**REVIEW OF TRADING RESULTS**

The SPAR Group’s financial results for the year under review were modest, with turnover increasing by 5.3% and profit before tax by only 1.0%. These results reflect the weak state of consumer buying power and confidence, which have been exacerbated by retrenchments, political uncertainty and climatic challenges in South Africa. Increased price competition among retailers is evident. Despite these challenges, the group is encouraged by the strong performances from our business in Ireland and the early positive signs of the turnaround in Switzerland. Continued rand strength against the euro substantially eroded the European results on final consolidation. The group served a retail store network of 3 768 at year-end.

- **SPAR Southern Africa** experienced a significant slowdown in sales which, together with cost pressures, resulted in net margin contraction. The core business reported muted sales growth of 4.2% in difficult trading conditions. The liquor sales continued to achieve double-digit growth, despite an increasingly competitive retail sector. The building materials business reflected the performance of the whole industry and reported wholesale sales growth of 2.1%.
- The group’s operations in Ireland weathered deflationary pressures, with solid operating profit growth and market share gains across most of its retail brands. The SPAR and K-L-BRANDS reported strong sales growth, while the successful integration of the Londis business into the BWG (SPAR Ireland) supply chain is reflected in the 4.6% growth experienced by that brand. The Gilletts acquisition in South West England last year further contributed to the impressive Irish result.
- **SPAR Switzerland** reversed a half-year loss as a result of early gains from implementing its plan to improve the strong trading performance in Ireland. SPAR Switzerland contributed 10.9% of the group’s turnover for its first full period of consolidation.

SPAR’s ongoing focus on working capital management supported cash generation from operations which increased to R3.3 billion for the year. Capital investments amounting to R1.2 billion to support SPAR’s long-term growth objectives included, most notably, store refurbishments in Ireland and Switzerland, together with expansions to the North Rand and Western Cape perishables facilities in South Africa, as well as the acquisition of the West Rand property for future distribution centre development.

The board declared a final dividend of 435 cents (2016: 410 cents) per share, resulting in a total annual dividend of 675 cents (2016: 665 cents) per ordinary share.

**PROSPECTS**

In Southern Africa, despite the expectation that political and economic uncertainties will continue, SPAR remains committed to driving its key strategic focus areas to support retailer profitability and deliver real business growth. These initiatives include ongoing, significant investments in the group’s distribution network, competitive pricing and ensuring a comprehensive product range.

The BWG Group’s growth outlook remains cautious as economic uncertainty in the region continues. Local management has reacted to the prevailing market conditions and are confident of delivering further strong results. This business will be evaluating further potential acquisition opportunities to expand its offering to consumers, while improving services to the existing retail network.

The results achieved in this period are early signs that the turnaround strategy being implemented in Switzerland has started delivering the expected benefits. The management team will continue to focus on retail performance to deliver SPAR’s expected returns.

With its geographically diversified businesses comprising well-established retail brands in its chosen markets, SPAR’s board and management are confident that the group is well placed to continue creating value for shareholders.

Mike Hankinson  
Chairman

Graham O’Connor  
Chief Executive Officer