 239.9

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	Unaudited six months ended March 2024	Unaudited six months ended March 2023	Audited Year ended September 2023
CASH FLOWS FROM OPERATING ACTIVITIES		521.6	(317.8)	4 386.7
Operating profit including discontinued operations before:	7	852.0	1 512.0	1 817.0
Non-cash items		1 192.2	1 190.4	2 796.7
Impairment of assets held for sale		721.1		2.1
Impairment of goodwill		11.8	29.2	344.5
Net loss on disposal of property, plant and equipment (PPE)		8.1	12.9	35.8
Net working capital changes		(1 542.0)	(1 937.4)	1 156.2
– Decrease/(increase) in inventories		41.4	(455.8)	262.0
– Increase in trade and other receivables		(518.4)	(645.0)	(868.1)
– (Decrease)/increase in trade payables and provisions		(1 065.0)	(836.6)	1 762.3
Cash generated from operations		1 243.2	807.1	6 152.3
Finance income received		320.3	305.9	585.7
Finance costs paid		(823.5)	(616.5)	(1 373.9)
Taxation paid		(218.4)	(379.7)	(540.8)
Dividends paid			(434.6)	(436.6)
CASH FLOWS FROM INVESTING ACTIVITIES		(120.3)	(889.9)	(1 234.3)
Investment to expand PPE and intangible assets		(424.4)	(745.6)	(1 269.3)
Investment to maintain operations		(217.1)	(380.8)	(666.8)
– Replacement of PPE and intangible assets		(256.8)	(405.3)	(765.1)
– Proceeds on disposal of PPE		39.7	24.5	98.3
Acquisition of businesses / subsidiaries	4.2	(45.0)	(180.9)	(307.4)
Proceeds from disposal of businesses			8.7	8.7
Principal element of lease receipts		489.4	450.0	919.4
Cash inflows from loans and investments		131.2	186.2	413.2
Cash outflows on loans and investments		(54.4)	(227.5)	(332.1)
CASH FLOWS FROM FINANCING ACTIVITIES		(1 814.7)	(723.6)	(2 638.4)
Sale of treasury shares			27.3	28.5
Treasury shares acquired		(14.0)	(37.1)	(41.2)
Principal element of lease payments		(1 115.8)	(1 042.0)	(2 114.4)
Proceeds from borrowings		368.6	780.1	343.9
Settlement of financial liability			(56.0)	(56.0)
Non-controlling interest share repurchases		(14.3)		(187.1)
Principal element of repayments of borrowings		(1 039.2)	(395.9)	(612.1)
Net (decrease)/increase during the period		(1 413.4)	(1 931.3)	514.0
Net overdrafts at beginning of period		(1 449.9)	(1 900.2)	(1 900.2)
Exchange rate translation		(53.3)	(70.2)	(63.7)
Net overdrafts at end of period*		(2 916.6)	(3 901.7)	(1 449.9)

* For cash flows from discontinued operations refer to note 7.

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 except as otherwise indicated. 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 unaudited 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 & HEADLINE EARNINGS RECONCILIATION

Rmillion		% Change	Unaudited six months ended March 2024	Unaudited six months ended March 2023	Audited Year ended September 2023
2.1 Salient statistics					
Headline earnings per share	(cents)	(6.6)	418.3	447.9	606.6
Headline earnings per share from continuing operations	(cents)	(7.6)	465.0	503.3	826.0
Diluted headline earnings per share	(cents)	(6.6)	418.1	447.7	606.3
Diluted headline earnings per share from continuing operations	(cents)	(7.6)	464.8	503.1	825.7
Net asset value per share	(cents)	(4.6)	5 317.1	5 576.0	5 313.2
Operating profit margin from continuing operations	(%)	(9.1)	2.0	2.2	1.7
Return on equity	(%)	(92.6)	0.6	8.1	4.0
2.2 Headline earnings reconciliation					
Profit for the period attributable to equity holders of the company			56.9	818.2	401.3
Adjusted for:					
Loss on disposal of property, plant and equipment and intangible assets			8.1	12.9	35.8
Gain on bargain purchase				(0.5)	
Impairment of goodwill			11.8	29.2	344.5
Impairment of assets held for sale			721.1		2.1
Impairment of property, plant & equipment and intangible assets				1.1	229.3
Loss on disposal of businesses			7.4	0.2	3.4
Impairment of right of use asset			0.2	0.6	56.4
Write-off of SAP asset under construction					94.1
Headline earnings			805.5	861.7	1 166.9
Headline earnings from discontinued operations		(15.7)	(90.0)	(106.7)	(422.1)
Headline earnings from continuing operations		(7.5)	895.5	968.4	1 589.0

3. SEGMENTAL REPORTING

Segment accounting policies are consistent with those adopted for the preparation of the condensed consolidated financial results, as set out above.

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 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 2024					
Statement of profit or loss					
Revenue from contracts with customers	49 768.3	20 167.6	8 705.0		78 640.9
Depreciation and amortisation	240.6	393.2	510.6		1 144.4
Total employment costs	1 755.4	1 382.5	978.1		4 116.0
Impairment of goodwill	11.8				11.8
Delivery costs – fuel	433.4	316.7	86.6		836.7
Advertising	489.1	135.1	148.3		772.5
Operating profit	929.7	504.6	137.7		1 572.0
Profit before tax	740.1	339.3	67.0		1 146.4
Finance income	273.7	7.2	5.3		286.2
Finance costs	466.6	172.3	76.0		714.9
Share of equity – accounted associate profits	3.3				3.3
Taxation	216.9	46.0	13.5		276.4
Statement of financial position					
Total assets	28 111.8	19 123.4	13 052.8	1 435.5	61 723.5
Total liabilities	23 545.5	14 371.8	10 057.8	3 508.5	51 483.6
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		72 841.0
Depreciation and amortisation	247.3	336.4	440.4		1 024.1
Total employment costs	1 562.0	1 151.5	881.1		3 594.6
Impairment of goodwill	29.2				29.2
Delivery costs – fuel	438.1	291.9	86.5		816.5
Advertising	515.1	118.7	155.9		789.7
Operating profit	1 022.8	436.7	110.0		1 569.5
Profit before tax	918.7	314.3	57.6		1 290.6
Finance income	275.7	4.6	5.3		285.6
Finance costs	380.7	120.4	57.7		558.8
Share of equity – accounted associate profits	1.1				1.1
Taxation	266.3	44.7	11.2		322.2
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
Audited year ended September 2023					
Statement of profit or loss					
Revenue from contracts with customers	93 630.6	38 742.2	17 073.1		149 445.9
Impairment of PPE and intangible assets		53.7			53.7
Depreciation and amortisation	472.2	722.1	964.2		2 158.5
Total employment costs	3 232.5	2 501.2	1 855.6		7 589.3
Impairment of goodwill	66.7	67.0			133.7
Delivery costs – fuel	948.3	620.9	175.6		1 744.8
Advertising	1 176.2	247.5	319.7		1 743.4
Operating profit	1 217.6	1 062.3	236.8		2 516.7
Profit before tax	942.0	773.3	113.1		1 828.4
Finance income	557.0	9.2	11.0		577.2
Finance costs	835.4	275.4	134.7		1 245.5
Share of equity – accounted associate profit/(losses)	3.0	(10.0)			(7.0)
Taxation	313.6	125.2	26.4		465.2
Statement of financial position					
Total assets	27 724.5	18 678.1	13 192.6	2 000.6	61 595.8
Total liabilities	23 451.9	14 409.5	10 174.3	3 338.5	51 374.2

* The Polish operation has been classified as discontinued and comparative numbers re-presented. Refer to note 7 for further detail.

Segment disclosure of material costs for 2024 and 2023 has been provided in accordance with IFRS 8.23(f).

3. SEGMENTAL REPORTING continued

Rmillion	Unaudited six months ended March 2024	Unaudited six months ended March 2023	Audited Year ended September 2023
Disaggregated Revenue as reviewed by the CODM			
Southern Africa			
Revenue – sale of merchandise	49 341.1	47 101.8	92 611.9
SPAR (incl. Encore)	37 720.1	36 256.1	71 168.7
TOPS at SPAR	6 031.9	5 345.2	10 197.4
Build it	4 750.6	4 771.1	9 706.7
S Buys	838.5	729.4	1 539.1
Revenue – other	427.2	367.8	1 018.7
Revenue from contracts with customers	49 768.3	47 469.6	93 630.6
Ireland			
Revenue – sale of merchandise	19 844.4	17 102.5	38 137.5
BWG	17 115.5	14 653.5	32 476.5
Appleby Westward	2 728.9	2 449.0	5 661.0
Revenue – other	323.2	285.2	604.7
Revenue from contracts with customers	20 167.6	17 387.7	38 742.2
Switzerland			
Revenue – sale of merchandise	7 975.9	7 337.1	15 711.6
Wholesale	3 809.0	3 476.4	7 526.1
TopCC	3 075.8	2 814.5	5 957.8
Retail	1 091.1	1 046.2	2 227.7
Revenue – other	729.1	646.6	1 361.5
Revenue from contracts with customers	8 705.0	7 983.7	17 073.1
Total revenue – sale of merchandise	77 161.4	71 541.4	146 461.0
Total revenue – other	1 479.5	1 299.6	2 984.9
Total revenue from contracts with customers*	78 640.9	72 841.0	149 445.9
Disaggregated total revenue – other*			
Marketing and service revenues	847.1	829.9	1 957.6
Franchise fees	333.6	280.9	629.2
Other services	298.8	188.8	398.1

* The Polish operation has been classified as discontinued and comparative numbers re-presented. Refer to note 7 for further detail.

4. BUSINESS COMBINATIONS

4.1 Acquisitions during the period

Retail stores acquired

During the financial period SPAR acquired the assets of two retail stores in South Africa (March 2023: four). The BWG Group acquired one retail store in the United Kingdom (UK) (March 2023: six). 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.

4.2 Assets acquired and liabilities assumed at date of acquisition

Rmilion	Unaudited six months ended March 2024		
	SA retail stores	UK retail store	Total
Assets	6.5	6.6	13.1
Property, plant and equipment	6.5	0.5	7.0
Right-of-use assets		4.5	4.5
Inventories		1.5	1.5
Trade and other receivables		0.1	0.1
Liability		(4.5)	(4.5)
Lease liability		(4.5)	(4.5)
Total identifiable net assets at fair value	6.5	2.1	8.6
Goodwill arising from acquisition	24.5	11.7	36.2
Purchase consideration transferred	31.0	13.8	44.8
Business acquisition costs		0.2	0.2
Net cash outflow on acquisition	31.0	14.0	45.0

4.3 Contribution to results for the period

Rmilion	SA retail stores	UK retail store	Total
Revenue – sale of merchandise	25.9	5.9	31.8
Operating (loss)/profit	(9.7)	0.2	(9.5)

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

Rmilion	SA retail stores	UK retail store	Total
Revenue – sale of merchandise	34.3	12.3	46.6
Operating (loss)/profit	(12.7)	0.4	(12.3)

4. BUSINESS COMBINATIONS continued

4.4 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to one closed South African retail store (March 2023: one).

Rmillion	Unaudited six months ended March 2024
Non-current assets	7.4
Property, plant and equipment	1.5
Goodwill	5.9
Loss on disposal of business	(7.4)
Net cashflow on disposal	–

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 9 and measured at the higher of fair value or expected credit loss. Management has formally assessed the IFRS 9 fair values of the guarantees below to be immaterial and also confirms that no legal obligation exists at the reporting date to settle these guarantees issued.

Management's assessment is based on the principles of IFRS 13 *Fair value measurement* and 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 2024	Unaudited six months ended March 2023	Audited year ended September 2023
Guarantees issued in respect of the finance obligations	719.2	787.7	763.5
– Guarantee of Wesbank loan agreements ¹	450.1	527.7	495.0
– Guarantee of Numlite (Pty) Ltd finance obligations ²	236.1	225.1	233.7
– Guarantee of retailer finance obligation	33.0	34.9	34.8

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 has limited the guarantee facility to R1.0 billion (March 2023: R1.0 billion).

² The board has limited the guarantee facility to R250.0 million (March 2023: R250.0 million) relating to Numlite (Pty) Ltd, which provides retail computer equipment to our independent retailers.

6. TOTAL NET DEBT

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Poland*	Consolidated total
Unaudited six months ended March 2024					
Long-term borrowings	108.2	2 480.8	3 102.3	56.7	5 748.0
Current portion of long-term borrowings	14.7	480.3	215.1	1 302.0	2 012.1
Total borrowings	122.9	2 961.1	3 317.4	1 358.7	7 760.1
Bank overdrafts – SPAR	3 417.9	269.5		738.9	4 426.3
Total debt	3 540.8	3 230.6	3 317.4	2 097.6	12 186.4
Less: Cash and cash equivalents - SPAR	(591.8)	(269.3)	(220.4)	(24.6)	(1 106.1)
Total net debt	2 949.0	2 961.3	3 097.0	2 073.0	11 080.3
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

* The Polish operation has been classified as discontinued. Refer to note 7 for further detail.

Long-term borrowings include EUR-denominated debt of EUR211.3 million (March 2023: EUR267.7 million) translated at an exchange rate of R20.4391 (March 2023: R19.2891) and CHF denominated debt of CHF158.0 million (March 2023: CHF166.1 million) translated at an exchange rate of R21.0012 (March 2023: R19.4417).

Banking covenants

At 31 March 2024, the covenant levels were all within the required amended levels set by the lenders. Refer to the summary of group covenants applicable as at 31 March 2024 below:

Group covenants	Covenant level set by lenders	Level achieved	Compliant
Leverage ratio (pre IFRS 16)	Must not exceed 3.5 times	3.07	Yes
Leverage ratio	Must not exceed 5.25 times	4.20	Yes
Interest cover	Minimum of 4 times	5.09	Yes

7. DISCONTINUED OPERATION

On 28 September 2023 the board announced its intention to exit the Polish market and initiated an active programme to locate a buyer for the Polish subsidiary, New Polish Investments (NPI). In accordance with the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, NPI met the criteria to be considered held for sale and discontinued on 1 December 2023.

SPAR plans to dispose of the NPI group as a whole and is currently engaged with potential buyers. The sale is expected to occur within 12 months from date of classification and no significant changes to the plan are expected at this stage.

The associated assets and liabilities of NPI were consequently presented as held for sale and reported as a discontinued operation.

Financial performance and cash flow information

Rmillion	% Change	Unaudited six months ended March 2024	Unaudited six months ended March 2023	Audited Year ended September 2023
Revenue – sale of merchandise	13.7	1 573.2	1 383.2	2 863.3
Cost of sales		(1 215.0)	(1 104.8)	(2 295.5)
Gross profit	28.7	358.2	278.4	567.8
Revenue – other		2.4	2.2	6.6
Other income		15.5	18.3	36.9
Net operating expenses*	207.5	(1 096.1)	(356.4)	(1 311.0)
Operating loss	1 152.2	(720.0)	(57.5)	(699.7)
Finance income		14.0	14.3	29.9
Finance costs		(107.0)	(71.5)	(179.4)
Loss before taxation	608.8	(813.0)	(114.7)	(849.2)
Taxation		(0.1)	(0.1)	(71.5)
Loss after taxation	608.3	(813.1)	(114.8)	(920.7)
Exchange loss differences from translation of discontinued operation		(132.7)	(132.4)	(210.0)
Total comprehensive loss	282.6	(945.8)	(247.2)	(1 130.7)
Cash flow information				
Operating profit/(loss) from:				
Continuing operations		1 572.0	1 569.5	2 516.7
Discontinued operations		(720.0)	(57.5)	(699.7)
Operating profit including discontinued operations		852.0	1 512.0	1 817.0
Statement of cash flows				
Net cash outflows from operating activities		(230.6)	(178.2)	(384.8)
Net cash inflows from investing activities		44.8	0.2	25.9
Net cash outflows from financing activities*		(133.3)	(166.0)	(366.0)
Reconciliation of net overdraft position				
Net overdraft from continuing operations		(2 202.3)	(3 288.1)	(784.2)
Net overdraft from discontinued operations		(714.3)	(613.6)	(665.7)
Net overdraft position of the group		(2 916.6)	(3 901.7)	(1 449.9)
Details of disposal group (NPI) held for sale				
Assets		1 410.9		
Property, plant and equipment		55.0		
Right-of-use assets		88.1		
Lease receivable		484.0		
Goodwill and intangible assets		7.3		
Loans and other receivables		118.4		
Deferred tax		22.6		
Inventories		225.2		
Trade and other receivables		389.9		
Prepayments		20.4		
Liabilities		1 410.9		
Lease liability		1 038.7		
Trade and other payables		372.2		

* Includes a R721.1 million impairment of assets held for sale in the disposal group (NPI) in the current year.

* Excludes intergroup financing from SPAR.

8. RELATED-PARTY TRANSACTIONS

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

Rmillion	Unaudited six months ended March 2024	Unaudited six months ended March 2023
Inter-company guarantee fees	45.9	44.6
Marketing and selling fees received	66.4	91.9
Dividends received	50.0	3.6
Sales	136.8	121.6
Purchases	(2 978.0)	(2 692.0)

9. CONTINGENT LIABILITY

In the annual financial statements in respect of the year ended 30 September 2022, summons were served on the company by one of its larger retailers, the Giannacopoulos Group, for alleged damages of R2.1 billion arising from a membership dispute. The company denied any liability and has filed a plea to defend the matter.

The parties have agreed that the dispute be dealt with through a legal or formal arbitration process. The company remains satisfied that, based on legal counsel opinion, it has a strong defence and does not recognise any liability for damages.

10. CHANGES TO THE BOARD

Trudi Makhaya was appointed as member of the Risk Committee and Social, Ethics and Sustainability Committee (SESCO) effective 1 October 2023 and was subsequently appointed interim chair of the SESCO. She currently serves the permanent chair of the SESCO since 22 February 2024.

Lwazi Koyana and Pedro da Silva were appointed as interim chair and interim member of the Audit Committee, respectively, effective 20 November 2023 and later stepped down from these roles on 22 February 2024 when the permanent chair of the Audit Committee was appointed, whilst Lwazi Koyana re-assumed his role as member of the Audit Committee.

Marie Jamieson and Liesbeth Botha were appointed as independent non-executive directors with effect from 1 February 2024. Marie Jamieson was appointed as member of the SESCO and Liesbeth Botha was appointed as member of the SESCO, Risk and Remuneration Committees, also effective 1 February 2024.

Sundeep Naran was appointed as a member of the Nominations Committee effective 1 February 2024.

Funke Ighodaro was appointed as independent non-executive director, effective immediately following the Annual General Meeting on 21 February 2024. She was thereafter appointed as Chairman of the Audit Committee and member of the Risk Committee effective 22 February 2024.

CORPORATE INFORMATION

DIRECTORS

MJ Bosman* (Chairman), SA Zinn* (Deputy Chairman), AP Swartz (group CEO), MW Godfrey (group CFO), M Pydigadu (group COO), EC Botha*, PMP da Silva*, O Ighodaro*, MJ Jamieson*, LM Koyana*, GB Makhaya*, ST Naran*

(* Independent non-executive)

COMPANY SECRETARY

S Ashokumar

THE SPAR GROUP LTD

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

REGISTRATION NUMBER

1967/001572/06

ISIN

ZAE000058517

JSE AND A2X SHARE CODE

SPP

REGISTERED OFFICE

22 Chancery Lane
Pinetown
3600

TRANSFER SECRETARIES

JSE Investor Services (Pty) Ltd
PO Box 4844
Johannesburg
2000

AUDITORS

PricewaterhouseCoopers Inc.
Waterfall City Heliport
4 Lisbon Lane
Jukskei View
Midrand
2090

SPONSOR

One Capital
17 Fricker Road
Illovo
2196

BANKERS AND CORPORATE BROKERS

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

WEBSITE

<http://thespargroup.com/>

