INTEGRATED REPORT 2014

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ASSURANCE FOR THIS REPORT

The financial information contained in this report has been independently audited by Deloitte & Touche. Non-financial data has been self-assured, with the exception of the group's BBBEE verification, which was evaluated independently by AQRate for the 2014 year.

BOARD RESPONSIBILITY STATEMENT

The SPAR board acknowledges its responsibility to ensure the integrity of the integrated annual report and, in the opinion of the board, it addresses all material issues and fairly presents the integrated performance of the organisation. Therefore, the board has authorised the integrated annual report for release.

Mike Hankinson
Chairman

11 November 2014

NAVIGATION

The following icons indicate where more information can be found:

This icon refers to additional information that can be found in other sections within this report.

This icon refers to additional information available on our website **www.spar.co.za**

This icon refers to case studies which highlight operational examples of how we create value.

COMMONLY USED TERMS

SPAR: Refers to the retail brand under which independent retailers choose to trade. In the context of this report it is used synonymously with our other retail brands, TOPS at SPAR, Build it, SaveMor unless otherwise stated.

Distribution centre: SPAR operates seven warehousing facilities called distribution centres that supply goods and services to our retailers. See pages 20 to 21 for more information.

Guilds: The SPAR and the Build it Guilds of Southern Africa are non-profit companies that are the custodians of the SPAR and Build it brands. See page 4 for more information.

Independent retailers: SPAR is essentially a wholesaler and distributor of goods that services independent storeowners who choose to operate under the SPAR brand. Each storeowner is free to choose how and from where they wish to stock their stores, but operate under specific guidelines and take advantage of the support of SPAR. See pages 22 and 23 for more information.

LSM: The SAARF LSM (South African Audience Research Foundation Living Standards Measure) is the most widely used marketing research tool in Southern Africa. It divides the population into 10 LSM groups, 10 being the highest and 1 the lowest. This measure is useful in identifying the target market of particular retail stores. SPAR, due to its various store formats and diverse independent retailer group, is unique in that we operate across the entire LSM market.

Voluntary trading: The relationship between The SPAR Group Limited and its independent retailers is one of a "voluntary trading" partnership. See page 4 for more information.

The six capitals: The six capitals constitute financial, manufacturing, intellectual, human, social and relationships as well as natural capital. In the integrated reporting context they represent the stores of value that are the basis of an organisation's ability to create value. See page 32 for more information.

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THE SPAR GROUP AT A GLANCE

The SPAR Group Limited listed on the JSE in 2004, and today operates six distribution centres and one Build it distribution centre. The distribution centres supply and service 1 864 independently owned SPAR, TOPS at SPAR, Build it, Pharmacy at SPAR and SaveMor stores in Southern Africa. The group has a presence in South Africa, Mozambique, Zimbabwe, Swaziland, Botswana, Lesotho, Namibia and Angola – and recently in the Republic of Ireland and South West England as well. Goods are distributed to the stores by a fleet of trucks and trailers, which are owned by the SPAR Group.

The SPAR brand has been part of the South African food retail landscape for 51 years. Each SPAR has its own personality, offering consumers products that are unique to their local store. This results from a "voluntary trading" model, which supports our retailers in taking full advantage of sourcing specific goods from local traders, as well as utilising SPAR's trading power.

OUR PURPOSE

To provide expert leadership and support to retailers to enable them to run sustainably profitable and professional businesses.

OUR VALUES AND CULTURE

During the past year, the SPAR Group followed a process involving a broad spectrum of management and employees throughout the organisation to review its values. For each of the three values, a definition was developed, behaviours identified and we determined the ways in which to measure whether we are effectively living these values. These values are our ethical and moral compass and decision-making foundation. The values will be integrated into the performance management process.

OUR VISION

Our vision is to be the first choice brands in the communities in which we operate

The three values are:

VALUE	WHAT IT MEANS
Passion	• Unrelenting commitment to our customers (consumers and retailers), suppliers, brand, job and colleagues • Displaying authentic positive energy and attitude • Enthusiasm • Wanting to do what you currently do and enjoying it in the process
Family values	• Creating a sense of belonging to the SPAR family, particularly with our people and our retailers • Supporting and embracing every person's contribution • Personalising work and business relationships • Working together for the greater good of the company – putting personal agendas aside and demonstrating true teamwork.
Entrepreneurship	• Creativity and innovation • Problem solving, taking ownership and responsibility for outcomes • Visionary leadership and the ability to take calculated risks • Long-term focus vs short-term gain

Our vision, purpose and values determine how and where we want to position the group to be able to create value over the long term. Read about our strategy, which sets out the short- to medium-term plans to achieve this, on page 39.

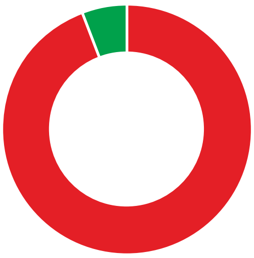
KEY STATISTICS

	% change	2013*	2014
Turnover**	+15	R47.8 billion	**R55.0 billion**
Headline earnings per share**	+12.5	694.8c	**781.8c**
Annual dividend**	+11.3	485 c/share	**540 c/share**
Total number of retail stores	+2.6	1 817	**1 864**
Cases dispatched (per annum)	+3.6	203.5 million	**210.8 million**
Number of employees at year-end	+3.6	3 886	**4 025**
Disabling injury frequency rate	-10	0.19%	**0.17%**
Total carbon footprint	-13	101 254 t	**87 634 t**

* *Restated*
** *Include BWG*

THE NEW SPAR GROUP – INCORPORATING IRELAND

COMBINED REVENUE OF BWG GROUP AND SPAR



SPAR:	94.92%
BWG:	5.08%

A key business highlight for the SPAR Group in 2014 was the acquisition of 80% of the shares in BWG, a leading food retail and wholesale distribution company which owns the SPAR brand in Ireland and South West England.

BWG has a turnover of more than €1 billion, generated through a network of approximately 1 200 SPAR, EUROSPAR, SPAR EXPRESS, MACE and XL symbol stores and up to 10 000 direct customers through its 23 Value Centre Cash & Carry outlets. BWG employs more than 1 000 people, with about 20 000 jobs created by its retail network. It has an estimated 35% share of the Irish convenience store market.

BWG's profitability has been under pressure in the past few years, partly due to a subdued trading environment, and the after effects of the 2008 economic crash. BWG plans to roll out a five-year internally funded capital investment programme to expand its wholesale and retail operations in Ireland and in South West England.

For the SPAR Group, this was a value accretive acquisition opportunity, with the additional benefits of creating a geographically diversified revenue stream, foreign currency diversification, enhanced scale and critical mass.

The transaction is fully aligned to the SPAR Group's vision and purpose, as both groups have been members of SPAR International for 50 years (their membership applications were approved by the international body within six months of each other). Although the SPAR Group's strategic expansion to date has been chiefly focused on Africa for the past few years, there are clear strategic fit and benefits in this transaction. A further advantage is the commitment of the BWG management team to further grow the business and explore synergies.

The SPAR Group's focus will be predominantly on governance of the expanded group, while the management of BWG operations will be retained and supported through the current structures. Four SPAR executive directors have joined the BWG board.

OWNERSHIP PROFILE

SPAR has a broad range of shareholders, none of whom hold more than 21% of the total shares. As at September 2014, almost 40% of SPAR shares were held by offshore investors.

	2013 %	**2014** **%**
Government Employees Pension Fund	20.5	**19.0**
First State Investment	7.5	**4.7**
Government of Singapore Investment Corporation	4.9	**1.6**
Coronation Fund Managers	3.3	**3.3**
BNP Paribas	3.2	**2.4**
Vanguard	2.9	**2.4**
iShares	2.3	**2.3**
Other	55.4	**64.3**

THE SPAR GROUP AT A GLANCE (CONTINUED)

UNDERSTANDING OUR VOLUNTARY TRADING MODEL

One of SPAR's key differentiators is its system of voluntary trading. The concept of voluntary trading is almost a century old and is based on co-operation between the independent wholesaler (SPAR) and its retailers, to the mutual benefit of both parties. SPAR, therefore, is not a franchise business nor do we operate chain stores. We are essentially a wholesaler and distributor of goods and services to our independently owned SPAR retail stores.

Our voluntary trading agreement allows our retailers to access our various brands and support structure, including the procurement and planning services of the group, but also grants them the option to stock their stores from any supplier they choose. This way, each SPAR store has its own personality, offering consumers products that are unique to their local store.

As a wholesaler and distributor of products, our primary source of income is through the sale of goods to these independently run stores. We work hard to earn their business and continued loyalty. We offer purchasing convenience and cost-effective products due to the group's large-scale procurement processes and superior warehousing and distribution facilities. Despite the voluntary nature of our trading relationship, on average 84.2% of goods sold out of our retailers' stores during the 2014 financial year came from SPAR (2013: 82.9%).

THE SPAR AND BUILD it GUILDS OF SOUTHERN AFRICA

SPAR adopted the voluntary trading model from SPAR International, the owner of the SPAR brand, which grants licences to member countries.

SPAR, together with all the independent retailers trading under the SPAR brands, are members of either the SPAR or the Build it Guilds. The SPAR and the Build it Guilds of Southern Africa are non-profit companies, their purpose being to serve as custodian of the SPAR and Build it brands, to drive growth in South Africa and to grant membership.

The guilds are made up of two types of members: independent retailers and representatives of The SPAR Group Limited.

All retailer members contribute a percentage of turnover as well as an administrative fee to run the guilds. The SPAR Guild currently has 875 members and the Build it Guild has 294 members (2013: 873 and 298 respectively).

The SPAR Guild pays a membership fee to SPAR International, and the Group CEO represents SPAR South Africa on the board of SPAR International. As a member, the group benefits from the sharing of best international practice, information and know how within the international SPAR network. There is a current licence agreement between SPAR International and SPAR South Africa.

In South Africa, the SPAR Guild operates within six geographic areas, each with its own regional guild of retail and distribution centre members. It is a model that works effectively to unite the organisation in its ongoing drive to remain at the forefront of food retailing in Southern Africa. The Build it Guild of Southern Africa follows the same model and distributes imported goods through one warehouse on a national basis.

WE ARE

SPAR

VISUAL TOOLS:

Selected icons have been used throughout the report as reference points and to improve connectivity. In the value chain section and business model, the following icons apply:

Procurement

Warehousing

Distribution

Retail support

Environmental capital

Human capital

Financial capital

Manufacturing capital

Intellectual capital

Social and relationship capital

To reference our strategic focus areas the following icons have been used:

World-class replenishment

Competitive pricing

Comprehensive range

World-class brand

Best retailers

New business growth

Stakeholders returns

Sustainable systems

THE SPAR GROUP AT A GLANCE (CONTINUED)

"We have a solid understanding of BWG's business model, with SPAR International and the SPAR retail model as well as the SPAR brands being at the foundation of both businesses ... We will bring to bear our track record in migrating SPAR stores to larger store formats in South Africa, to assist in evaluating expansion opportunities that arise. We will also contribute our demonstrated capabilities in logistics, warehousing and distribution, an area in which BWG has relied heavily on third party providers to supplement the capacity of its existing distribution centre. We believe that the efficiencies that we have delivered in our South African business could be replicated in BWG to unlock long-term value."

– Graham O'Connor

SPAR Group CEO, South Africa

"This is a very positive and exciting development for BWG. In SPAR South Africa we have secured a major international retail player as a strategic partner and a long-term investor in our business. We have known SPAR South Africa for many years and they are a great fit for BWG. We look forward to working with their team to accelerate the expansion of our operations, and the growth of our wholesale and retail business in Ireland and South West England."

– Leo Crawford

BWG CEO, Ireland


SPAR


Biltong

"Our strategic focus remains on supporting our retailers by leveraging our key competencies in supply chain optimisation and retailer support through our seven distribution centres."

Mike Hankinson, Chairman

CHAIRMAN'S REPORT

"The value of strong governance was evident during the year in the deliberations preceding the BWG transaction. The board engaged in rigorous discussions to ensure a deep understanding of the impact on all stakeholders."

Last year the SPAR Group celebrated 50 years of retailing in South Africa. A year later, the same group is entering global retailing with a transaction that is fundamentally changing the way we think about our business. As the board and executive management, we firmly believe that we are now in a very strong position to deliver on aggressive growth targets.

The SPAR Group turnover grew 15% to R55 billion and operating profit increased to R1 867 million, which includes two months of contribution from BWG.

Considering the South African operations only, we have seen sound performance against a backdrop of sustained weakness in the global economy and a domestic environment characterised by labour unrest and high levels of consumer debt.

Our growth has been predominantly organic, with a lower number of retail stores opened than in past years (102 compared to 118 in 2013). Despite this, we remain firmly committed to our business model, which is grounded in the independence of our retail members. The SPAR Group is not a traditional retailer which would at times cannibalise own stores in a fiercely competitive market. We grow with our retailers in a sustainable and responsible way.

We remain committed to growing our food retailing footprint in sub-Saharan Africa, where we already support 153 stores.

A SUSTAINABLE STAKEHOLDER APPROACH

Our strategic focus remains on supporting our retailers by leveraging our key competencies in supply chain optimisation and retailer support through our seven distribution centres. However, attracting new retailers remains a challenge. Although the retail sector continues to create employment, it is challenging to attract and secure new entrepreneurs.

In the same way, we are committed to grow small farmers in South Africa. Groundbreaking progress has been made in our stakeholder engagement activities during the past year to take this to a new level. The SPAR Group is driving these initiatives, not from a compliance approach but because we firmly believe in the need for long-term sustainability. The board regards this as core to its ethical leadership. In this regard, we engaged in the process that resulted in a reviewed set of values for the entire group during the past year. We are committed to show passion, live family values and encourage entrepreneurship in our leadership and decision-making on behalf of the group.

We are also proud of the fact that the SPAR Group has been certified as a Top Employer in South Africa for 2014.

The ability of our industry to continue creating value relies on a healthy relationship between business and government and our combined effort to attract investment. This remains a challenge.

GOOD GOVERNANCE AND MANAGEMENT

The value of strong governance was evident during the year in the deliberations preceding the BWG transaction. I am pleased to say that the board engaged in rigorous discussion to ensure a deep understanding of the impact on all stakeholders – in South Africa as well as Ireland and South West England.

We shall continue to deepen and expand the necessary structures to support the good governance of the new group going forward.

A board evaluation was again completed during the year. We have been using the

CHAIRMAN'S REPORT (CONTINUED)

same system for several years and I am dedicated to personally provide one-on-one feedback to each of our directors to ensure that we operate optimally as a diverse and experienced group of leaders.

The board is particularly cognisant and appreciative of the role that the managing directors of the group's distribution centres play in managing operations on a daily basis. Their commitment, deep understanding of retail and enduring relationships sustain all aspects of the business. We are particularly supportive of their efforts to address social and environmental issues in their direct communities and operations.

During 2014 the board was also involved in a seamless handover between previous CEO Wayne Hook and incoming CEO Graham O'Connor. We are pleased that we were able to retain Wayne's experience of 29 years in his new role as an executive director responsible for business development.

Graham has brought a new perspective and momentum to the executive team, of which the Ireland transaction is but one example. We continue to fully support him in directing and managing a group that is now facing many more opportunities from a more diversified – and potentially more complex – base.

Mike Hankinson
Chairman

11 November 2014

Dear Shareholder

On behalf of the board, I invite you to attend the Annual General Meeting of the SPAR Group Limited to be held at 09h00 in the company's boardroom, 22 Chancery Lane, Pinetown on Friday, 13 February 2015.

Mike Hankinson
Chairman

11 November 2014


freshline

"I am a strong believer and driver of the behaviours associated with SPAR's values of passion, entrepreneurship and family. Our family value is about creating a sense of belonging to the SPAR family – particularly with our people and our retailers."

Graham O'Connor, Chief Executive Officer

CEO'S REPORT

"A key highlight for 2014 was our acquisition of BWG. We are confident that we concluded an attractive deal for our shareholders which will deliver significant value going forward."

INTRODUCTION

It is a pleasure for me to present the SPAR Group's results for the year ended 30 September 2014, as incoming CEO. Having spent the last 16 years in retail, this move represents a return to my roots in the distribution side of the business. As a retailer, the SPAR family's ability to move the business forward has stood out for me, reflected in this year's excellent set of results produced in a tough trading environment.

A key highlight for 2014 is the acquisition of BWG, announced in August 2014. We are confident that we concluded an attractive deal for our shareholders, which will deliver significant value going forward, and which already made a meaningful contribution in the year under review, despite only being included for the last two months.

On a more personal level, I am a strong believer and driver of the behaviours associated with SPAR's values of passion, entrepreneurship and family. This has been reflected in the way in which our executive team has come together after the management changes and the collective focus on taking the business forward. Our family value is about creating a sense of belonging to the SPAR family – particularly with our people and our retailers – working together for the greater good of the SPAR brand through true teamwork and extending into the communities we serve.

Trading overview

Trading conditions during the year remained tough with ongoing pressure on consumer spending due to rising unemployment, increasing household debt and interest rates. Widespread industrial action has affected trading in certain rural regions through reduced disposable income.

Despite cost pressures and a weakening rand, internally measured food inflation remained relatively low at 5.7%. The retail environment was increasingly competitive across all segments of our business. The search for growth has led to an aggressive, almost indiscriminate, chase for retail sites. We have had to protect some of our existing sites from the competition, and going forward we will need to be more innovative in securing greenfield sites. Despite these factors, there are still opportunities for our group, particularly in the informal market.

Group turnover increased 15% to R55 billion (2013: R47.4 billion) of which R2.75 billion flowed from the operations in Ireland and South West England from 1 August 2014. Local performance was supported by solid like-for-like growth and strong performance especially in liquor and SPAR brand sales. Tops at SPAR delivered double digit growth bolstered by the opening of 51 stores.

Profit before taxation increased 11.2% to R1.8 billion (2013: R1.7 billion). Gross margins increased to 8.3% from the prior year, underpinned by stronger growth in ex-warehouse sales. SPAR successfully mitigated the impact of substantial fuel price increases, with its core expenses growing in line with revenue.

Distribution and warehousing

The group dispatched 210.8 million cases from its seven distribution centres during the year, an increase of 3.6% on the volumes handled in the prior year. Our aim is to provide our retailers with a world-class replenishment service. To this end, we focus on in-stock levels, on-time delivery, fleet capacity utilisation and delivery costs.

The land purchase option agreement for a planned new distribution centre in Lanseria, west of Johannesburg, remains challenging due to land zoning complications and has yet to be finalised. However, we remain confident that this site will go ahead and be operational in 2019. We are nevertheless pursuing an alternative site, which will allow us to make a final decision in 2015.

Guild membership and relationship with SPAR International

Our relationship with SPAR International remains a key value driver for the group – especially in our newly expanded form. We shall continue to access the international information sharing network which shares brand, marketing, logistics and operational expertise and best practice.

CEO'S REPORT (CONTINUED)

RETAIL PERFORMANCE

The performance of our retailers is the primary driver of our growth and, as such, we have included a brief review of the different formats' performance.

Retail sales up by

7.8%

Retail sales up by

13.8%

Retail sales up by

9.5%

SPAR

Retail turnover for SPAR stores increased by 7.8% during the year to R63.1 billion. Retail trading space increased by 1.7% this year (2013: 2.2%) to 993 030 m². We expected to open 23 new SPAR stores during the 2014 financial year and report that we opened 19. We closed 17 stores where they either failed to meet standards or for financial reasons. Our focus on store upgrades resulted in 185 stores undergoing extensive renovations, which had a positive effect on turnover growth. We plan to open 35 new stores and renovate 180 stores during the next financial year.

New stores

+19

TOPS at SPAR

TOPS has revolutionised liquor retail in South Africa and continues to extend market leadership. Retail sales increased by 13.8% to R6.6 billion. We anticipated opening a further 35 TOPS stores in 2014 and actually opened 51 stores, increasing the total to 622 stores operating under the TOPS banner. TOPS remains the number one retail liquor brand in the country. The main challenge for the TOPS brand is administrative delays in liquor licensing and the new liquor regulation, especially in KwaZulu-Natal. We work closely with our retailers to assist them to comply with the regulation. We plan to open 45 new stores during 2015.

New stores

+51

BUILD it

Build it experienced a difficult year despite implementing further restructuring initiatives. Labour unrest, imported cement and an increasing number of small foreign-owned stores in outlying areas disrupted this market and caused increased pressure on our retailers. While rand weakness partly negates the benefits of low-priced cement imports, increased import volumes have continued to influence the coastal retail markets.

Build it showed wholesale turnover growth of 8.8% to R5.5 billion against muted market demand. House brand imports increased 21.5%, with 18 new stores added during the period, bringing total store numbers to 294.

New stores

+18

SaveMor

28

stores

Pharmacy at SPAR

45

stores

OTHER FORMATS

The group's other retail formats, namely SaveMor, Pharmacy at SPAR and SPAR Express, represent about 2% of total turnover. Their performance was impacted by the tight consumer trading environment, however losses were not material to the overall performance of SPAR.

During the year, we sold one corporate store and closed one. Despite the ongoing trading challenges of the locations in which our retail division operates, we remain steadfast that our decision to defend these sites was appropriate and believe that these stores offer a unique opportunity to remain close to the challenges and experiences our retailers face. Furthermore, the net profitability position of this business remains positive for the group.

Looking forward, the primary focus is retailer profitability, underpinning the long-term economic sustainability of the SPAR Group's business. Our strategy will continue to reflect the SPAR imperatives of freshness, choice, value and service.

Other format contributions to turnover

2%

Pharmacy of SPAR new stores

+9

CEO'S REPORT (CONTINUED)

The BWG acquisition

Shortly after my return to SPAR, the BWG acquisition opportunity arose and the board and management quickly realised its potential, given that SPAR had international expansion aspirations and was challenged by the tight retail operating environment in South Africa. While our African expansion into Botswana, Namibia and Swaziland has been successful, and we continue to make progress in Mozambique and Angola, business in Zimbabwe has been challenging.

Like SPAR South Africa, the founding partners of BWG have a 50-year track record in food retail and we have both been partners of SPAR International for more than 50 years. Furthermore, we have always had a good rapport with them and during our evaluation of the opportunity we recognised that we were likeminded and that both parties were committed to concluding a value creating transaction for all our stakeholders. From our perspective, the expansion of our business internationally was an important strategic move for SPAR, providing an attractive entry point into food retail and the wholesale industry in Ireland, at a time when several sectors of the economy are already showing strong signs of recovery and consumer spending is improving.

BWG has already made a meaningful contribution to our 2014 financial performance, despite being included for only the last two months of the year. Furthermore, we see good potential in Ireland and South West England going forward. Since concluding the deal, we have already realised synergies with our distribution experts from South Africa sharing their knowledge with our new partners, while advertising material from SPAR Ireland has been used in the domestic market. This is just the beginning. We are excited about driving a business forward that is founded on similar values. In addition, having addressed the challenges that faced them during the Irish economic downturn, BWG's management team will work with us to grow the business, improve efficiencies and optimise its financial performance.

Future outlook

As competition in the retail sector intensifies, we continue to focus on aggressively driving new business opportunities, organic growth, stringent cost control and securing operating and supply chain efficiencies. We remain confident that the resilience of our people, our retailers and our business model will allow us to produce a strong trading performance in 2015. We expect to see an improvement in the profitability of the Irish operations in the short term, which should have a positive impact on the group's bottom line.

Through the new business development focus that has been created in the past year under the expert leadership of Wayne Hook, we will continue to expand our retailing support and investment in sub-Saharan Africa, facilitated by our SPAR licences for selected African countries.

Appreciation

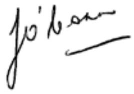
Our sincere thanks to the most important people in our business: our retailers. Without their hard work and dedication, none of the successes we have seen during 2014 would have been possible.

I would like to extend a special word of thanks to the board for their guidance and support as I have taken on the challenge of this new role. Our chairman, Mike Hankinson, has been particularly committed to ensuring a smooth handover.

I would like to express my sincere appreciation to our competent and dedicated management team and employees for their commitment and tireless efforts at making SPAR the incredible organisation that it is. At the end of this year, we said farewell to Bill Brown, a long-standing member of our executive management team who retired. Our thoughts are with our past CEO Wayne Hook as he and his family grieve the death of his wife, Liz.

As for the BWG transaction – this would not have been possible without the team that worked so hard to bring this to fruition, especially Mark Godfrey. We welcome our new partners under the strong leadership of the CEO of BWG Leo Crawford and have been overwhelmed by their enthusiasm and commitment to make a success of our combined business.

A further word of thanks to the management and employees at the distribution centres and central office for their support during my first year. Lastly, I would like to thank our suppliers for their support and willingness to work collaboratively with us.



Graham O'Connor
Chief Executive Officer

11 November 2014

CASE STUDY

ENTERING AFRICAN MARKETS

Our SPAR strategy for development places a strong focus on growing the SPAR brand in new markets like Africa, while supporting the ongoing progress of long-term partners in our already established markets. During 2014 we continued to seek global expansion opportunities for our brand. The challenges of entering into a completely new market, however, cannot be underestimated. At SPAR, we take the evaluation of both risk and opportunity very seriously and believe that solid, steady progress is the way forward.

The Republic of Angola is the latest country to partner with SPAR in 2014. The first SPAR supermarket opened in the oil rich province of Cabinda in late June and covers 2 700 m^2, of which 1 600 m^2 is retail selling space. The remainder of the space is dedicated to a restaurant, which enables consumers to enjoy the surroundings and experience the quality food available. The opening of the store saw a gathering of local government dignitaries such as the Governor of Cabinda, who opened the store.

An important part of our risk mitigation strategy in entering new markets involves developing local partnerships, which offer key insights on domestic activities and growth opportunities. In this new endeavour we are collaborating with Webcor, an importer of foodstuffs into Angola, who opened the store.

Our Western Cape distribution centre provides the logistical support for the supply chain, not only delivering SPAR private label products but also arranging for the importation of products from SPAR in Portugal, which gives consumers access to Portuguese goods – a great benefit of being part of the international SPAR organisation.

Looking to the future, plans are in place to open further SPAR stores with Webcor in Angola, looking in particular at Luanda, the capital city.

ORGANISATIONAL STRUCTURE

THE SPAR GROUP LIMITED

Distribution centres	See page 20
New business	Africa forecourt, trading and other business opportunities
Group services	Finance, human resources, logistics, IT, retail operations and merchandise
Build it	See page 23
Properties	Distribution centres and leases
SPAR SA (100% ownership)	SPAR licence and trademark holder
SPAR Harare (35% ownership)	SPAR Zimbabwe operations
The BWG Group (80% ownership)	SPAR Ireland and South West England operations

SPAR


My Retailer
My Retailer
My Retailer


DO IT RIGHT THE FIRST TIME!

ORGANISATIONAL STRUCTURE (CONTINUED)

OUR DISTRIBUTION CENTRES

Our distribution centres are an essential component of our business model.

Key facts: South Rand distribution centre

61 000 m^2 **56 368 000 cases per annum**

Number of stores serviced	2013	**2014**
SUPERSPAR	77	**78**
SPAR	137	**134**
KWIKSPAR	39	**38**
SaveMor	3	**2**
TOPS	136	**153**
Build it	70	**62**
Pharmacy	6	**7**
Total	468	**474**

Key facts: North Rand distribution centre

31 460 m^2 **37 150 000 cases per annum**

Number of stores serviced	2013	**2014**
SUPERSPAR	54	**57**
SPAR	80	**78**
KWIKSPAR	13	**13**
SaveMor	4	**6**
TOPS	107	**117**
Build it	35	**35**
Pharmacy	15	**20**
Total	308	**326**

Key facts: KwaZulu-Natal distribution centre

57 000 m^2 **49 885 000 cases per annum**

Number of stores serviced	2013	**2014**
SUPERSPAR	77	**79**
SPAR	63	**62**
KWIKSPAR	26	**25**
SaveMor	5	**5**
TOPS	121	**124**
Build it	77	**77**
Pharmacy	9	**11**
Total	378	**383**

Key facts: Western Cape distribution centre

33 550 m² **29 814 000 cases per annum**

Number of stores serviced	2013	2014
SUPERSPAR	44	**42**
SPAR	79	**82**
KWIKSPAR	37	**39**
SaveMor	0	**0**
TOPS	111	**116**
Build it	41	**47**
Pharmacy	3	**4**
Total	315	**330**

Key facts: Eastern Cape distribution centre

22 680 m² **26 219 000 cases per annum**

Number of stores serviced	2013	2014
SUPERSPAR	35	**39**
SPAR	44	**43**
KWIKSPAR	21	**20**
SaveMor	4	**4**
TOPS	81	**85**
Build it	39	**36**
Pharmacy	1	**1**
Total	225	**228**

Key facts: Lowveld distribution centre

21 400 m² **11 327 000 cases per annum**

Number of stores serviced	2013	2014
SUPERSPAR	18	**18**
SPAR	29	**28**
KWIKSPAR	0	**0**
SaveMor	12	**11**
TOPS	26	**27**
Build it	36	**37**
Pharmacy	2	**2**
Total	123	**123**

Key facts: Imports warehouse (Build it)

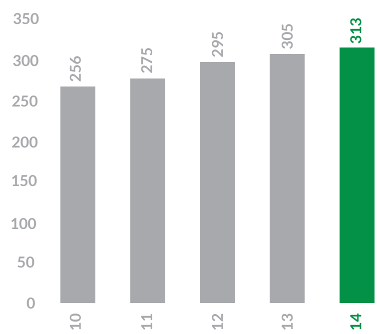
10 000 m² **1 551 000 cases per annum**

Number of stores serviced	2013	2014
Build it	298	**294**

STORE FORMAT OVERVIEW

We have a range of store formats to service our customers.

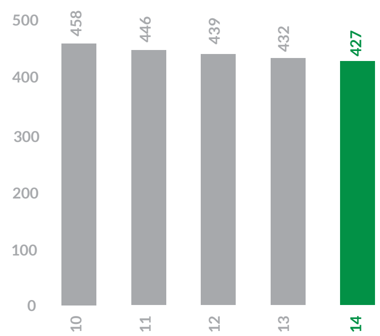
NUMBER OF STORES



SUPERSPAR

- Selling areas of 1 300 m^2 +
- Full range of value-added services
- Aggressively priced
- Friendly and professional service
- Full range of groceries and general merchandise
- Extensive service departments, such as fresh produce, in-store bakery, butchery, deli and meal solutions

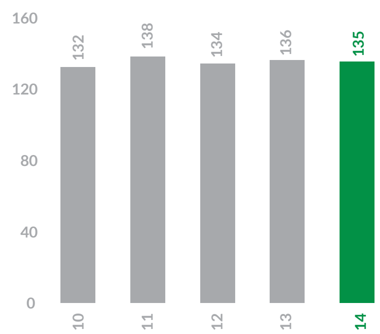
NUMBER OF STORES



SPAR

- Selling areas of 700 m^2 +
- Neighbourhood/rural supermarket shopping focus
- Competitively priced
- Friendly and professional service
- Comprehensive range of groceries
- Fresh produce, in-store bakery, butchery, deli and home-meal replacement departments

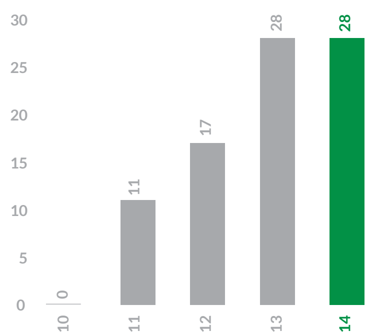
NUMBER OF STORES



KWIKSPAR

- Selling areas of 300 m^2 to 700 m^2
- Range of products offering good value
- Focus on convenience with emphasis on speed
- Friendly and professional service
- Fresh produce, baked goods, meat and take-out foods

NUMBER OF STORES



SAVEMOR

- Selling areas of 300 m^2
- Emerging market focus
- Limited range of products
- Limited fresh offering
- Competitively priced on commodity products

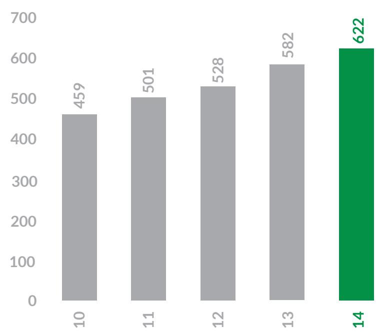
SUPERSPAR

Extensive service departments with a full range of value added services

313 stores

545 000 m^2

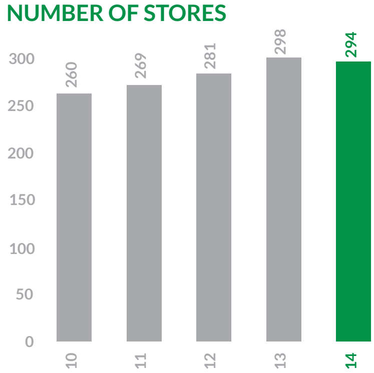
NUMBER OF STORES



TOPS AT SPAR

- Stand-alone liquor stores
- Full range of liquor products
- Located in close proximity to SPAR member's store
- Membership limited – an extension of The SPAR Guild of Southern Africa

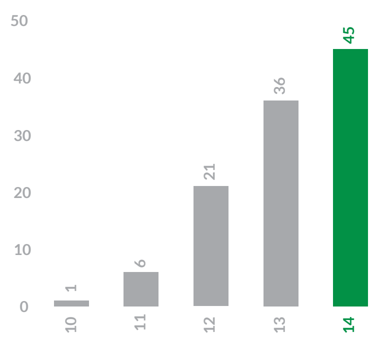
NUMBER OF STORES



BUILD it

- Stand-alone building materials outlet
- Basic building and hardware products
- Aimed at home builders/renovators in lower to middle-income sectors and at building contractors
- Membership open – controlled by The Build it Guild of Southern Africa

NUMBER OF STORES



PHARMACY AT SPAR

- Stand-alone or in-store pharmacy
- Full range of pharmaceutical and health products
- Located in close proximity to SPAR member's store
- Membership open – controlled by The SPAR Guild of Southern Africa

OUR VALUE CHAIN

PROCUREMENT

WAREHOUSING

OVER

5 000

SUPPLIERS AND SERVICE PROVIDERS

OVER

1 300

SPAR BRANDED PRODUCTS

As a wholesaler and distributor, SPAR buys goods from suppliers and sells it on to our retailers at a margin. Procuring good quality products at great prices is therefore critical to our business model. We strive to supply competitively priced products to our SPAR customers, while ensuring profitability for SPAR and our independent retailers.

We negotiate the lowest possible prices from over 5 000 suppliers and service providers. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce their costs. Our scale also allows us to spread our fixed costs over substantial volumes, reducing our unit costs.

While certain products are sourced centrally, such as our SPAR branded products, much of our procurement happens at a distribution centre level, enabling local procurement, which in turn supports the local economy and decreases our impact on the environment. We endeavour to source local goods and support local industry wherever possible, while balancing consumer expectations of value, quality and price.

As a good corporate citizen, SPAR seeks to source products produced in a socially and environmentally responsible way. This in turn requires us to work in partnership with suppliers, to understand their business needs and risks, and to work to achieve shared goals. We partner with our suppliers on various sustainability initiatives, including packaging reduction and innovation, sustainable product development, and sustainable and transparent sourcing. See page 38 for more information on how we have assisted local farmers with training in sustainable farming methods.

DISTRIBUTION RETAIL SUPPORT

OUR VALUE CHAIN (CONTINUED)

PROCUREMENT

WAREHOUSING

237 000 m²

TOTAL FLOOR AREA

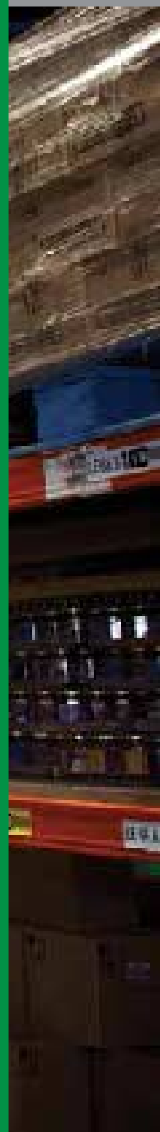
577 000

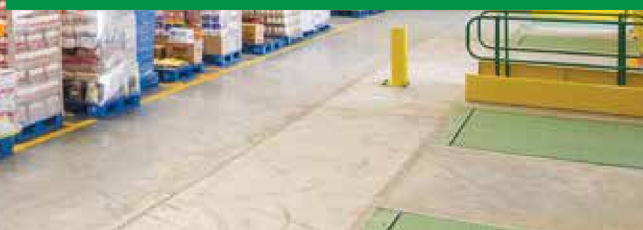
AVERAGE NUMBER OF CASES DISPATCHED PER DAY

We have a combined 237 000 m^2 of warehouse space, across various temperature disciplines, that we use to our full advantage. Our warehousing facilities are located at our seven distribution centres across the country.

Our world-class facilities are classified as such due to their efficient design, effective management and the innovative use of technology that enables the complex process of storing and packing massive volumes of goods for delivery.

We receive goods from our various suppliers, which are then unpacked into the relevant pick slots. We then process our retailers' orders, most of which are received electronically, and through a voice picking system our pickers sort these orders for delivery. The pickers then pick the stock and deliver it into a holding area where it is wrapped and loaded onto the trucks. Although the process itself is relatively simple, the volumes being handled make efficiency and accuracy essential. On average, one distribution centre can handle upwards of 200 000 cases a day.





DISTRIBUTION

RETAIL SUPPORT

CASE STUDY

Changing our warehousing to be the most efficient: slow-moving and fast-moving stock

During 2014, SPAR identified an opportunity to improve efficiencies in the Gauteng region. In every distribution centre, a significant portion of the stock items carried consists of slow-moving items, from health and beauty products to groceries and general merchandise. To free up space and maximise how goods are picked, a shared business unit is planned for 2015. All the slow-moving stock will be stored in one central location, allowing for specialised handling and freeing up space for more fast-moving stock in the other distribution centres. This is an example of how we are constantly striving to find ways to drive supply chain optimisation.

OUR VALUE CHAIN (CONTINUED)

PROCUREMENT

WAREHOUSING

DISTRIBUTION

FLEET

307	444	84
TRUCKS	TRAILERS	RIGIDS

210. 8 MILLION

NUMBER OF CASES DISPATCHED

In a competitive market, we are actively working to drive lower transport and distribution costs. Our goal at all times is to make our system as efficient as possible to enhance our value proposition to our retailers.

In line with our strategic imperative of creating a sustainable business model, we have implemented measures that will potentially increase our bottom line and decrease our carbon footprint.

One such measure is the use of biodiesel in an increasing number of our trucks. We collect used cooking oil from our retailers, which is then converted into biodiesel. This has been successful in reducing transport-associated emissions, and has also resulted in financial savings with biodiesel being cheaper than conventional diesel.

SPAR has also seen the increasing opportunity of adopting new approaches to working with suppliers. Here the emphasis is placed on backhauling to increase the usage of vehicles and reduce operational costs. An identified inefficiency in our supply chain is that delivery trucks generally return to their point of origin empty. This involves fuel and labour inefficiencies that SPAR has sought to correct. Backhauling involves collaboration with our suppliers to deliver goods to our SPAR retailers on their return journey from our distribution centres. Alternatively, we deliver goods to retail stores near our suppliers, collect goods from the supplier and return to the distribution centre with a full truck.

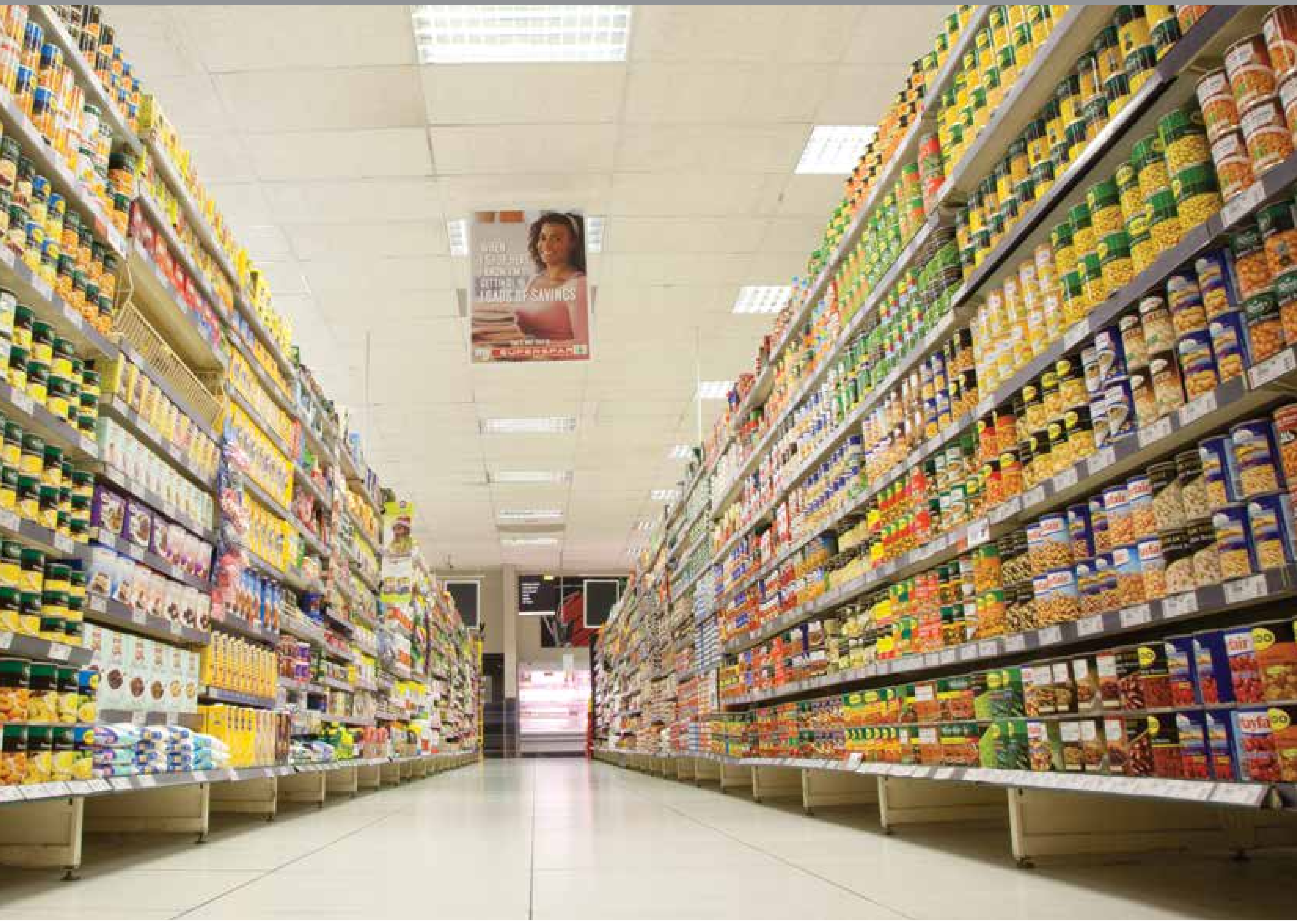
The rising fuel price has resulted in a renewed focus on more effective route management systems, improving truck turnaround times, reviewing truck specifications and driver training in an effort to further improve transport costs.

As a result of these various initiatives we have seen significant advances in service level, reduction in running costs and CO_2 emissions. During 2014, SPAR dispatched 210.8 million cases through the seven SPAR distribution centres which reflected a healthy 3.6% increase on the volumes handled last year.

OUR VALUE CHAIN (CONTINUED)

PROCUREMENT

WAREHOUSING



DISTRIBUTION

RETAIL SUPPORT

993 030 m²

SPAR RETAIL SPACE

102 422 m²

TOPS RETAIL SPACE

Our business model depends on the success of our independent retailers. Simply put, if they do well, we do well. Our mission, therefore, is to ensure their success by supporting their journey on the road to the implementation of best practice in all areas of their operations.

The relationship that exists between SPAR and our retailers is incredibly dynamic, because the basis of the relationship is voluntary trading, i.e. mutual co-operation to the benefit of both parties. We cannot dictate to our retailers how they should run their stores, and nor do we want to, as this would take away from the flair and ownership that characterise the SPAR experience. We seek, rather, to work alongside our retailers, combining expertise to create the best stores possible.

A close working relationship is therefore essential in order to create extensive opportunities for engagement, discussion and support. Our retail operations departments in each distribution centre manage this relationship, take responsibility for SPAR sales into our stores and work to promote sales from these stores through various means. Our support services include assisting our retailers in making their stores as appealing as possible through design and revamp assistance, encouraging merchandising best practice, assisting with public relations activities and offering other training where necessary. Through the provision of a range of support initiatives, SPAR retailers are far better placed to compete effectively in a market that is dominated by supermarket chains, while still maintaining their independence.

BUSINESS MODEL

CREATING VALUE THROUGH RELATIONSHIPS

We create value through our unique voluntary trading relationship with our primary stakeholder group: our independent retailers. We strive to support them by leveraging our key competencies in supply chain optimisation and retailer support.

The SPAR Group Limited

Suppliers

Procurement

We make use of economies of sale and our bulk procurement power to source products in a cost-effective and efficient manner.

Our suppliers rely on **financial, natural and manufactured capital** to produce the products we procure from them.

SPAR uses its **social capital**, namely its suppliers and economies of scale, to ensure favourable prices and its **financial capital** to procure these products.

Warehousing

Our centralised warehousing means that we are able to store products from multiple sources in a location convenient for delivery to our retailers.

We use **manufactured capital** in the form of our world-class warehouses and the equipment contained within, as well as the **intellectual capital** of our management systems and the **human capital** of our employees to enable the efficient storage of our products and assist in ease of distribution.

Distribution

A centralised warehouse structure means that retailers are able to receive a single delivery of multiple goods.

We rely on the **manufactured capital** of our fleet, as well as **natural capital** in the form of fuel to enable our distribution functions. It is through the application of the skills of our team and the **intellectual capital** of our systems, procedures and protocols that efficient distribution of our products to our retailers is ensured.

Retailer support and marketing

We actively drive and manage our brands and provide a full range of support services to our independent retailers. Our retailer support activity relies strongly on the sharing of our **intellectual property** and our **social capital** in the form of our relationships with our retailers to ensure the success of their stores.

Consumers

Our independent retailers

Value created

Through this business model and using the various capitals, value is created for the SPAR Group and its stakeholders.

Economic	Turnover up by 15% Headline earnings of R1 351.3 million Annual dividend of 540 cents per share Operating profit of R1 867.4 million R226.9 million invested in capital expenditure
Social	139 jobs created 4 025 permanent employees 9 182 days of training R1 407 million invested in staff salaries R13.2 million invested in CSI programmes BBBEE level 7 during 2014
Environmental	Fuel consumption increased by 1% 25% reduction in electricity consumed Total carbon footprint of 87 634 tonnes

UNDERSTANDING OUR OPERATING ENVIRONMENT

SPAR operates within a highly competitive fresh food and grocery industry. As a wholesaler and distributor of goods and services to independent retailers, servicing a range of customers across the entire LSM market, SPAR is exposed to a number of macro-economic factors and changing consumer behaviours. The retail sector is changing perhaps more rapidly than ever before. The external environment provides the context in which we operate but also helps inform our strategy and identify risks and opportunities.

SPAR supports 1 711 stores in South Africa and 153 stores in the rest of sub-Saharan Africa, providing us with exposure to these economies, with South Africa forming the majority of our exposure. Following the recent acquisition of an 80% stake in BWG, SPAR will in the next financial year also be fully exposed to the economies of Ireland and South West England.

MACRO-ECONOMIC ENVIRONMENT

The impact of sustained weakness in the global economy continued during the year under review and undoubtedly had a negative impact on the economies of sub-Saharan Africa.

While weak global demand has impacted the South African economy, domestic issues continued to dampen growth in the country. Consumers' disposable income remained under pressure due to a number of factors. Rising fuel, food and utility prices affected both our consumers and retailers. Labour unrest weighed heavily on the economy, especially the extended strike experienced in the mining industry, as well as the month-long strike in the metal sector.
Job creation remained muted in 2014, while crime and security issues remain a concern for consumers and retailers alike. The country's broader economy struggled to reach a growth rate of 2%. Business confidence dropped to the lowest levels seen in 14 years, while consumer confidence further declined.

Operations in the rest of the African continent remain a second engine of growth. Despite the partial dependence on faltering commodity prices, expansion in sub-Saharan African economies remained resilient. However, these opportunities are not without risks and challenges, including political risk, currency risk and overcoming the local knowledge gap. (For more information on how SPAR has overcome these challenges in one such African country, see our case study on the Angolan opportunity on page 17).

COMPETITIVE LANDSCAPE

Competition is high in all the markets we serve and business operating environments remain challenging. The landscape is characterised by aggressive competitor marketing activity and new entrants, including non-traditional competitors. Demand for retail goods is showing a steady increase with a shift away from traditional, informal retailers to a modern shopping mall experience. This has resulted in fewer traditional convenience strip mall developments being opened, which have historically been the format of choice for SPAR stores. To mitigate this risk, SPAR fosters relationship with developers to ensure access to newly planned property and retail developments.

REGULATIONS AND LEGISLATION

During the past few years, new legislation, including the Consumer Protection Act, the Liquor Act, BBBEE legislation and labelling requirements, has changed many aspects of retailing. This has resulted in a more challenging retail environment in South Africa. SPAR remains committed to supporting our retailers in complying with all relevant legislation and regulations

OUTLOOK

The outlook for global growth remains modest with some signs of recovery forecast.

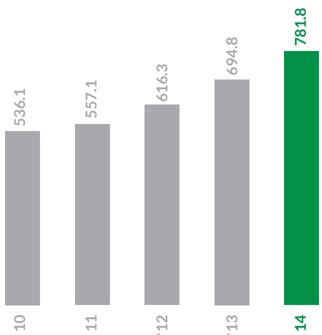
In South Africa, economic growth is expected to remain subdued in the new financial year. Market conditions are expected to remain tough with possible additional strain experienced by both retailers and consumers due to rising interest rates, power outages and the risk of further labour unrest.

Growth in sub-Saharan Africa is expected to remain strong at 2.5% and in Ireland the economy is expected to improve further, with employment gaining momentum and gross domestic product expected to grow by 5%.

INVESTMENT CASE

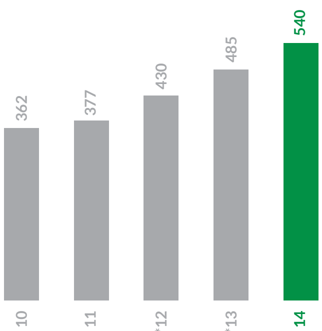
Since listing on the JSE in 2004, the SPAR Group has shown solid growth in earnings, dividends, number of stores and retail selling area.

HEADLINE EARNINGS PER SHARE (cents)



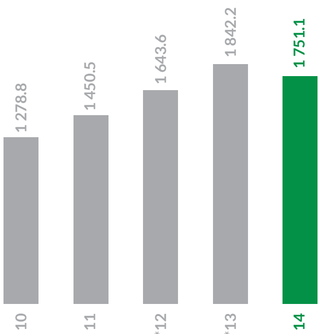
* restated

DIVIDEND PER SHARE (cents)



* restated

NET ASSET VALUE PER SHARE (cents)



* restated

The core elements of the SPAR Group's unique competitive advantages are:

CENTRALISED PROCUREMENT, WAREHOUSING AND DISTRIBUTION

- This provides the benefit of economies of scale and procurement power to the independent retailer. It gives collective responsibility to security of supply and the mitigation of risk in the supply chain.
- The SPAR business model allows independent retailers the freedom to source locally and regionally to best fit their unique consumer profile and requirements.

SUPPLY CHAIN EFFICIENCIES

- Voluntary trading, by its nature, requires an efficient supply chain. Parties to the agreement are committed to the principle of vertical co-ordination and mutually beneficial initiatives (promotions, packaging, logistics, innovation and category development).
- The system further offers reduced administration time and costs as retailers process a single invoice and receive a single delivery in contrast to the complexities created by independent sourcing and logistics. These factors contribute to a competitive price offering to the customer.

MARKETING SUPPORT

- The SPAR brand is strengthened by national and regional campaigns and strategic sponsorships, funded by the SPAR and Build it Guilds and the SPAR Group. These campaigns are supported by promotions and communication strategies through a wide spread of media channels.

INFORMATION SHARING NETWORK

- All SPAR International members meet regularly to share brand, marketing, logistics and operational expertise and best practice. This will be further enhanced by benchmarking opportunities between the South African and Irish operations.
- Locally – Information sharing enables optimised planning, procurement and new product development between SPAR and retailers and between SPAR and major suppliers.

GEOGRAPHICAL FOOTPRINT

- With more than 1 864 stores in Southern Africa, SPAR has a strong presence, especially in urban residential areas (nearly twice as many stores as the closest competitor). The group also has a strong focus on new business development in Africa.
- The group now has a significantly expanded footprint through a new range of store formats in Ireland and the South West of England. This will be expanded through a dedicated internally funded capital investment programme over the next five years.

STORE OWNERSHIP AND FOCUS

- SPAR stores are predominantly owner-managed. Owners are entrepreneurial in their approach and have a vested interest in the success of their store.
- See page 31 and 32 for information on the support given to our independent retailers.

FRESH COMBINED WITH SERVICE

- We target 30% of a SPAR store's turnover to be generated by fresh produce, butchery and bakery food service departments. These typically have higher gross margins and are growing due to consumer demand for convenient fresh products.

MARKET POSITIONING

- SPAR's market is spread across all LSM groups. The store formats, fresh approach and competitive, responsible pricing strategies for the different formats ensure a spread that mitigates the risks associated with particular market segments.

SPAR STAKEHOLDER INITIATIVES

During the ordinary course of business The SPAR Group engages with a range of stakeholders, essential to the group's ability to create value. We discuss our interaction with these stakeholders in detail on the section on "managing sustainable development" starting on page 50.

The SPAR Group's primary stakeholders are:

- SPAR retailers
- Consumer communities
- Employees
- Suppliers
- Shareholders
- Providers of capital

In addition to the above, the following stakeholder groups are monitored and engaged with on a regular basis:

- Board and board committees
- Unions
- Government and regulators
- SPAR International
- Media
- Advertising agencies

During the past year, the SPAR Group's stakeholder focus was driven by a strategy for increased local sourcing from emerging smallholder farmers. This is in support of South Africa's National Development Plan (NDP), which focuses inter alia on an integrated and inclusive rural economy and firmly positions the importance of developing a thriving smallholder farming sector for job creation and food security. The NDP states that agriculture, as the primary economic activity in rural areas, has the potential to create 1 million new jobs by 2030. The majority of these new jobs will be in the smallholder sector.

The aim of SPAR's strategy is to enable small farmers to develop beyond subsistence farming. By linking rural supply to local consumer demand and retail requirements, lower LSM consumer groups can gain access to improved availability of diverse fresh, nutritious produce. By complementing this with in-store and school-based campaigns to improve awareness of the importance of nutrition, SPAR aims to contribute to improved uptake of fresh food and increased dietary diversity among young children and women of reproductive age.

What began with an initial focus on the single SPAR retail store as the hub for local sourcing progressed into the concept of a fresh assembly point as the hub for supplying stores within a 200 km radius of the hub and the emerging farmer growing areas. With the assistance of Dutch government funding, SPAR intends to create three pilot Rural Retail Centres (RRCs) over the next few years.

To be sustainable, this initiative requires buy-in from a wide range of stakeholders, including farmers, communities, food manufacturers/wholesalers, financial institutions and funders. Key to the success of the venture is the creation of dedicated markets for fresh produce consisting of local retail stores, potential informal markets and government-led schemes within the area.

An initial detailed location assessment has been completed for the Mopani District in Limpopo Province. This work has identified suitable local emerging smallholder farmers that could supply the independent retailers that trade within a reasonable geographical radius of the potential site. Discussions were also held with independent retailers already conducting similar local sourcing projects on a small scale to understand and address possible problem areas.

The area is particularly attractive as a number of farmer support organisations are already well represented and there are 27 SPAR stores within a 200 km radius.

SPAR intends to proceed with the establishment of the Mopani RRC by starting to select farmers and planting products by 2015. Concurrently, the SPAR team will be completing detailed location assessment exercises for the Eastern Cape and KwaZulu-Natal RRCs.

STRATEGY AND MATERIALITY

Vision:
First choice brands in the communities we serve

Stakeholder returns

Sustainable system

OUTCOMES

- World-class replenishment system
- Competitive pricing
- Comprehensive range
- World-class brands
- Best retailers
- New business growth

IMPERATIVES

- Deliver excellence in Fresh
- Drive supply chain optimisation
- Drive expert retail leadership and support
- Create competitive price perception
- Own centre of community leadership
- Realise new business opportunities
- Develop our future financial model

ENABLERS

- Collaborative relationship
- Lean organisation

- Effective systems (distribution centre and retail)
- Motivated and competent people

- Social and environmental commitment
- Skills to run profitable retail stores

Purpose: To provide expert leadership and support to enable them to run sustainably profitable and professional businesses

STRATEGY AND MATERIALITY (CONTINUED)

STRATEGIC FOCUS	ASSOCIATED RISKS
World-class replenishment As a wholesaler and distributor of goods, our first priority is supply chain optimisation. Fundamental to this goal is ensuring we run a lean organisation, which necessitates close collaboration with our retailers and suppliers	• Ageing information systems • Fresh supply chain logistics issues leading to poor retail delivery of Fresh • Long-term external infrastructure failure • Long-term sustainability of Fresh supply • Data quality and analysis capabilities
Competitive pricing Creating a competitive price perception is essential to attracting new customers to our stores and maintaining their business in the long term. This strategic focus is facilitated through group buying reviews, commodity trading and our revised promotions strategy	• Inaccurate consumer price perceptions • Inefficiencies in supply chain logistics resulting in uncompetitive landed cost to retailers • Financial management challenges • New and existing competition taking market share
Comprehensive range SPAR operates within a highly competitive fresh food and groceries industry. Delivering excellence in Fresh, increasing the range of our products and sales of our house brands, as well as ensuring our organisation operates as efficiently as possible are therefore essential to keep abreast of current market trends in range offerings and remain competitive	• Ability to forecast and manage demand requirements
World-class brand Key to our ability to attract independent retailers and to draw customers to their stores is our brand. We grow awareness and foster positive sentiment around our brand by strengthening community leadership, sponsorships, advertising and social media	• Lack of dedicated focus on own brands/private label
Best retailers We are only as strong as our retailers, therefore we provide expert retail leadership and support through our service, incentives and training programmes	• Disruption of operations due to labour disputes and/or industrial action • Ability of financial model to deliver retailer profitability • Health and safety challenges • Level of leadership and support to retailers • Loss of retailers to competitors • Security issues leading to significant losses

KEY PERFORMANCE INDICATORS	2014 HIGHLIGHTS AND CHALLENGES
• Cost reduction • Improved "in stock" • Reduction in stockholding • Fuel, energy and labour cost-saving	• Successful implementation of phase 1 of our information systems modernisation through the conversion to a SAP platform • Ongoing investment in our distribution centre facilities and more efficient vehicles to improve productivity through technological integration under the guidance of industrial engineers • Joint business planning with our major suppliers is gaining traction, with plans and targets being set to address logistics issues and improve efficiency • Produce initiatives
• Match competitor prices • Survey consumers	• We know from ongoing surveys that our bigger stores are competitive and have been driving our recent retail performance • We are reviewing advertising and promotion strategies to better communicate our price position to the consumer
• Service department sales ratio and gross profit improvement • Improved ratio of house brand sales • House brand packaging cost and footprint reduction	• Retail: a focus on skills training, implementation of technology to support production planning, recipe costing and food safety • Distribution centres: extending our range and quality and cold chain management improvements • Performance of private labels – growth of +14% in 2014
• Improved consumer feedback	• We are identifying and actively supporting successful community initiatives, and will continue driving this group strength through more retail stores
• Improved retail performance	• We are providing a formal, tailored service package to our retailers to ensure we meet their specific needs with a particular focus on financial monitoring and store cluster comparison • Strong retail performance in 2014 with like-for-like growth of 7.8% reported in the current year

STRATEGY AND MATERIALITY (CONTINUED)

STRATEGIC FOCUS	ASSOCIATED RISKS
New business growth We seek to grow our organisation through organic, real growth opportunities and an emphasis on diversification	• Ability to leverage competencies and develop new business opportunities/concepts • Ability to successfully develop new business in Africa • Ability to attract new retailers • Ability to develop new sites • Appropriateness of model for development and integration of African expansion into DC structure
Stakeholder returns We seek to create stakeholder returns through an emphasis on efficiencies such as lean organisational practices, refining our future financial model, effective systems and motivated, competent people	• Poor relationship with supplier and retailers • Inappropriate business model • Poor employee relations
Sustainable systems Through socially and environmentally sustainable business practices we seek to ensure the long-term viability of our organisation	• Climate change • Ability to reduce carbon footprint • Sustainability of fresh supply • Non-compliance with legislation and regulations

KEY PERFORMANCE INDICATORS	2014 HIGHLIGHTS AND CHALLENGES
• New store openings	• Opened: 19 new SPAR stores, 51 new TOPS at SPAR stores, 18 new Build it stores and 10 new Pharmacy at SPAR stores • We have identified a number of future growth drivers that are being investigated. Our African expansion is deliberate. We supply SPAR stores in Botswana, Namibia, Swaziland and Zambia and have a 35% share in SPAR Zimbabwe • The purchase of BWG
• Profit after tax improvement • Dividend • Staff surveys • Staff retention	• Profit growth (after tax) of +13.3% • Dividend growth of +11.3% • We continue to meet with our ever increasing number of major suppliers (10 in 2014) to jointly address efficiencies and opportunities to add value for our customers • Customer service survey with our retailers and internal survey with our employees are done annually and results are communicated
• BBBEE level 3 (target) • Carbon footprint improvement	• Achieved a BBBEE level 7 score • Carbon footprint reduction is ongoing–baseline reset for 2014 • No non-compliance matters reported

DETERMINING MATERIALITY

SPAR defines a material issue as a matter that has a direct or indirect impact on the group's ability to create, preserve or erode economic, environmental and social value for itself and its stakeholders. These matters are determined by considering their effect on the organisation's strategy, governance, performance or prospects. In reviewing our material matters, we considered the following sources of information:

- Stakeholder concerns
- Strategy
- The board agenda
- Management reports
- Risk register
- The external context
- Media reports, including social media
- Investor feedback

An externally facilitated materiality workshop was held with key management to determine the material issues for 2014. These matters were then ranked according to potential impact and likelihood. Similar issues were clustered together to identify the following list. The list below contains the top 16 issues that were ranked as such during the workshop and where those issues are addressed in our report:

STRATEGY AND MATERIALITY (CONTINUED)

MATERIAL RELATIONSHIP

Associated material issue

SUPPLIER– SPAR

Fresh product line	p 55
Food quality and safety	p 56
Food security and agriculture	p 55
Climate change impact on the supply chain	p 55

SPAR– EMPLOYEES (INTRA-ORGANISATIONAL INTERACTIONS)

Rising fuel costs	p 58
Sustainability of the business model	p 32
Leadership	p 53
BBBEE and transformation	p 54
Attracting suitable employees	p 53

SPAR– INDEPENDENT RETAILERS (VOLUNTARY TRADING RELATIONSHIP)

Retailer profitability (attract and retain)	p 56
Entering African markets	p 17
Union activism at distribution centres	p 55

SPAR– INDEPENDENT RETAILERS (CONSUMER)

Reputation/ brand risk and strength	p 51
Retailer relationships – SPAR and community	p 51
Increasing competition	p 34
Compliance with legislation and required disclosure	p 67

FINANCIAL REVIEW

TURNOVER INCREASED BY

15%

PROFIT AFTER TAX INCREASED BY

13.3%

HEADLINE EARNINGS PER SHARE INCREASED BY

12.5%

TOTAL DISTRIBUTION OF CENTS PER SHARE

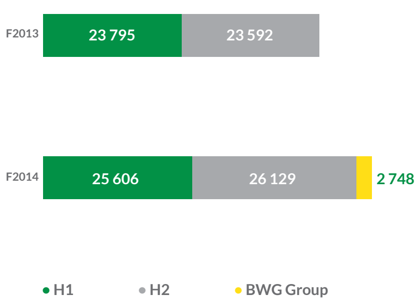
540

DIVIDEND PER SHARE INCREASED BY

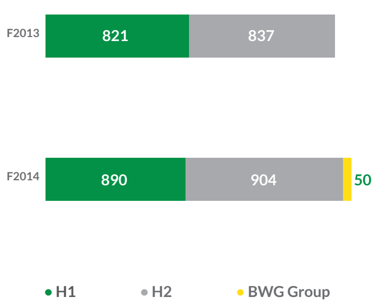
11.3%

FINANCIAL PERFORMANCE: Comparative performance H1 VS H2 + BWG GROUP IMPACT

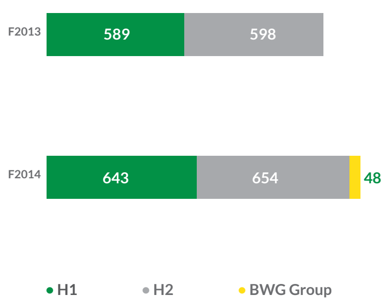
TURNOVER (Rm)



PROFIT BEFORE TAX (Rm)



PROFIT AFTER TAX (Rm)



SPAR delivered solid financial results for 2014 notwithstanding a challenging trading environment characterised by unrelenting unemployment, distressed household debt and higher interest rates. Full details of the financial performance and financial position of the group are set out in the annual financial statements, together with the notes to the financial statements presented on pages 86 to 129.

FINANCIAL PERFORMANCE

Turnover for the financial year increased by 15% to R54.5 billion (2013: R47.4 billion), bolstered by the consolidation of two months of turnover from BWG, which contributed R2.7 billion.

Excluding BWG, the group reported turnover growth of 9.2% to R51.7 billion.

SPAR and TOPS at SPAR contributed 84.8% of total turnover (up 9.2% from 2013) while Build it contributed R5.5 billion (up 8.8% from 2013).

Build it turnover slowed towards the end of the year following deflation in the price of cement as well as the unavailability of products such as sheeting material and door frames following the strikes in the steel industry. The division has, however, experienced good growth outside of South Africa in markets such as Namibia (+20%).

The upward movement in the gross margin for the group (8.3% in 2014 vs 8.1% in 2013) is the result of a change in mix of products sold – moving a higher portion of fresh produce through our distribution centres. This is emerging as a structural change to the business and we expect the trend to continue. A gross margin of 10.2% delivered by the business in Ireland, which is premised on smaller format convenience stores, further contributed to this performance.

Operating expenses increased 22.6% to R3.2 billion (2013: R2.6 billion) but this was significantly impacted by the BWG consolidation, which, if excluded, would reflect a more appropriate increase in SPAR expenditure of 12.3%. The increase can be attributed to three major expense items:

- Ongoing support and maintenance following the investment in the SAP information technology system which we do not expect to repeat in the next financial year
- Increased marketing expenses which we have offset through increased contributions from our suppliers
- A bad debt impairment of R84 million which included the impact of the closure of a group of Build it stores in Botswana

Profit before tax increased 11.2% to R1.8 billion (2013: R1.7 billion), or an increase of 8.2% on a like-for-like basis (excluding BWG).

SPAR's profit after tax increased to R1.3 billion (2013: R1.2 billion), an increase of 13.3%. SPAR in South Africa showed profit after tax growth of 9.2%, while BWG accounted for the remainder of the increase (R48.1 million).

The group's headline earnings grew 12.8% to R1.4 billion (2013: R1.2 billion) with headline earnings per share showing a 12.5% increase to 781.8 cents (2013: 694.8 cents). The board approved a final dividend declaration of 345 cents per share (2013: 306 cents), amounting to a total dividend for the year of 540 cents per share (2013: 485 cents), 11.3% higher than in the prior year.

The group's cash generated from operations remains strong and was supported by SPAR's internal focus to enhance working capital levels. Cash used by the group for investment activities during the year exceeded R1.0 billion. This included capital expenditure of R226.9 million for operational requirements, R35.2 million for the acquisition of three local retail stores and the R798.6 million purchase consideration for BWG.

Retail performance

While SPAR stores reported retail turnover growth of 7.8% to R63.1 billion (2013: R58.5 billion), wholesale turnover increased 8.9% to R42.2 billion (2013: R38.7 billion), providing evidence that independent retailers recognise the value added by SPAR's merchandising, distribution and logistics capabilities. Furthermore, existing stores continue to outperform the market, with turnover growth of 7.8%. Growth was again supported by high acceptance levels of SPAR's house brands, which offer value to cash-strapped customers, with sales for this source increasing 14% to R5.8 billion. Net retail trading space increased 1.7% (2013: 2.2%) as 19 new stores were opened, taking the total store numbers to 875 at year-end. However, the group benefited from its ongoing initiatives to improve the quality of its existing store base with substantial revamps completed by retailers in 185 stores (2013: 155 stores) during the year in line with SPAR's organic growth focus, which had a positive impact on turnover growth.

The offering and conveniently located retail format of TOPS at SPAR continues to entrench its position as the number one retail liquor brand and reported retail sales growth of 13.8% to R6.6 billion (2013: R5.8 billion). Same store growth was an impressive 12.6%, while wholesale turnover grew 13.1% to R4.0 billion. Combined food and liquor retail sales, which allows for a better industry comparison, increased by 8.3% and 8.2% on a like-for-like store basis.

Build it experienced a difficult year despite implementing restructuring initiatives. Build it achieved retail turnover growth of 9.5% (2013: 12%) to R9.1 billion (2013: R8.3 billion) with solid growth of 7.8% from existing stores. The wholesale turnover increased 8.8%, to total R5.5 billion (2013: R5.1 billion). It was encouraging to note that Build it's house brand imports continued to gain support in the market, with total sales of R238 million, a 21.5% increase from the prior year.

The turnover reported by the corporate retail division amounted to R773.7 million. This reflects a decline of 7.5% on the prior year due to the sale of the Philippi SUPERSPAR and the closure of Stoneacres SUPERSPAR. The net profitability position of this business continues to be positive for the group.

SPAR Ireland

The results of BWG have been consolidated for two months and this has had a notable impact on the group's results. While the net profit return in this business is lower than the South African group, this is expected to increase through the implementation of various initiatives. The revenue impact of BWG business will be even greater in 2015 when including a full year's trading performance. The two months' turnover included in the 2014 financial results, is however, not indicative of the turnover levels to be expected for the full year results in 2015 – the two months represent peak summer sales comparable to the South African festive season period.

Capital investment

SPAR's seven distribution centres despatched a total of 210.8 million cases (2013: 203.5 million cases), representing a 3.6% year-on-year growth in volumes handled. In order to sustain growth, SPAR has reviewed its distribution capacity and is planning to embark on two major extensions that were put on hold in 2014. Work has already commenced at the KwaZulu-Natal perishable facility and SPAR expects to start construction of a slow moving storage facility at the South Rand distribution centre early in the new year. Both projects will be completed within the financial year. With regard to the new distribution centre planned in the Lanseria area, work continues towards finalising the acquisition of land. The budgeted capital expenditure in 2015 in South Africa is expected to be R540 million, including R170 million for Lanseria.

Loan facilities

The group has continued to advance or secure loan facilities for its retailers to enable them to purchase or revamp stores – the latter being a strong focus area for the past and next financial year.

The group has long-term borrowings and, when necessary, funds its operations from overdraft facilities. These facilities are in excess of forecast requirements and are subject to annual review.

Financial risk management

The identification of sustainability and financial risks for the group formed part of the enterprise risk management process. The SPAR Group is, among others, exposed to inflation, interest rate, liquidity and credit risks, which typically include trade receivables. These risks are continuously and proactively managed, and remain on a low risk level.

Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The group has considered and adopted all new standards, interpretations and amendments to existing standards that are effective as at year-end.

There has been no material impact of these amendments on the financial statements.

Going concern status

The board has formally considered the going concern assertion for the SPAR Group and is of the opinion that it is appropriate for the forthcoming financial year.

Mark Godfrey
Financial Director

11 November 2014

FIVE YEAR FINANCIAL REVIEW

Rmillion	2010	2011	Restated* 2012	Restated* 2013	**2014**
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	35 160	38 820	43 560	47 796	**55 016**
Operating profit	1 303	1 405	1 510	1 646	**1 867**
Interest received	25	18	33	34	**34**
Interest paid	(21)	(25)	(28)	(25)	**(38)**
Finance costs					**(6)**
Share of equity accounted associate (loss)/profit		7	4	3	**(13)**
Profit before taxation	1 307	1 405	1 519	1 658	**1 844**
Taxation	(391)	(452)	(460)	(471)	**(499)**
Profit for the year attributable to ordinary shareholders	916	953	1 059	1 187	**1 345**
Actuarial loss on retirement funds					**(21)**
Actuarial (loss)/gain on post-retirement medical aid				12	**(8)**
Exchange differences from translation of foreign operations				1	**16**
Total comprehensive income	916	953	1 059	1 200	**1 332**
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	1 521	1 550	1 588	1 749	**2 878**
Goodwill	300	382	391	387	**2 545**
Loans and investments	41	59	119	120	**124**
Operating lease receivables	139	119	113	98	**85**
Other non-current assets	2	1			
Deferred taxation asset	3	13	15	28	**45**
Current assets	5 523	6 178	7 673	7 405	**11 254**
Non-current assets classified as held for sale					**15**
Total assets	7 529	8 302	9 899	9 787	**16 946**
Equity and liabilities					
Capital and reserves	2 187	2 489	2 827	3 176	**3 027**
Deferred taxation liability		1	4	2	**2**
Post-retirement medical aid provision	75	86	118	111	**129**
Retirement benefit fund					**286**
Financial liability					**549**
Long-term borrowings					**1 866**
Operating lease payables	135	130	129	115	**119**
Current liabilities	5 132	5 596	6 821	6 383	**10 968**
Total equity and liabilities	7 529	8 302	9 899	9 787	**16 946**
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	818	1 362	1 824	339	**1 348**
Dividends paid	(579)	(625)	(671)	(782)	**(867)**
Cash flows from investing activities	(281)	(254)	(222)	(296)	**(924)**
Cash flows from financing activities	(121)	(56)	(71)	(101)	**(101)**
Net movement in cash and cash equivalents	(163)	427	860	(840)	**(544)**

* *Restated for the effect of IAS 19, refer note 21.*

RATIOS AND STATISTICS

		2010	2011	Restated* 2012	Restated* 2013	**2014**
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	**millions**	171.0	171.6	172.3	172.4	**172.8**
Headline earnings per share	**cents**	543.7	564.6	623.9	694.8	**781.8**
Dividends per share	**cents**	362.0	377.0	430.0	485.0	**540.0**
Dividend cover	**multiple**	1.50	1.50	1.45	1.45	**1.45**
Net asset value per share	**cents**	1 278.8	1 450.5	1 643.6	1 842.2	**1 751.1**
COMPREHENSIVE INCOME INFORMATION						
Gross margin	**%**	7.9	8.1	8.0	8.1	**8.3**
Operating profit margin	**%**	3.8	3.7	3.5	3.5	**3.4**
Headline earnings	**Rmillion**	928.9	968.0	1 073.0	1 197.7	**1 351.3**
SOLVENCY AND LIQUIDITY						
Return on equity	**%**	44.4	40.7	39.8	39.6	**43.4**
Return on net assets	**%**	55.2	56.4	53.4	51.8	**61.7**
EMPLOYEE STATISTICS						
Number of employees at year-end		2 698	3 816	3 904	3 886	**4 025**
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	**cents**	9 290	9 629	12 800	12 120	**12 558**
– highest	**cents**	9 293	10 448	13 091	13 335	**13 632**
– lowest	**cents**	6 300	8 200	9 283	10 750	**11 089**
Number of share transactions		127 113	183 725	188 043	225 437	**228 064**
Number of shares traded	**millions**	125.2	144.7	112.7	129.4	**104.5**
Number of shares traded as a percentage of total issued shares	**%**	73.2	84.6	65.5	75.1	**60.4**
Value of shares traded	**Rmillion**	9 181	13 808	12 651	15 159.7	**12 998.2**
Earnings yield at year-end	**%**	5.9	6.1	4.9	5.7	**6.2**
Dividend yield at year-end	**%**	3.9	3.9	3.4	4.0	**4.3**
Price earnings ratio at year-end	**multiple**	17.1	17.3	20.5	17.4	**16.1**
Market capitalisation at year-end net of treasury shares	**Rmillion**	15 889	16 327	22 057	20 899	**21 707.9**
Market capitalisation to shareholders' equity at year-end	**multiple**	8.3	6.6	7.8	6.6	**7.2**

* *Restated for the effect of IAS 19, refer note 21.*

MANAGING SUSTAINABLE DEVELOPMENT

The business world is experiencing a pronounced shift towards more socially and environmentally sustainable corporate practices based on clear business benefits. At SPAR, sustainable business practices are incorporated as part of our strategy. This focus has been driven by external and internal challenges, set out in the section on operating environment on page 34. These include:

- Increasing market volatility, resulting in fluctuating input costs and food prices
- Securing supply sources for the long term
- Consumers and society demanding a greater degree of good corporate citizenship
- Opportunities to innovate, drive revenue and reduce costs

Sustainability thinking has been integrated into all aspects of the SPAR strategy. The group vision is built on an understanding that our retailers and their communities are interdependent. The following sustainability drivers are at the core of our business thinking:

- Financial returns are aimed at stakeholders and shareholders
- Supply chain optimisation and innovative energy management will achieve cost and carbon footprint reduction
- Economic sustainability for the group and its retailers depends on a profitable financial model
- We foster collaborative relationships with our key stakeholders
- We focus on employee engagement by enabling a motivated, competent workforce
- SPAR provides leadership to retailers through emerging farmer integration into the supply chain, energy-saving initiatives and sustainable development

To ensure the successful implementation of its sustainability strategy, SPAR has made the following commitments to drive operational alignment:

Commitment	Focus areas	Progress during 2014
Reducing our direct environmental footprint	• Biodiesel and fuel efficiency • Energy savings • Waste management (recycling) • Water management	See Environmental performance on page 57
Innovation in our house brands	• House brand packaging review • South African Sustainable Seafood Initiative (SASSI) implementation • Sustainability product criteria	See Environmental performance 'Product responsibility and packaging' on page 62
Suppliers' and retailers' business practices	• Supplier sustainability baseline and plans • Supplier collaboration • Retailer engagement (energy and waste)	See Environmental performance 'Product responsibility and packaging' on page 62 and 'Effluents and waste' page 61 Joint business planning entrenched
Raising awareness and improving education	• Sustainability champions • Work is still being done on the buyer education programme, which will be reviewed to make it more accessible to a greater number of employees. We are also exploring the possibility of including suppliers in the training • Work on retailer awareness and education continues with the inclusion of a sustainability section into the retailer induction programme • Consumer awareness	See Social performance 'Community investment' page 51 See Social performance 'Our retailers' page 56 and 'Our consumers' page 56
Previously disadvantaged or marginalised person participation	• Emerging farmer inclusion in Fresh supply chain • Expand black retailer base • Small building contractor development	See Social performance 'Our suppliers' page 55 and 'Our retailers' page 56. Build it initiative to make home building simpler

Commitment	Focus areas	Progress during 2014

Philanthropic role	• The group's involvement with a project is seen as an opportunity for both the business and the beneficiary and should add value to both
	• Focus areas include:
	  • Healthcare
	  • Hunger
	  • Safety
	  • Sport
		See Social performance 'Community investment' page 51

GOVERNANCE OF SUSTAINABILITY

The executive team has been mandated with the implementation of the sustainability strategy, with specific accountability and a dedicated Risk, Governance and Sustainability Executive. The Social and Ethics Committee monitors the implementation of our sustainability strategy and progress against this strategy is reported to the board. The following steps were taken during the year to engage the broader organisation and to create awareness of sustainability:

- Incorporation into employee induction programme
- Presentations at internal conferences and at distribution centre executive meetings
- Presentations at Management Growth Programme (MGP) and Senior Leadership Development Programme (SLDP)
- Appointment of additional resources to co-ordinate risk and sustainability initiatives

SOCIAL PERFORMANCE

There is growing global consensus that organisations have the responsibility to respect human rights and improve the social environment in which they operate. At SPAR we take our social responsibility seriously and seek to invest in our social and relationship capital, as well as our human capital. We endeavour to uphold the human rights of every person involved in SPAR's value chain. We are pleased to report that no incidents of discrimination or violations of rights were reported during 2014. However, our desire goes beyond simply doing no harm; we wish to add value to the lives of the people involved with or affected by our organisation.

Areas of focus for SPAR include:

- Our brand
- Our employees
- Our suppliers
- Our retailers
- Our consumers

Our brand

Our social and relationship capital consists not only of our key stakeholder relationships but also the intangibles associated with our brand and the reputation that SPAR as an organisation has developed. We understand that the SPAR brand is a critical element of our success. It is the power of the brand that creates the demand by independent retailers to be part of the SPAR family, which then spurs the demand for SPAR's goods and services. With this understanding in mind, we actively drive and manage our SPAR brand through ongoing national and regional initiatives designed to create awareness.

As a retail brand, the awareness of SPAR is firstly developed through the customer experience in our stores. SPAR, through its Retail Design, Brand Design and Retail Operations manuals, provides know how to support retailers to create a unique SPAR experience, incorporating best international practice. Through the SPAR Brand Manual, a consistent use of the SPAR logo, trade names and trademarks is maintained.

Community investment

SPAR also builds awareness of the SPAR brand through its corporate social investment programmes and the resultant international exposure. A focus on sport has become synonymous with SPAR. Through our sport sponsorships, we communicate our commitment to the local community, to health and wellness, sustainability and good causes, and strive for excellence. We are also actively engaged at a national, distribution centre and community level in many other corporate social investment initiatives.

Our broad focus areas are:

- Healthcare
- Hunger
- Safety
- Sports

Funding proposals are selected according to our CSI policy, based on proposals submitted, and are reviewed on an annual basis. The group invested R13.2 million in its CSI initiatives in 2014 (2013: R11.8 million). Random visits are paid to beneficiary organisations during the year as part of the continuing evaluation of these projects.

CSI project highlights

SPAR builds awareness of the SPAR brand through its long-term sport sponsorship programmes and the international exposure resulting from these. Through this long-term commitment, SPAR is closely identified with encouraging healthy lifestyles, which is in line with SPAR's family values. During 2014, SPAR's contribution to these sponsorships amounted to

R17.5 million. Examples follow of some of the projects supported by the group during 2014:

- During 2014, the SPAR Lowveld distribution centre's staff were encouraged to become involved in a community project, one of whom were selected as the SPAR Hero with a R10 000 donation towards the community project. The 2014 winning project was Huis Bethlehem, a place of safety for traumatised women and children. Having had great difficulty deciding on a winner and as each participant's involvement was a community victory in itself, it was decided that every participant's project would receive a R5 000 donation as well.
- Khulisa Social Solutions, a crime prevention organisation, in collaboration with the SPAR Lowveld distribution centre, established the SPAR Ubuntu Community programme in the Luphisi region. The Ubuntu Club seeks to empower community members in a variety of projects related to crime prevention. It is a multi-faceted programme that includes a selection process for the participants, training of participants and rolling out of relevant community-based projects that reach the wider community. During 2014, there were 17 girls and 11 boys involved in the project. Thus far, positive feedback has been received from the participants themselves, from their parents and from the participants' educators.
- During 2013, the SPAR South Rand distribution centre launched the Junior Achievement South Africa programme at Hulwazi Secondary School. The programme provides entrepreneurial and life skills, and raises awareness of economic issues, business management and career planning. This project continued during 2014 with great success.
- The SPAR South Rand distribution centre sponsors three environmental entrepreneur programmes. These programmes include a variety of activities that introduce the concepts of climate change, recycling and entrepreneurship, and aim to reduce the carbon footprint of schools. During the year, R100 000 was invested into these educational programmes.
- SPAR supports a feeding scheme named Isonka (meaning "bread" in Xhosa). The project aims to fight hunger and fulfil a basic human need. All Isonka projects are located in close proximity to SPAR stores and are run by the local communities. During 2014, R1 million was invested in the feeding schemes (2013: R1 million).
- During 2014, the SPAR Lowveld distribution centre's Human Resources and Retail Operations departments advertised a tender for local companies to provide retail risk related services to our retailers. A proper tender process was followed and a company called ACS Security was appointed to manage this service to our retailers, in conjunction with the distribution centre.
- The SPAR Western Cape distribution centre continued its school food garden project, which has proven to be a huge success in providing community members the opportunity to grow their own vegetables and fruit. The children learn the skills of maintaining a sustainable garden while the community is able to enjoy the fresh produce harvested from these gardens. During the year, four schools participated in this project.
- The SPAR KwaZulu-Natal distribution centre assisted in various feeding schemes during the year, including providing fresh and dry groceries for Gozololo, a daycare centre for needy children centred in KwaMashu, as well as supporting the Hammarsdale Operation Hunger SPAR soup kitchen by providing funding and food. During 2014, R710 000 was invested in the feeding schemes (2013: R445 000).
- The "Roundabout" water project is a group project and is centred on places where children congregate. Merry-go-rounds are erected where the children play and in the process of playing on the merry-go-rounds they pump water into reservoirs. SPAR has branded and supported seven sites in South Africa.

CASE STUDY

For the second year running, SPAR has been the title sponsor for Wheelchair Wednesday. Held on 14 August, the initiative helps raise awareness of the real-life challenges faced by people with disabilities. This important task is accomplished by encouraging able-bodied business people to spend four hours in a wheelchair completing the various tasks that are everyday challenges for a disabled individual. The participants, who represented 40 companies, were then encouraged to give feedback on their experiences. Areas identified as being particularly challenging were insufficient parking, counters that were too high, public toilet facilities and inaccessible ATM machines.

Brian Bezuidenhout, executive director of the Association for People with Disabilities, said he was delighted by the public's positive response. "It's been absolutely amazing. The initiative has really helped to highlight some of the practical and social issues faced by people with disabilities."

As part of this initiative, close to half a million rand was raised to assist people with disabilities and to date more than 250 people have received wheelchairs.

OUR EMPLOYEES

One of the key enablers of SPAR's strategy is competent and motivated employees. In a business based on relationships, finding and retaining the right people enables our success.

The most significant risks to the group in this regard include:

- Losing key employees to competitors
- Pace of transformation
- Wage negotiations which, if not resolved, could result in strikes
- Challenges as a result of the pending legislation concerning labour brokers
- Shrinkage

The group has proactively started seeking solutions to the challenges regarding labour broking under the proposed new labour legislation and the other risks are constantly monitored and managed.

Employee demographics

Occupational levels	SPAR categories	2013 %*	**2014 %***
Board of directors	Executive and non-executive directors Paterson Grades EU and F	30.0	**27.3**
Senior management	Group and divisional executives and specialised group functions E band	18.6	**19.1**
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL and DU	42.6	**43**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL and CU	73.9	**71.3**
Semi-skilled and discretionary decision-making	Operators and clerical staff	94.4	**97.8**
Unskilled and defined decision-making	Defined decision-making positions Paterson Grade A	90.6	**100**
Total permanent black employees as a percentage of total employees		80.4	**80.7**

** Black employees as defined in the BBBEE Act.*

Talent management and employee development

The group's talent and employee development programme focused on developing future leaders during 2014. The following development programmes are in place:

- Programme for Management Development (UCT)
- SPAR Leadership Development
- Management Growth Programme
- Supervisory Development Programmes (various)
- Graduate Trainee Programmes

Training covering the following areas also took place during 2014:

- Computer skills
- Driver training
- Mentoring and coaching
- ABET
- First aid
- Fire fighting
- Forklift/pallet truck

Average days of training

	2013	**2014**
Number of days of employee training	12 984	**9 182**

New employee hires and employee turnover

Attracting and retaining the right people is key to SPAR's success, while a level of turnover is healthy in any organisation to create opportunities for personal growth.

The number and rate of new employee hires indicates SPAR's ability to attract diverse qualified employees, which reflects on the state of our social capital, namely the strength of our brand as an employer.

MANAGING SUSTAINABLE DEVELOPMENT (CONTINUED)

New employee hires and employee turnover

	2013	**2014**
	Number of new employees	**Number of new employees**
Total	–18	**139**

New employee hires

Controllable turnover rate is an important indicator for SPAR to manage as its impacts can be far reaching. A high rate of employee turnover can indicate levels of uncertainty and dissatisfaction among employees, or may signal a fundamental change in the structure of the organisation's core operations. Turnover results in changes to the human and intellectual capital of our organisation and can impact productivity. Turnover has direct cost implications in terms of either reduced payroll or greater expenses for recruitment of workers. As an organisation, we have enjoyed a trend of low staff turnover and will work to maintain this trend in the coming year.

	2013		**2014**	
	Number of employee exits	Employee turnover rate	**Number of employee exits**	**Employee turnover rate**
Total	263	6.0%	**197**	**4.7%**

Health and safety

SPAR provides a healthy and safe work environment for its employees as a basic right and acknowledges that a healthy and safe workplace improves employee morale and productivity.

Health and safety requirements are monitored and reviewed in terms of the group's risk management framework and legislative compliance is required as a minimum standard. To this end, a comprehensive risk management programme is in place, which is audited on a regular basis by an external risk management service provider. The five components of the programme are emergency planning, health and safety, transport, fire and security.

Continued emphasis was placed on health and safety training during 2014, especially at the seven distribution centres and central offices, each with its own health and safety committee. The distribution centre health and safety committees deal with issues as and when required to do so. Unresolved issues are reported to senior management. During 2014, 3 047 employees received health and safety training (2013: 2 938 employees).

Event	2013	**2014**
Disabling injuries	7	**11**
Non-disabling injuries	142	**144**
Deaths on duty	Nil	**Nil**
Number of staff using onsite clinic	8 771	**10 168**

SPAR provides a wellness service to its employees through onsite clinics. SPAR invested R3 million in these services in 2014 (R2.9 million in 2013). The clinic services are provided free of charge to all employees: permanent and temporary. Through these clinics, employees have access to support initiatives that focus on health and wellness, alcohol and substance abuse.

The group has an HIV/Aids policy and management framework in place and HIV-positive employees are provided with counselling and support. HIV/Aids awareness campaigns and training are provided on an ongoing basis, including training of peer counsellors to deal with workplace challenges relating to HIV/Aids.

A decision was taken to provide all employees with annual access to a medical examination. This is voluntary but the uptake has been encouraging.

Diversity and equal opportunity

Having an employee base that reflects the diversity of the societies in which we operate contributes to our organisational strength through access to a range of skills and talent. By sharing the level of diversity within our organisation, we hope to provide insight into SPAR's human capital. In this endeavour, we support the principles contained in the BBBEE Act, No 53 of 2003, and the BBBEE Codes of Good Practice.

Broad-based black economic empowerment (BBBEE)

During the past year, the SPAR Group changed service providers for the verification of the BBBEE contribution. As a result of the change, several areas of measurement were redefined and measured on an adjusted basis, which impacted the overall score for the group negatively.

The verification period was for 2014 and included the head office as well as seven distribution centres. According to the latest verification, the group is a level 7 contributor with a 50% recognition level.

BBBEE scorecard

Element	2012*	**2014**
Ownership	6.1	**8.8**
Management and control	2.2	**4.1**
Employment equity	12.7	**4.8**
Skills development	4.5	**4.4**
Preferential procurement	8.9	**2.4**
Enterprise development	11.5	**14.8**
Socio-economic development	3.0	**3.4**
Overall score	48.9	**42.6**

* *No rating in 2013*

Due to a more comprehensive investigation into the parameters included in the management control and enterprise development by AQRate, a more realistic score in these categories was achieved. It is encouraging that these important elements have now been scored correctly. It was, however, disappointing to see the lower scores for employment equity and preferential procurement. The employment equity score was reduced as a result of the DTI increasing the targets for senior management (43% before 2013 increased to 60% post 2013) and junior management (from 68% to 80%). The impact on the score in these categories was due to a sub-minimum of 40% scoring to be achieved. The lower preferential procurement score was due to discrepancies in the figures used by the previous rating agency. It is concerning that a number of our suppliers have ratings of between levels 7 and 8 which will continue to impact on our score.

Freedom of association and collective bargaining

Strikes are costly to both the group and its employees. They disrupt our service to our retailers and may negatively impact on SPAR customers through stock shortages. With growing strike action in the country and its impact on specific companies' economic performance as well as the economic performance of our country as a whole, this aspect is of material importance to the sustainability of SPAR.

SPAR respects employees' rights to freedom of association and collective bargaining. Where distribution centres have majority union membership, this is formalised through recognition agreements with the representative trade unions. The KwaZulu-Natal, North Rand and South Rand distribution centres are unionised and have recognition agreements with the South African Commercial Catering and Allied Workers Union. Senior management in these unionised distribution centres are responsible for union negotiations.

The Lowveld distribution centre has no recognition agreement with a union due to the low union representation among employees. The other distribution centres are not unionised.

We have a long history of excellent relations with our workforce and the trade union. There were no incidents of strike action during 2014, and we continue to engage with both our employees and unions to maintain this trend, given the increasing levels of union activism in South Africa during the past year.

OUR SUPPLIERS

SPAR's sustainability strategy has highlighted the need for a proactive approach to grow the group's base of fresh produce suppliers. This will ensure that the group can consistently deliver excellence in Fresh. Emerging farmer inclusion into the Fresh supply chain is one of SPAR's sustainability commitments – see the stakeholder section on page 38 for detail about our initiatives.

Implement biological farming across the entire farmer base

Currently 41 (2013:36) Freshline farmers, representing 58% (2013: 52%) of farmers used by SPAR in the Fresh supply chain, have been trained in biological farming methods. There is a drive to train more farmers and to develop criteria and an audit checklist to enable SPAR to conduct audits on the Freshline supply base.

Ensure the ethical treatment of farm workers

Ethical supply chain management is a critical aspect of responsible business. We believe that it is our responsibility to make informed decisions regarding our choice of suppliers. In doing so, we believe that significant potential negative impacts may be prevented or mitigated. SPAR has therefore decided to begin surveying our top suppliers and screening new suppliers using criteria for impacts on society, on labour practices and human rights. It is our ambition to be able to report on the percentage of suppliers that were screened using these criteria by 2015.

SPAR has also adopted the Sustainable Initiative of South Africa (SIZA) standard and began to audit farmers against it during 2014. The purpose of the audit is to identify areas on the site that are non-compliant and require correcting and improvement. The aim of the SIZA programme is to support producers in ensuring there is compliance and ongoing improvement in labour conditions on their sites. The ethical audit is therefore not a tick box exercise and involves more involved proof of evidence and interviews with employees on site.

Ensure food safety

With the inclusion of small-scale emerging farmers into the SPAR value chain, the group has adopted LocalGAP as an entry-level food safety standard towards full compliance with GlobalGAP within two years. Large-scale commercial farmers are

MANAGING SUSTAINABLE DEVELOPMENT (CONTINUED)

expected to comply fully with Global Gap. The benefits of this strategy are not only long-term sustainable supply, but it also enables SPAR to better manage its supply chain risks, ensures a more diverse supplier base, stimulates economic growth and increases loyalty to the SPAR brand by a large range of stakeholders.

OUR RETAILERS

The SPAR Group's customers are independent retailers who have chosen to take part in the SPAR voluntary trading system. For more information on our voluntary trading model, see page 4. Unlike in many other countries around the world, SPAR South Africa remains almost entirely focused on our independent retailers.

We provide a suite of services across the entire wholesale and retail value chain. Through the provision of such services, SPAR retailers are far better placed to compete effectively in a market that is dominated by supermarket chains, while enabling them to maintain their independence.

SPAR is continuously developing new ways to support its retailers to create a unique SPAR experience through best international practice and to ensure their sustainability as individual operations. SPAR has provided retailers with tablet devices that contain the "Fresh Studio", and a full online manual that provides information about every department, its products and systems. It includes all relevant legislation, recipes, food labelling, merchandising, display, as well as costing recommendations.

Other support resources include:

- SPAR corporate identity
- Store design
- Front of store and back of store specifications
- Retail operations
- Product category innovations
- Merchandising best practice
- Warehouse and distribution
- Store IT
- SPAR brand packaging
- Public relations
- Training
- Sustainability and corporate social responsibility
- Preferred supplier arrangements
- Financial support including access to loan facilities (advancing or securing loan facilities for our retailers to enable them to purchase or revamp stores).

Diversity and transformation are also priorities in new business generation and retailer development. Our black retail membership remained at 228 for the year.

OUR CONSUMERS

Failing to manage product responsibility can result in reputational damage, legal and financial risk due to recall, market differentiation in relation to quality, and employee motivation. As a food supplier, SPAR recognises its responsibility to deliver quality products to our consumers, as well as encouraging consumer wellbeing through our various marketing strategies.

Delivering quality

The group has a central resource to ensure food safety, compliance and audits for all suppliers appointed by SPAR. All SPAR stores are subject to hygiene and safety audits, and scores in these audits continue to improve.

Traceability for products delivered to our distribution centres and warehouses is in place, and the group continues to persuade retailers to buy ethically. SPAR expects its suppliers to comply with its food safety standards and provides leadership to its retailers with regard to the standards expected from direct suppliers.
All suppliers are expected to comply with the Global Foods Safety Initiative (GFSI).

The group has an in-house customer care line that addresses consumer complaints and queries relating to products sold at retailers' stores. The customer care line number appears on all SPAR branded products. All queries related to non-SPAR branded products are directed to the relevant suppliers.

Responsible use of alcohol

SPAR sells alcohol through its TOPS stores. The group is committed to encouraging the responsible consumption of alcohol and is a member of the Industry Association for Responsible Alcohol use (ARA). Several advertising campaigns during the year supported the "Don't drink and drive" message. Joint business planning meetings with our main liquor suppliers have resulted in an agreement to jointly address the adverse effects of alcohol on society.

Nutritional strategy

SPAR has developed a nutritional strategy in support of its sustainability commitment to innovate in its house brands and to raise awareness about healthy nutrition. The strategy also supports the group's commitment to responsible product supply. The following are the core principles of the strategy:

- Providing enough information to enable consumers to make informed choices
- Leveraging our house brands and our suppliers' brands to deliver on our strategy
- Ensuring compliance with legislation at all times
- Fortifying products for lower LSM customers on an economically sustainable basis
- Collaborating with the government where possible to deliver nutritious food to the bottom end of the market

Steady progress is being made in this regard.

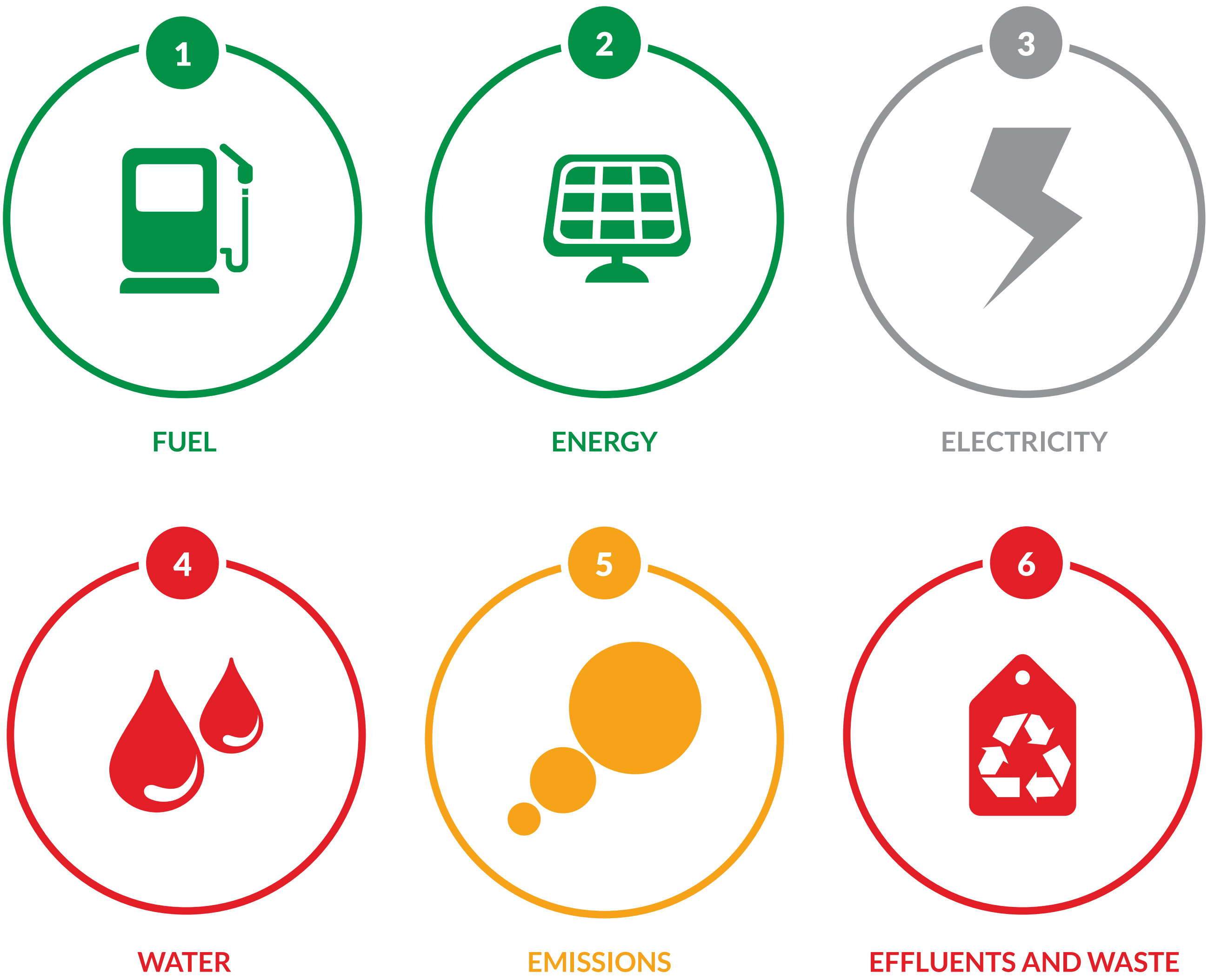
ENVIRONMENTAL PERFORMANCE

The environmental dimension of sustainability concerns our impact, as an organisation, on our natural capital, including living and non-living natural systems.

In discussing our impact on this capital, we seek to address inputs (such as energy and water) and outputs (such as emissions, effluents and waste). Other aspects, including products and services, compliance issues, as well as supplier environmental assessments have also been identified as material to SPAR.

In terms of the sustainability strategy, the executive management team has identified focus areas for the group. The following strategic environmental imperatives and enablers are directly relevant to the environment:

- Drive excellence in Fresh
- Social and environmental commitment
- Reducing our direct environmental footprint
- Suppliers' and retailers' business practices



MANAGING SUSTAINABLE DEVELOPMENT (CONTINUED)

Fuel

The average price of diesel decreased by 0.2% in the year to September 2014 (2013: increased by 11%). The amount spent on fuel to perform our day-to-day activities is approximately R184 million a year, thus managing this cost materially contributes to our sustainable long-term financial performance.

The Group Transport Manager is responsible for driving operational efficiencies at the distribution centres. Fuel efficiency initiatives include:

- Increasing numbers of trucks in the fleet are now operating on a 95:5 (diesel:biodiesel) fuel mix. As part of our recycling initiative, used cooking oil is collected from certain SPAR retail stores for conversion into biodiesel. This has been successful in reducing transport-associated emissions, and has also resulted in financial savings with biodiesel being cheaper than conventional diesel.

Biodiesel use

Distribution centre	2014 Litres used
Western Cape	10 000
KwaZulu-Natal	84 500
South Rand	7 500
Lowveld	36 400
Total	138 450

- The fitting of 20 aerokits on long-distance vehicles has been implemented to reduce drag.
- SPAR collaborated with truck and trailer body manufacturer Serco to develop a new-concept trailer prototype, designed to reduce fuel costs as well as carbon dioxide emissions, while also practical to load. The key issue for Serco was to optimise the aerodynamic efficiency of the 15 metre long and 4.3 metre high trailer without compromising the interior loading volume, which can handle 30 tons of perishable products using pallets and insulated lugs. The trailer is fitted with an electronic braking system for improved road safety. Electronically controlled air suspension reduces the overall height of the truck and trailer and enables the trailer to adjust to a normal dock height for loading and unloading. One of the main challenges in designing the green trailer was to ensure that the new features could be developed without significantly increasing the cost of the trailer, while ensuring a favourable return on investment for SPAR. Six of these trailers are now in use.
- Driver training has been implemented at all distribution centres to improve the efficient use of vehicles. All drivers are assessed at least once a year as part of the group's comprehensive fleet management programme.

Energy

Energy consumption has a direct effect on operational costs and can increase exposure to fluctuations in energy supply and prices.

Our main business functions consist of the procurement, warehousing and distribution of goods to our independent retailers. All of these functions are strongly energy dependent. We use fuel for the procurement and distribution of goods and electricity for the warehousing of goods, especially cold storage. Both of these sources of energy are used in large quantities as business enablers and thus have an impact on operational costs.

SPAR consumed 37 696 714 kilowatt hours of energy in 2014 as opposed to 49 999 540 in 2013. This was as a result of a focus on energy usage in all distribution centres and central office. Energy audits have been performed at the distribution centres and central office with online meters being installed.

A five-year environmental action plan was developed during 2013. This plan contains key environmental goals and measurements. These have been set per distribution centre and will be reported on to the Social and Ethics Committee on a quarterly basis. In terms of energy, SPAR has set the following goals for 2017:

- 20% reduction in electricity consumption
- 10% reduction in fuel emissions

The baseline was set in 2013 and thus far the group has achieved a 25% reduction in electricity and a 2% reduction in fuel emissions.

Electricity

The amount spent on electricity to perform our day-to-day activities is significant, thus managing this cost materially contributes to our sustainable long-term financial performance. To reduce our energy consumption, we consider energy efficiency programmes and alternative energy sources. Measures that were introduced to help reduce this usage include:

- SPAR's electricity usage is most significantly impacted by lighting and air conditioning in its offices and distribution centres. Each distribution centre has an energy management plan and meters have been installed at three distribution centres and the central office. All are in the process of increasing the number of energy saving lights.
- SPAR has sizeable refrigeration installations within each of its distribution centres. Initiatives for improvement include the installation of high-speed doors and air curtains, as well as the monitoring and adjusting of set point temperatures to reduce electricity consumption.
- Battery bays consume between 8% and 20% of electricity (based on meters at certain distribution centres). Old battery chargers are replaced with high-frequency units that are less energy-intensive.
- A shift to more energy-efficient geysers is also underway.

Water

Most of the water consumed by the group is used to wash trucks and in cooling systems. Three distribution centres have initiatives in place to recycle water and two currently collect rainwater. As part of our five-year environmental action plan SPAR has set the goal of a 30% reduction in the use of municipal water by 2017. The baseline was set in 2013 and thus far the group has achieved a 21% reduction in water usage. This reduction is based on our distribution centres' and central office usage.

MANAGING SUSTAINABLE DEVELOPMENT (CONTINUED)

Emissions

As a responsible corporate citizen and recognising the significant detrimental effect carbon emissions have on climate change, SPAR is committed to measuring its carbon footprint and proactively implementing initiatives that reduce or mitigate our impact in this regard.

Furthermore, greenhouse gas (GHG) emissions are a major contributor to climate change, which is a long-term environmental risk for SPAR. Climate change drives risks that range from food security and supply challenges to mitigation actions that potentially affect the group's ability to operate its Freshline supply chain. Changes in agricultural land usage patterns could further result in increased transport costs. There is also the possibility of physical impacts on the group's facilities and distribution fleet from potential climate change consequences such as flooding or droughts.

SPAR participated in the Carbon Disclosure Project for the first time in 2009. The group continues to manage and actively reduce its energy consumption and GHG emissions, as well as generally reduce its impact on the environment. Due to the number of changes the business has experienced over the past few years and a concerted effort to gather appropriate data, the group is in the process of revisiting baselines and resetting targets. The baseline from 2009 to 2012 will thus change going forward.

SPAR's carbon footprint is calculated according to the International Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard.

Data was supplied for the 2014 financial year. For this period, SPAR's activities resulted in a total of 87 634 tonnes of carbon dioxide equivalent (CO_2e) (2013: 101 254 – restated to exclude our store electricity usage). Of this, 78 179 tonnes of CO_2e arose from Scope 1 and 2 emissions. The remaining 9 455 tonnes of CO_2e arose from Scope 3 business travel and employee commuting emissions.

Scope per GHG protocol	2013	**2014**
Total footprint (CO_2e)	101 254	**87 634**
Scope 1: Direct GHG emissions from: Vehicles	39%	**45%**
Scope 2: Indirect GHG emissions from: Purchased electricity[1]	51%	**44%**
Scope 3: Other indirect GHG emissions from: Business travel	4%	**10%**

[1] *Scope 2 emissions consist of energy consumed in our warehouses, mainly in cooling and air-conditioning.*

There has been a decrease of 14% in the total footprint for the group. This was driven by the significant improvements made at distribution centres and central office regarding energy management. It should be noted that the 2013 figures have been restated using electricity usage in stores and by the group. Improvements in the recording and collection of data will be made during 2015 to ensure more reliable data is used. Scope 2 emissions have decreased due to energy saving initiatives. There has been a decrease of 2% in Scope 1 emissions due to initiatives referred to above. Energy saving measures have been and will continue to be introduced into group-owned stores over the next few years.

Effluents and waste

As part of our five-year environmental action plan, SPAR has set the goal of reducing waste to landfill by 50% by 2017.

In order to achieve our goal, our distribution centres have implemented comprehensive recycling programmes. Two have extended this to include retailers from whom they backhaul waste when deliveries are made.

Cardboard and plastic recycling initiatives are in place at all our distribution centres. During 2014, SPAR recycled 9 995 metric tonnes of cardboard (2013: 9 241 metric tonnes) and 1 037 metric tonnes of plastic (2013: 925 metric tonnes); 27% of SPAR stores are involved in the cardboard recycling initiative and 24% in the plastic recycling initiative.

Other waste initiatives involve the recycling of materials such as fine metals, used vehicle lubricants and refrigeration oils.

Product responsibility

SPAR has an established relationship with WWF's Southern African Sustainable Seafood Initiative (SASSI) and continues to work at aligning seafood procurement policies for the entire SPAR house branded seafood range with best practice guidelines for sustainable seafood. The group has developed a sustainable seafood policy with SASSI's guidance.

CASE STUDY

The SPAR Group and the Southern African Sustainable Seafood Initiative

The SPAR Group entered into a relationship with WWF's Southern African Sustainable Seafood Initiative (SASSI) in December 2010. The initiative is aligned to the SPAR sustainable business strategy, in which the group commits to:

- Driving innovation in our house brands to reduce the environmental impact of their full lifecycles
- Raising awareness and improving education around sustainability issues within our own organisation, our retailers' businesses and our own communities
- Engaging and collaborating with our suppliers and retailers to ensure that their business practices are ethical and environmentally sustainable

Since initiating the association with SASSI, SPAR has developed a sustainable seafood policy for SPAR private label seafood products.

SPAR's commitment is to ensure that by 2016 all SPAR private label seafood products will be:

1. certified by the Marine Stewardship Council (MSC); or
2. certified by the Aquaculture Stewardship Council (ASC) (or equivalent standards for farmed products); or
3. categorised as Green by SASSI; or
4. sourced from a fishery or farm engaged in an Improvement Project.

Highlights on our journey towards fulfilling our commitment:

- Completed assessment of private label seafood range
- Created internal awareness of SASSI and SPAR's commitments through training, documentation and presentations
- Created external awareness through presentations to the regional guilds
- All SPAR private label products have been aligned to the commitments
- SASSI linked to the SPAR supplier portal to have direct access to seafood data

Challenges on our journey towards fulfilling our commitment:

- Resource capacity and focus to drive the internal programme
- Ability to effectively shift mindsets to recognise the long-term value in sustainability initiatives
- Ability to influence retailers to align direct supply initiatives voluntarily
- Ability to fully trace and test integrity of seafood products

Plans for the next year:

- SPAR distribution centres to start collecting critical sustainability information from suppliers to determine the level of risk in procurement streams
- Focus on aligning retailers' independent procurement to group policy

Quote from Kevin O'Brien, Group Risk, Sustainability and Governance Executive:

"SPAR's commitment to sustainable seafood procurement has probably thrown us into deeper waters than initially expected. As this initiative is perfectly aligned to our sustainable business approach over the long term, we are continuing our efforts to improve awareness, influence our retailers and support our distribution centres in achieving our SASSI aims."

For more information, please refer to our website, www.spar.co.za.

MANAGING SUSTAINABLE DEVELOPMENT (CONTINUED)

In addition to the SASSI initiative, the group's Freshline team has assisted local farmers in the Freshline supply chain to adopt more sustainable farming methods on their farms. The group will continue to engage with its SPAR brand suppliers to gain further knowledge of the sustainable business practices of those suppliers.

Packaging

The disposal of products and packaging materials at the end of a use phase is a steadily growing environmental challenge. Establishing effective recycling and re-use systems to close product cycles contributes significantly to increased material and resource efficiency. It also mitigates problems and costs related to disposal.

The environmental impact of our products and services, specifically the percentage of products sold and their packaging materials that are reclaimed by category, have been identified as an aspect of material importance that SPAR desires to monitor in the future.

While many recycling initiatives are being pursued throughout our operation, by gathering more specific data around our products and the packaging materials used, we hope to gain insight into the extent to which SPAR's products, components or materials are collected and successfully converted into useful materials for new production processes. Efforts are currently underway to manage this process and gather data in order to identify areas for improvement.

Compliance

Environmental compliance has been deemed a material aspect for SPAR, from both an economic and management indicator perspective.

From an economic perspective, ensuring compliance helps to reduce financial risks that occur either directly through fines or indirectly through impacts on reputation. In some circumstances, non-compliance can lead to clean-up obligations or other costly environmental liabilities.

The level of non-compliance within an organisation helps indicate the ability of management to ensure that operations conform to certain performance parameters.

We are pleased to report that during 2014 no fines were incurred as a result of non-compliance with legislation regarding our environmental stewardship.

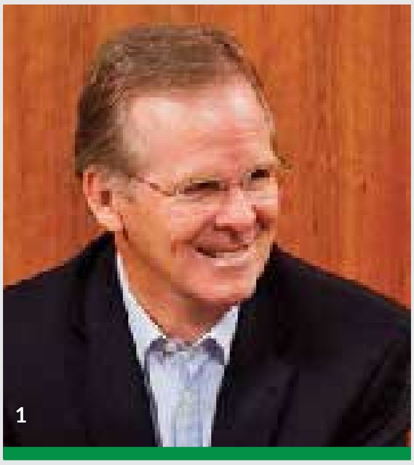
Supplier environmental assessment

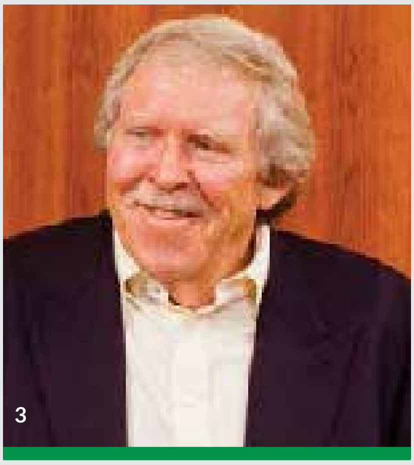
Our environmental impacts lie not only within our organisation or with our retailers. We believe that it is our responsibility to make informed decisions regarding our use of suppliers. In doing so, we believe that significant potential negative environmental impacts may be prevented or mitigated. SPAR has therefore decided to begin surveying our top suppliers and screening new suppliers using environmental criteria. It is our ambition to be able to report on the percentage of suppliers that were screened using these criteria by 2015.

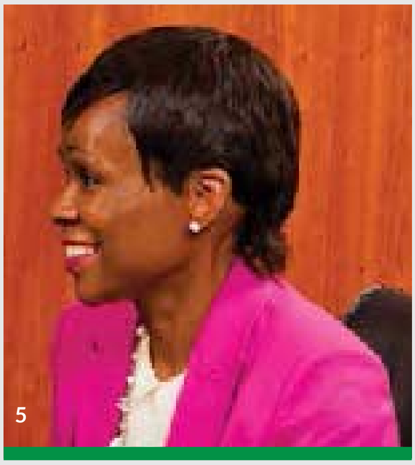
Joint business planning meetings to include sustainability continued during 2014 with the group's top six suppliers. SPAR communicated its sustainability commitments to our suppliers at these meetings and co-operation on packaging, transport efficiencies and social investment projects are a work in progress.

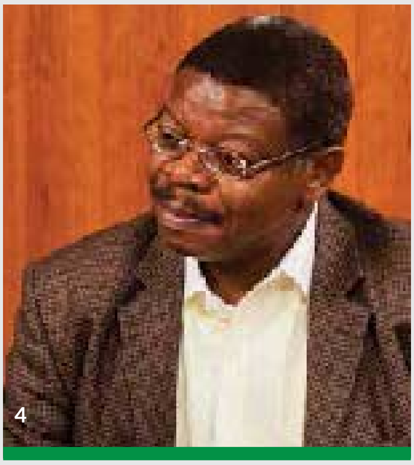
CORPORATE GOVERNANCE

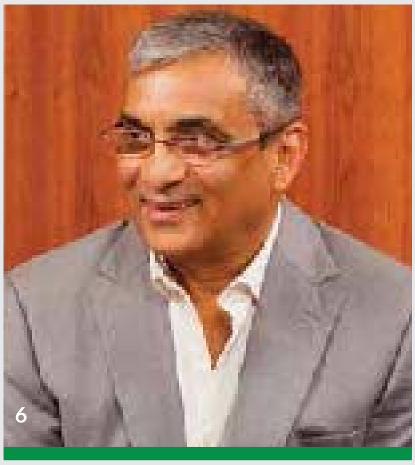
Directors











BOARD OF DIRECTORS

Non-executive directors

1. MICHAEL JOHN HANKINSON (65)
BCom, CA(SA)

Independent non-executive Chairman
Appointed to the board: September 2004

Chairman of Grindrod Limited and Brandcorp Holdings (Pty) Ltd. Non-executive director of Illovo Sugar Limited.
Chairman of the Remuneration and Nominations Committee

2. PETER KILBY HUGHES (68)
CIS

Independent non-executive director
Appointed to the board: September 1989

A former CEO of The SPAR Group Limited and a former regional and divisional director within the Barlow Group.
Member of the Audit Committee

3. ROWAN JAMES HUTCHINSON (67)
BCom (Hons), MBA

Independent non-executive director
Appointed to the board: October 2004

A former CEO of RMB Asset Management.
Member of the Remuneration and Nominations Committee

4. MZIWAKHE PHINDA MADI (50)
BProc (Unizul) EDP (HEC – Paris), EDP (Northwestern – Chicago, USA)

Independent non-executive director
Appointed to the board: October 2004

Chairman of Allcare Medical Aid Administrators (Pty) Ltd and Respiratory Care Africa (Pty) Ltd. Non-executive director of Illovo Sugar Limited, Nampak Limited, Sovereign Food Investments Limited and the Automobile Association of South Africa (AA). A founding member and commissioner of South Africa's Black Economic Empowerment Commission.
Member of the Risk Committee

5. PHUMLA MNGANGA (46)
BA, BEd, MBL

Independent non-executive director
Appointed to the board: January 2006

Managing Director of Lehumo Women's Investment Holdings, Chairperson of the Council of the University of KwaZulu-Natal and the Siyazisiza Trust. Non-executive director of Tolcon-Lehumo (Pty) Ltd, Crookes Brothers Limited, Gold Circle (Pty) Ltd.
Chairperson of the Social and Ethics Committee

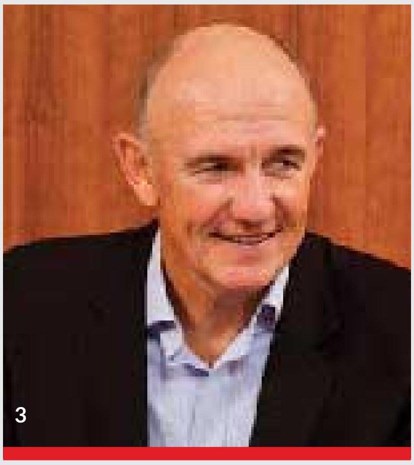
6. HARISH KANTILAL MEHTA (64)
BSc (USA), MBA (USA)

Independent non-executive director
Appointed to the board: October 2004

Executive Chairman of Clearwater Capital (Pty) Ltd, member of the Provincial Board of FNB, Director of Redefine Properties Limited, Director of Times Media Group Limited, Director of Wasteman (Pty) Ltd and Chairman of Cibapac (Pty) Ltd.
Member of the Audit Committee, Risk Committee and Remuneration and Nominations Committee

CORPORATE GOVERNANCE (CONTINUED)

Directors



7. CHRISTOPHER FRANK WELLS (65)
BCom, CA(SA)

Independent non-executive director
Appointed to the board: April 2011

Non-executive director of African Oxygen Limited, Executive Director of Oakbrook Holdings (Pty) Ltd and CEO of International Facilities Services South Africa (Pty) Ltd.
Chairman of the Audit Committee and Risk Committee and member of the Social and Ethics Committee

Executive directors

1. GRAHAM OWEN O'CONNOR (58)
BCom, CA(SA)

Group Chief Executive Officer
Appointed to the board: February 2014
Joined The SPAR Group Limited in 1986

Joined the SPAR Group as Group Accountant in 1986 and became the Head of the SPAR KwaZulu-Natal division in 1987. In 1997 he left the group to start his own industrial catering business and became a partner in five SPAR retail stores. He returned to the group in 2014 as Chief Executive Officer.
Member of the Risk Committee

2. MARK WAYNE GODFREY (49)
BCom, CA(SA)

Group Financial Director
Appointed to the board: October 2010
Joined The SPAR Group Limited in 1996

Served in financial management positions in various group operations.
Member of the Risk Committee and Social and Ethics Committee

3. WAYNE ALLAN HOOK (58)
BCom, CA(SA)

New Business and Support Services Director
Joined The SPAR Group Limited in 1984

Former CEO of The SPAR Group Limited. Served in financial, information technology and logistics management positions before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997.

4. KEVIN JAMES O'BRIEN (52)
BA, LLB, BSocSc (Hons)

Group Company Secretary
Appointed Company Secretary: February 2006
Joined The SPAR Group Limited in 1993

Served in personnel, human resources and property management positions in various group operations. A former General Manager of Capper and Company, a SPAR distribution operation in the United Kingdom.
Member of the Risk Committee and Social and Ethics Committee

5. ROELF VENTER (57)
BCom (Hons), MBA

Group Retail Operations Director
Appointed to the board: February 2007
Joined The Spar Group Limited in 1983

Served in various marketing and buying management positions before being appointed Managing Director of SPAR West Rand and subsequently SPAR South Rand. Appointed Group Marketing Director in October 1999 and transferred to the position of Retail Operations Director in 2006.
Chairman of The SPAR Guild of Southern Africa NPC

Executive management

GRAHAM OWEN O'CONNOR (58)
BCom, CA(SA)

Group Chief Executive Officer
Appointed to the board: February 2014
Joined The SPAR Group Limited in 1986

Joined the SPAR Group as Group Accountant in 1986 and became the Head of the SPAR KwaZulu-Natal division in 1987. In 1997 he left the group to start his own industrial catering business and became a partner in five SPAR retail stores. He returned to the group in 2014 as Chief Executive Officer.

MARK WAYNE GODFREY (49)
BCom, CA(SA)

Group Financial Director
Appointed to the board: October 2010
Joined The SPAR Group Limited in 1996

Served in financial management positions in various group operations.

DESMOND CRAIG BORRAGEIRO (40)
Managing Director SPAR North Rand division
Joined The SPAR Group Limited in 1995

Served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR South Rand division.

BRETT WALKER BOTTEN (50)
BCom, CA(SA)

Managing Director SPAR South Rand division
Joined The SPAR Group Limited in 1994

Served as Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions.

TREVOR DUNCAN CURRIE (59)
Group Logistics Executive
Joined The SPAR Group Limited in 1985

Served in logistics management positions in various group operations. Previous Logistics Director at SPAR Western Cape and SPAR Eastern Cape divisions.
Member of the Risk Committee

ROBERT DE VOS (53)
Managing Director SPAR Lowveld division
Joined The SPAR Group Limited in 1988

Served in various retail operations positions before being appointed divisional Retail Operations Director at SPAR North Rand division.

WAYNE ALLAN HOOK (58)
BCom, CA(SA)

New Business and Support Services Director
Joined The SPAR Group Limited in 1984

Former CEO of The SPAR Group Limited. Served in financial, information technology and logistics management positions before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997.

CONRAD LUKE ISAAC (53)
Managing Director SPAR Eastern Cape division
Joined The SPAR Group Limited in 1982

Previous Human Resources Director of SPAR Eastern Cape division.

KEVIN JAMES O'BRIEN (52)
BA, LLB, BSocSc (Hons)

Risk, Sustainability and Corporate Governance Executive
Joined The SPAR Group Limited in 1993

Served in personnel, human resources and property management positions in various group operations. A former General Manager of Capper and Company, a SPAR distribution operation in the United Kingdom.

ROBERT GRANT PHILIPSON (46)
Managing Director SPAR KwaZulu-Natal division
Joined The SPAR Group Limited in 1996

Served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR KwaZulu-Natal division.

MIKE GRANT PRENTICE (47)
BCom, LLB

Group Marketing Executive
Joined The SPAR Group Limited in 1991

Served in marketing management positions in various group operations. Previous Marketing Director of SPAR North Rand division.

MARIO MENEZES SANTANA (41)
Managing Director SPAR Western Cape division
Joined The SPAR Group Limited in 1995

Served in retail operations positions in various group operations before being appointed as Managing Director of SPAR North Rand division.

ENNO PAUL STELMA (53)
BCom

Group IT Executive
Joined The SPAR Group Limited in 1989

Served in IT management positions in various group operations.
Member of the Risk Committee

THULISILE TABUDI (46)
PhD

Human Resources Executive
Joined The SPAR Group Limited in 1999

Previous HR Director at SPAR South Rand division.
Member of the Social and Ethics Committee

ROELF VENTER (57)
BCom (Hons), MBA

Group Retail Operations Director
Joined The Spar Group Limited in 1983

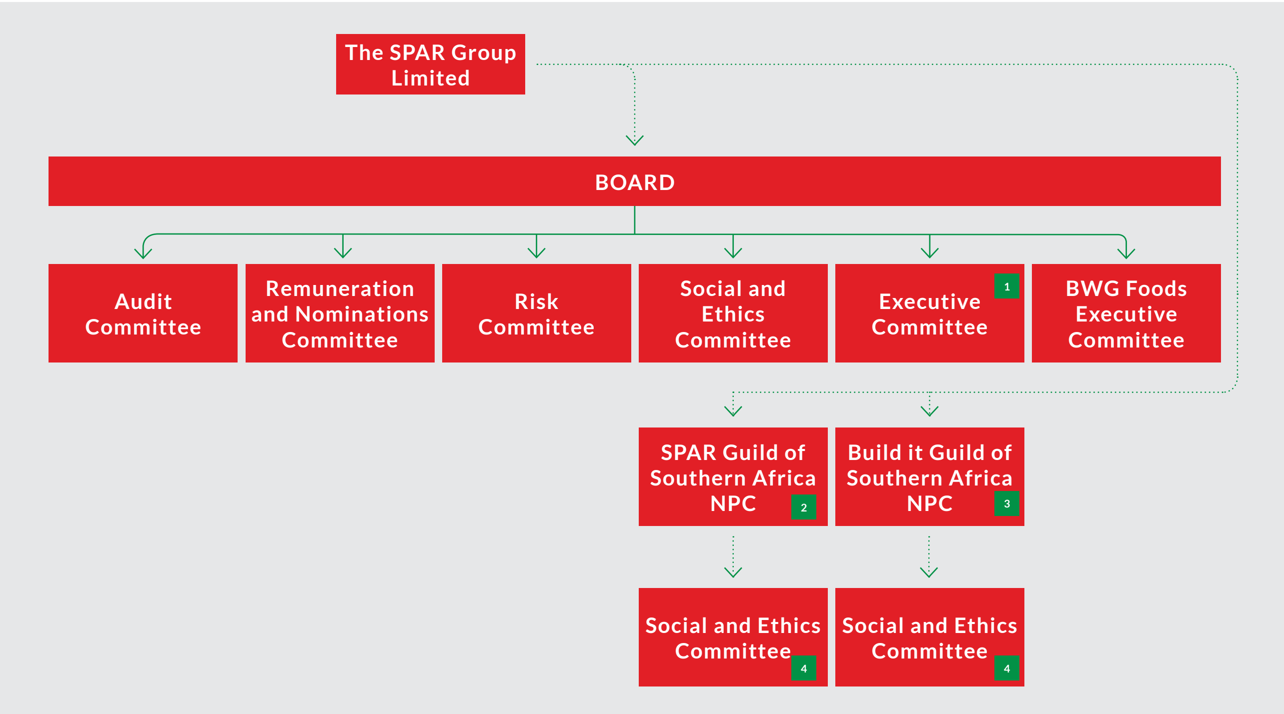
Served in various marketing and buying management positions before being appointed Managing Director of SPAR West Rand and subsequently SPAR South Rand. Appointed Group Marketing Director in October 1999 and transferred to the position of Retail Operations Director and Chairperson of The SPAR Guild of Southern Africa NPC in 2006.

RAYMOND EDWARD WHITMORE (59)
BCom, CA(SA)

Managing Director Build it division
Joined the SPAR Group Limited in 1983

Previous Managing Director of SPAR Western Cape division.
Chairman of the Build it Guild of Southern Africa NPC

The governance approach at SPAR extends beyond the listed entity, The SPAR Group Limited, to include areas of influence that are material to the sustainability of the group. This includes The SPAR Guild of Southern Africa NPC (SPAR Guild) and The Build it Guild of Southern Africa NPC (Build it Guild).



Notes:

1. The CEO of SPAR is a member of the SPAR International board. SPAR International is responsible for the co-ordination and development of the worldwide SPAR organisation.
2. The SPAR Guild is a non-profit company incorporated in South Africa on 31 October 1962 with a board that is chaired by the Group Retail Operations Director. It has a board that comprises 10 retail and 10 distribution members, with the Chairman being appointed by SPAR. The SPAR Guild has six regional committees where SPAR is represented by executive management of the distribution centres.
3. The Build it Guild is also a non-profit company incorporated in South Africa on 13 November 2001 with a board that is chaired by the Managing Director of the Build it division. Its board comprises six retail members and six wholesale members, with the Chairman being appointed by SPAR. The Build it Guild has six regional committees where Build it is represented by executive management of the Build it Division.

   The purpose of the guilds is to approve membership, the annual budget and to deal with any conflicts and drive the brand.
4. Social and Ethics Committees have been established at a SPAR Guild and Build it Guild level during the year, following the rejection by the Companies Tribunal for an exemption.

COMPLIANCE

The SPAR board is accountable for ethical leadership, sustainability and good corporate citizenship. In this, the board takes guidance from the:

- Revised King Code of Governance Principles and the King Report on Governance (King III)
- JSE Limited Listings Requirements
- Companies Act, No 71 of 2008, as amended (Companies Act)
- International Integrated Reporting Council's <IR> Framework
- Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

The board fully supports the materiality approach which emphasises reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short, medium and long term.

Corporate governance compliance

King III

SPAR has adopted the recommendations of King III as a minimum standard and utilises the Institute of Directors in Southern Africa's (IoDSA) governance assessment instrument (GAI) to provide assurance that the board has considered every principle and practice as recommended by King III. Assurance of the accuracy and validity of these results is provided by SPAR executives, the Audit Committee and the board.

Instances where the King III requirements have not been applied have been explained in the governance register. The full King III register is available on the website.

Regulatory compliance

Compliance manuals for all relevant legislation and checklists have been completed during the year, and will be included into the risk management system during 2015 for ongoing monitoring.

The following legislation received priority attention during the year:

- Liquor licensing
- Taxation
- Administrative Adjudication of Road Traffic Offences (AARTO)
- Consumer protection legislation
- Labour legislation
- Employment equity
- Anti-competitive behaviour
- Food safety regulations and labelling

To stay abreast of industry trends and regulatory requirements, SPAR continued its engagement and collaboration with industry bodies in the following forums:

- Consumer Goods Council of South Africa (CGCSA) and sub-committees
- Retailers Association and, through their offices, Business Unity South Africa (BUSA) (thus represented on the Commission for Conciliation, Mediation and Arbitration)
- Wholesale and Retail Sector Education and Training Authority and its Standards Generating Body (W&R SETA)
- Transport Education and Training Authority (TETA)

Insider trading

Directors and employees (or their respective nominee/members of family) may not deal directly or indirectly, at any time, in securities of the company during a closed period or on the basis of unpublished price sensitive information.

THE BOARD

The board is the focal point for and custodian of corporate governance and plays a prominent role in the strategic development, risk management and sustainability processes of SPAR. The board has a fiduciary duty to act in good faith, with due care and diligence, in the best interests of all stakeholders. The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation (MOI) and board charter. The board charter was reviewed during the year and no changes were made. The charter sets out the powers and authority of the board and provides a clear and concise overview of the roles and responsibilities of the board members.

The MOI and board charter are available on the website.

Conflict of interests

The board applies the provision of the Companies Act to disclose or avoid conflicts of interest. This is a permanent board meeting agenda item.

Delegation of authority

The board has a delegation of authority policy which is reviewed annually and sets out the matters reserved for determination by the board, and those matters delegated to management. The daily management of the group's affairs is the responsibility of the CEO who co-ordinates the implementation of board policy and strategy through the Executive Committee, which he chairs.

The roles and functions of the Chairman, who is an independent non-executive, and the CEO are formalised and their individual performance is evaluated against criteria set out in these formalised documents.

The levels of authority policy cover the following areas:

- Treasury
- Capital expenditure
- Loans to retailers
- Property leases
- Remuneration

The board meets formally four times a year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, stakeholder communication and other material aspects pertaining to the group's business.

Board highlights

- SPAR appointed Mr GO O'Connor as the new Group Chief Executive Officer, following the stepping down of Mr WA Hook from his position due to his wife being diagnosed with a life-threatening illness.
- SPAR acquired 80% of BWG. The BWG is a leading SPAR food retail and wholesale distribution company operating in Ireland and South West England.
- The whistleblowing hotline and the SPAR Code of Ethics were re-launched in June 2014. The hotline is independently managed and is accessible through various communication methods. Following the re-launch of the Code of Ethics, the Ethics Institute of South Africa will conduct a survey in 2015 measuring the company's capacity to manage risk and promote responsible business conduct.
- At the annual general meeting (AGM) held on 11 February 2014, all the resolutions, with the exception of the non-binding advisory vote, were passed by 67.73% of votable units present. The non-binding advisory vote, which relates to the group's remuneration report, received 48.83% of votable units present. This vote was largely due to there not being specific performance targets in terms of the old 2004 share option scheme. This scheme is now closed to new entrants and no further options will be offered in terms of the scheme.
- A new conditional share plan to replace the 2004 share option scheme was approved at the 2014 AGM.
- The company implemented the BarnOwl Enterprise Risk Management (ERM) system, which will assist management to identify, assess, monitor and report on SPAR's strategic objectives, risk and controls.

Board composition, training and evaluation

The board consists of seven independent non-executive directors and four executive directors. The roles of the Chairman and the Chief Executive Officer are separated and a clear division of authority exists between these roles. The policy for board appointments is implemented by the Remuneration and Nominations Committee, which ensures that board members' skills, knowledge, background, experience and qualifications add to the capacity and diversity of the board. Details, qualifications and experience of individual board members are provided on pages 63 and 64.

The board is committed to ensure the independence of directors. The independence of non-executives who have served on the board for more than nine years was assessed by the Remuneration and Nominations Committee during the year. The outcome indicated that the respective directors' independence of character and judgement were not in any way affected or impaired by their length of service. In 2013, PricewaterhouseCoopers carried out an independent board evaluation for directors whose tenure exceeded nine years and such independent review will be conducted every three years.

SPAR has a formal induction programme to familiarise new directors with the history and structure of the group, to outline their fiduciary duties as directors and to inform them of their responsibilities in terms of the board charter. At least once a year, a board meeting is held at a distribution centre to further improve the non-executive directors' understanding of the operating divisions.

Board members are kept apprised of changes to relevant legislation by the company's sponsor and Company Secretary.

Board members performed a comprehensive evaluation of the performance of the board and its sub-committees with no significant problems identified during the process.

THE BOARD			ATTENDANCE			
Diversity	**Name**	**Status**	12 Nov 2013	**11 Feb 2014**	**20 May 2014**	**13 Aug 2014**
Male	MJ Hankinson	Independent non-executive Chairman	✓	✓	✓	✓
Male	MW Godfrey	Group Financial Director	✓	✓	✓	✓
Male	WA Hook	New Business and Support Services Director	✓	✓	✓	✓
Male	PK Hughes	Independent non-executive	✓	✓	✓	✓
Male	RJ Hutchinson	Independent non-executive	✓	✓	✓	✓
Male	MP Madi	Independent non-executive	✓	✓	✓	✓
Male	H Mehta	Independent non-executive	✓	✓	✓	✓
Female	P Mnganga	Independent non-executive	✓	✓	✓	✓
Male	G O'Connor*	Chief Executive Officer		✓	✓	✓
Male	R Venter	Group Retail Operations Director	✓	✓	✓	✓
Male	CF Wells	Independent non-executive	✓	✓	✓	✓

* *Appointed on 1 February 2014*

COMPANY SECRETARY

Mr KJ O'Brien is the Company Secretary and is responsible for ensuring that sound corporate governance procedures are in place and that the administration of statutory requirements is adhered to. All directors have unrestricted access to the advice and services of the Company Secretary and are provided with access to information that may be relevant to the proper discharge of their duties. The Company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged.

Board members performed a comprehensive evaluation of the performance of the Company Secretary with no significant issues identified during the process. In accordance with the JSE Listings Requirements, the board has considered the competence, qualifications and experience of the Company Secretary and is satisfied that Mr KJ O'Brien is suitable for the role as the Company Secretary. The board is further satisfied that the role of Company Secretary is maintained at an arm's length relationship with the board. Details of the Company Secretary are provided on page 64 in this report.

BOARD COMMITTEES

The board delegates certain of its functions to the following board committees without relinquishing overall responsibility for monitoring the company's performance:

- Audit Committee
- Remuneration and Nominations Committee
- Risk Committee
- Social and Ethics Committee
- Executive Committee

The board acknowledges its accountability to the group's stakeholders for the actions of these committees and is satisfied that they have met their respective responsibilities for the year under review. Each committee is chaired by an independent non-executive director.

The terms of reference and work plans of these committees are tabled and approved by the board annually and are available on the website. No changes were made to the respective terms of reference during the year.

Board members performed a comprehensive evaluation of the performance of the various committees, with no significant problems identified during the process.

The Company Secretary acts as secretary for each committee and the chairman of each committee reports its findings to the board after each formal committee meeting.

Fees paid to the committee members are reflected on page 72 of the integrated report.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE		ATTENDANCE		
Name	Status	5 November 2013	19 May 2014	12 August 2014
PK Hughes	Independent non-executive director	✓	✓	✓
HK Mehta	Independent non-executive director	✓	✓	✓
CF Wells	Independent non-executive chairman	✓	✓	✓

The Audit Committee (the committee) is constituted as a statutory committee of the company in respect of its statutory duties in terms of section 94(7) of the Companies Act and a committee of the board in respect of all other duties assigned to it by the board.

The committee comprises of three independent non-executive directors, all of whom are suitably skilled, competent and experienced. The chairman and committee members were confirmed for appointment at the AGM on 11 February 2014. The CEO, Group Financial Director, internal auditor and external auditors are required to attend committee meetings. The group's internal auditor and the external auditors have unrestricted access to members of the committee and the CEO. Members of the group's executive management team attend meetings as required, while the Chairman of the board attends meetings by invitation. During the year the committee met with the external and internal auditors.

Role

The committee is required to ensure accurate financial reporting and the existence of adequate financial systems and controls. It does this by evaluating the operations and findings of both internal and external audits and assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational controls.

An in-depth overview of the committee's responsibilities is contained in its terms of reference.

Audit Committee Report

The following report was prepare by Mr CF Wells, the chairman of the Audit Committee.

The committee executed its duties in terms of the requirements of King III, as well as those assigned to it by the board, during the past financial year.

Statutory duties

Appointment and independence of external auditor

The committee has satisfied itself that the external auditor, Deloitte & Touche, was independent of the company, as set out in section 94(8) of the Companies Act. This includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors (IRBA). Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act, and any other legislation relating to the appointment of auditors.

The committee, in consultation with executive management, agreed to the terms of the engagement letter, audit plan and budgeted audit fees for the 2014 financial year.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. The committee approved the terms of a master service agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide in terms of the agreed pre-approval policy.

The committee recommends and has nominated, for election at the AGM, Deloitte & Touche as the external audit firm, and Mr B Botes as the designated auditor responsible for performing the functions of auditor for the 2015 year. The committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act.

A committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance were raised in the past financial year.

Internal financial controls

The committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit formed the basis for the committee's recommendation to the board, in order for the board to report thereon.

The committee receives and deals with any concerns or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters.

Duties assigned by the board

In addition to the statutory duties of the committee, as reported above, and in accordance with the provisions of the Companies Act, the board of directors has determined further functions for the committee to perform, as set out in the committee's terms of reference. These functions include those discussed below.

The committee fulfils an oversight role regarding the company's integrated annual report and the reporting process. The committee considered the company's sustainability information as disclosed in the integrated annual report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.

The committee discussed the sustainability information with management and is satisfied that the information is reliable and consistent with the financial results.

The committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.

At its meeting held on 10 November 2014, the committee recommended the integrated annual report for approval by the board of directors.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company. The board's statement on the going concern status of the company, as supported by the committee, is included on page 81 of the integrated annual report.

Governance of risk

The board has assigned oversight of the company's risk management function to the Risk Committee. The chairman of the Audit Committee is a member of the Risk Committee to ensure that information relevant to the Risk Committee is transferred regularly. The Audit Committee fulfils an overview role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting risks, information technology risks, tax risks as well as compliance and regulatory risk as it relates to financial reporting. The committee is also responsible for the appointment, performance and dismissal of the external auditor.

Internal audit

The committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors, and serves as a link between the board of directors and these functions. The internal audit function's charter and annual audit plan were approved by the committee.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the company's operations. The internal auditor is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis.

The Group Internal Auditor has direct access to the committee, primarily through its chairman. The committee is also responsible for the assessment of the performance of the Group Internal Auditor and the internal audit function.

During the year, the committee met with the external auditors and with the Group Internal Auditor without management being present.

The committee has satisfied itself that adequate procedures are in place to ensure that the group complies with its legal, regulatory and other responsibilities.

Evaluation of the expertise and experience of the Group Financial Director and finance function

The committee has satisfied itself that the Group Financial Director, Mr MW Godfrey, has the appropriate expertise and experience to act in this capacity.

The committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the group financial function.

In conclusion, I would like to thank the members of the committee for their dedicated and constructive contributions to the functioning of the committee.

Christopher Wells
Chairman of the Audit Committee

11 November 2014

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

Remuneration and Nominations Committee		Attendance		
Name	**Status**	12 November 2013	**11 February 2014**	**13 August 2014**
MJ Hankinson	Independent non-executive chairman	✓	✓	✓
RJ Hutchinson	Independent non-executive director	✓	✓	✓
HK Mehta	Independent non-executive director	✓	✓	✓

The Remuneration and Nominations Committee (the committee) is constituted as a committee of the board of directors and consists of three independent non-executive directors. The committee approved the following during the year:

- Revised remuneration policy
- Non-executive directors' fees
- Directors retiring according to the group's MOI were recommended for re-election at the annual general meeting.
- Incentive bonuses for the 2013 year for all executives

Directors' fees	% increase	1 March 2013	**1 March 2014**
Chairman of the board (including committees)	6.6	R910 000	**R970 000**
Board member	7.0	R257 000	**R275 000**
Audit Committee chairman	5.7	R156 000	**R165 000**
Members of the Audit Committee	6.7	R75 000	**R80 000**
Chairmen of other committees	6.6	R91 000	**R97 000**
Members of other committees	6.8	R59 000	**R63 000**

Directors' fees

Non-executive directors' fees are not linked to the financial performance of the group, nor do they receive share options or bonuses. For details of non-executive directors' interests in the share capital of the company, see page 113 of the integrated report.

Senior management compensation

Salary adjustments for the 2014 financial year were approved at 7% of basic salary.

The committee recommended a review of salaries for exceptional performance and those lagging the market to be conducted in February 2014. The incentive bonus scheme was also approved, based on functional, transformation and financial performance criteria.

Compensation of executive directors/ prescribed officers

Other than the directors, there are no employees of the company who are "prescribed officers" as defined in the Companies Act.

For details of remuneration of executive directors see page 113 and pages 114 to 115 for directors share option interests.

Post-retirement medical aid

The obligation of the company to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997.

For details of the post-retirement medical aid provision, see page 109 of the report.

Remuneration policy

Policy statement

The SPAR Group is committed to paying fair and market-related remuneration to ensure that the organisation is able to attract and retain top-quality people. Our remuneration policy therefore seeks to:

- Position the remuneration levels appropriately and competitively in comparison with the labour market
- Acknowledge the contribution of individual employees by rewarding them for the successful achievement of the company's goals and objectives

Guiding principles

- The SPAR Group strives to ensure that remuneration is free of unfair discrimination. Fair differentiation based on performance and skills shortage is applied.
- The company takes cognisance of its external environment through an understanding of national remuneration

trends and by regular benchmarking against comparable companies.

- SPAR uses remuneration surveys conducted by reputable salary survey companies that have sufficient sample sizes and spread of positions, and an adequate representation in relevant industries comparable to SPAR.
- Salary scales provide remuneration guidelines based on the Paterson grading system and are informed by market comparisons. The company strives to remunerate key positions and those positions where there is a shortage of skills (as defined annually) on at least the 75th percentile of the market and the rest of the positions on at least the 50th percentile of the market.
- The use of a performance management system ensures that there is a positive correlation between individual and team performance and remuneration earned.

Management is tasked with responsibly managing remuneration and thus supporting the long-term sustainability of the company.

Remuneration governance

A Remuneration Committee (Remco) with clear terms of reference has been established by the board in accordance with the company's Memorandum of Incorporation.

All members are non-executive directors and independent non-executive directors and the company's executives attending the Remco meetings do so in an *ex officio* capacity. The Chairman of the board, Mike Hankinson is also the chairman of the Remuneration Committee and the board is of the view that his experience and business skills far outweigh the requirement of King III that the chairperson of the board should not be the chairperson of the remuneration committee.

Components of remuneration

Remuneration consists of guaranteed pay, benefits, a short-term incentive bonus scheme and a long-term incentive share scheme.

Guaranteed pay and benefits

Salary and benefits form the guaranteed component of the total reward structure. They form the basis of the company's ability to attract and retain the required skills. The components are as follows:

- Bands A to C receive a monthly salary and a guaranteed 13th cheque
- Bands D and above receive a monthly salary
- Other pensionable remuneration applicable to bands D and above includes a car allowance, vehicle insurance and fuel which are paid by the company
- Other variable remuneration, such as allowances, will be paid, where applicable, and in accordance with the legislation and collective agreements entered into with the union(s), or workers' committees
- From date of engagement, permanent employees at all levels become members of one of the available retirement funds
- Membership of a medical aid scheme is not compulsory but those who wish to become members can choose from a number of medical aid schemes available. The Tiger Brands medical aid is a group scheme while a number of other low cost medical aids have been negotiated at distribution centre level
- The Remco is responsible for approving salary increases for executive directors and the executive management committee
- The Chief Executive Officer, together with the executive management committee, is responsible for authorising specific increases for all employees below EU grade
- While the Remco authorises overall percentage increases for staff below EU grade
- Salary increases will be implemented on:
  - 1 January each year for all staff below E band grade who are not members of the bargaining unit and 1 October each year for staff graded E band and above
  - As per collective agreements with the union(s) for employees in the bargaining unit

Short-term incentives

The main purpose of the short-term incentive scheme is to support a performance culture and to reward employees for achieving good annual results when compared with pre-determined targets.

The performance bonus, which may be paid at the end of the financial year, is based on the achievement of financial, individual and transformation objectives approved by the Remco.

Non-management staff (A to C band)

A performance bonus of up to 50% of a month's salary or part thereof may be paid at the end of the financial year, based on the achievement of set targets. The targets are based on key issues in the business plan and are mainly financial targets.

Management staff (D band and above)

The maximum incentive bonus which may be earned is as follows:

Paterson grade	% of basic annual salary	Bonus split – financial: functional
F	100	75:25
EU	100	75:25
EL	60	60:40
DU	30	30:70
DL	15	30:70

The financial component of the short-term incentives for divisional managers is based on a targeted divisional profit before tax growth on the previous year.

For Central Office managers, short-term incentives are based on the group's profit after tax growth on the previous year.

The functional component comprises objectives which include corporate objectives (for example, transformation) and individual objectives, which are specific to a manager's sphere of influence.

The achievement of these objectives will result in a bonus payout subject to the achievement of a minimum profit level, which will not be less than the profit level achieved in the previous year.

This incentive scheme is solely at the discretion of the company and can be changed or withdrawn at any time. The short-term incentives are only paid to individuals who are in the employ of the company at the end of the financial year.

Long-term incentives

The company's existing long-term incentive plan is a Share Option Plan (SOP) which closed to additional participants in 2013. The last share issue was allocated on 12 November 2013 and the remaining participants have 10 years from date of issue to exercise their option rights.

The new Conditional Share Plan (CSP) was approved by shareholders at the AGM held on 11 February 2014.

The CSP is differentiated from the SOP in that it has performance conditions governing the vesting of awards. In addition, whereas the SOP is generally settled by way of an issue of shares, the CSP is intended to be settled by way of a market purchase of shares and will therefore not cause dilution to shareholders.

Non-executive directors' remuneration

The non-executive directors' remuneration consists of a guaranteed basic annual fee. Additional fees are paid to various directors based on their membership of board committees.

Management recommends non-executive directors' fees, based on industry benchmarks, to the Remco for onward recommendation to, and approval by, the board who in turn recommends the fees to shareholders for approval in accordance with Companies Act requirements.

Non-executive remuneration increases are implemented on 1 March each year:

Salient features of the approved conditional share plan

Details	Conditional Share Plan
Description	Under the CSP, employees receive a conditional right to receive a share in the company on the vesting date if certain conditions are met. Employees will only become shareholders to the extent that vesting occurs on the vesting date and will have no shareholder rights prior to this date.
Purpose	The purpose of the CSP is to provide eligible employees with the opportunity to receive shares in the company based on personal or group performance. The primary intent is to make performance-related awards under the CSP by way of an award of shares which are subject to appropriate performance conditions. An award of restricted shares may be made in exceptional circumstances to address serious retention risks or to compensate prospective employees for the loss of long-term incentive awards with their existing employer.

Details	Conditional Share Plan
Eligibility	• CEO • Executive management committee members • Senior management
Company limit	The cumulative aggregate number of shares which may be allocated under the CSP shall not exceed 5 200 000 shares (approximately 3% of issued share capital). This limit excludes share purchases in the market and shares forfeited. The aggregate number of restricted shares that may be allocated under the CSP may not exceed 1 300 000 shares.
Individual limit	The cumulative aggregate number of shares which may be allocated to any one individual may not exceed 570 000 shares (approximately 0.33% of issued share capital).
Settlement method	The intention of the company is to settle all CSP awards from a market purchase of shares. However, the rules of the CSP allow for settlement in any of the following ways: • Market purchase of shares • Issue of shares • Use of treasury shares
Termination of employment	Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro-rata portion of all unvested awards will vest. The pro-rata portion will reflect the number of months served since the award date and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse.
Allocation methodology	The CSP will be used for annual allocations. The company will define annual allocation levels expressed as a percentage of gross annual basic salary. In defining these levels the company will endeavour to maintain the fair value that participants would have maintained under the SOP. To this end, the new allocation levels that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are approximately as follows: • CEO: 60% • Executive Committee members: 50% • Senior managers: 35%
Grant price	Not applicable
Vesting/employment period	Three years for annual award of performance shares and in equal parts after years three, four and five for restricted shares.
Performance period	Three years for annual award of performance shares and in equal parts after years three, four and five for restricted shares.
Performance conditions	Continued employment and the following performance conditions are used for awards to the executive directors, Executive Committee and senior management: • Growth in headline earnings per share • Return on net assets • Total shareholder return relative to a peer group The Remco will set targets which are fair taking into consideration prevailing and prospective business circumstances. Vesting will occur on the achievement of the three-year targets.

CORPORATE GOVERNANCE (CONTINUED)

RISK COMMITTEE REPORT

Name	Status	10 February 2014	5 August 2014
M Hankinson (R)	Independent non-executive director	✓	✓
TD Currie	Group Logistics Executive	✓	✓
MW Godfrey	Group Financial Director	✓	✓
WA Hook (R)	New Business and Support Services Director	✓	✓
MP Madi (A)	Independent non-executive director	✓	Apology
HK Mehta	Independent non-executive director	✓	✓
S Naidoo	Group Internal Auditor	✓	✓
KJ O'Brien	Risk, Sustainability and Corporate Governance Executive	✓	✓
G O'Connor (A)	Group Executive Officer		✓
EP Stelman	Group IT Executive	✓	✓
CJ Wells	Independent non-executive Chairman	✓	✓

(R) Resigned but attends by invitation only (A) Appointed

The Risk Committee is constituted as a committee of the board of directors for the purposes of risk and IT governance and consists of three independent non-executive directors, executives and senior management.

The board is responsible for governing the risk management process of the group and discharges this duty through the Risk Committee.

The group believes that effective risk management is essential for improved performance, growth and sustainable value creation. To this end, the board has initiated an intensive and robust Enterprise Risk Management (ERM) process, whereby the materiality of risks and opportunities for the business have been identified, assigned to owners, linked to key risk indicators (KRIs) and are associated with action plans to take advantage of the opportunity or mitigate the risk. The KRIs and action plans will be reviewed bi-annually.

The group reviewed the strategic risks and revised the top 12 risks as follows:

Rank	Risk title
1	Loss of retailers and retail stores to competitors
2	Failure of financial model to provide retailer profitability jeopardising SPAR sustainability
3	Disruption of operations due to labour disputes and/or industrial and mass action
4	Poor individual retailer performance negatively impacting SPAR Group
5	Inability to develop new/greenfield sites stunts growth
6	New and existing competition takes market share
7	Failure to successfully develop new business in Africa stunts growth
8	Sourcing issues causing poor retail delivery of Fresh
9	Macro-economic factors causing decline in business
10	Inability to attract new retailers stunts growth
11	Significant physical damage to distribution centre and CO infrastructure causing business disruption
12	Rising personnel costs negatively impact profitability and resource base

The ERM process has been driven from the executive level to functional levels at distribution centres. This has allowed for various parts of the business to gain exposure to the critical risks and opportunities, and for risks and opportunities specific to the distribution centres to be identified. Since sustainability concepts are integrated into the group strategy, this risk framework takes into account both financial and non-financial risks and opportunities.

The Risk Committee is satisfied that the group's assets are adequately insured against loss. Disaster recovery plans are in place to provide business continuity with the least amount of disruption, particularly from information technology and operational viewpoints.

The group's IT disaster recovery plan was externally audited during the year with no significant issues reported. Additional improvements were suggested and were being considered by management.

Fraud policy

The board has adopted a fraud policy to protect the organisation from dishonest or unethical conduct, including financial or other unlawful gains, and to regulate its responses to fraudulent activities. We monitor and detect fraud, theft and other ethical breaches through the normal financial controls within the company and the activities of our internal audit department. Where fraud or theft are detected, we take strong action, which can include dismissal and criminal prosecution.

SOCIAL AND ETHICS COMMITTEE REPORT

Name	Status	5 November 2013	**10 February 2014**
P Mnganga	Independent non-executive Chairman	✓	✓
CJ Wells	Independent non-executive director	✓	✓
MW Godfrey	Group Financial Director	✓	✓
KJ O'Brien	Group Company Secretary	✓	✓
SAT Tabudi	Group Human Resources Executive	✓	✓

The Social and Ethics Committee is a statutory committee in terms of the Companies Act and consists of two independent non-executive directors, one executive director, the Group Company Secretary and the Group HR Executive. The committee provides guidance and an oversight role of the company's activities on the environment, consumers, employees, communities, stakeholders and all members of the public and monitors the company's sustainability and governance performance and reports to the board on matters within its mandate and to shareholders at the annual general meeting.

Social and Ethics Committee Report

The following report was prepared by Ms P Mnganga, Chair of the Social and Ethics Committee.

During the period under review, the committee has once again reviewed its terms of reference and Annual Work Plan. In terms of the terms of reference, the committee monitors the company's sustainable development activities having regard to relevant legislation, other legal requirements or prevailing codes of practice. Specific areas of focus include the following:

a) Social and economic development including human rights, corruption, employment equity and transformation (including the company's standing in terms of the UN Global Compact 10 Principles, the OECD recommendations regarding corruption and the ILO Protocol on decent work and working conditions)

b) Good corporate citizenship, including the company's approach to preventing discrimination, contributing to community development and corporate social investment

c) The environment

d) Health and public safety

e) Consumer relationships

f) Labour and employment

During this financial year, the committee performed the following functions;

- Presented its first report to the shareholders at the February 2014 AGM
- Reviewed the following policies:
  - Code of Ethics
  - Employment Equity and Transformation Policies
  - Compliance Policy statement
  - Sustainability Policy
  - Supplier Code
- Performed an evaluation of the performance of the committee. This evaluation raised no issues of concern
- Reviewed the company's CSI programmes to ensure that they are consistent with the company strategy
- Reviewed the King III Application Register
- Conducted a gap analysis between what is expected in terms of the regulatory environment and the actual environment in the organisation, inclusive of local and international regulation

The revised Code of Ethics and the whistleblowing hotline were re-launched during the year (the committee was encouraged to note that since its inception in June 2011 until 30 September 2014, the whistleblowing hotline had generated 74 calls of which only 16 resulted in reports being filed and all of these reports had been dealt with in terms of the company's procedures). The review of the King III application register identified one area for review. This related to the board's approach to promote a stakeholder inclusive approach to governance. This issue is being addressed in the Joint Business Planning meetings being undertaken with the top 10 suppliers.

All the areas covered in the integrated report that form part of the terms of reference of the committee were considered by the committee and formed part of the ongoing report back to the board during the course of the year. This report is a high level summary of the activities of the committee during the year under review. A more comprehensive report will be made available to the meeting of shareholders in February 2015 as recommended in the Companies Act.

P Mnganga
Chair of the Social and Ethics Committee

11 November 2014

IT GOVERNANCE REPORT

The board recognises that IT is an integral part of conducting business at SPAR. IT serves all aspects, components and processes in the organisation, and is therefore not only an operational enabler for the group, but a strategic business imperative which can be leveraged to create opportunities and to gain a competitive advantage.

The board is cognisant that, as much as IT is a strategic asset within the group, it also presents the organisation with significant risks. While the responsibility of IT governance ultimately resides with the board, this function has been delegated to the Risk Committee.

The most significant IT risks managed and mitigated effectively during the year under review include:

- The availability of systems, including the destruction of systems and data
- Ageing systems resulting in less agility and ability to implement changes
- Loss of telecommunication
- Loss of skills
- Data quality

There is a formal decision-making process in place to manage and prioritise IT requests within the group. For each proposed project, a business case is developed and evaluated by executive management. The IT strategy has been developed based on the revised business strategy, and is aimed at enabling the successful outcomes of the strategy.

Any significant IT investments form part of the budget development process and are submitted to the board for final approval. The board subsequently oversees and monitors the return on investment from these projects.

Annual internal and external IT audits are based on the Cobit IT governance framework. Based on these audits and feedback from the Audit and Risk Committees, the board is satisfied that the SPAR Group has adequate resilience arrangements in place for disaster recovery.

VALUE ADDED STATEMENT

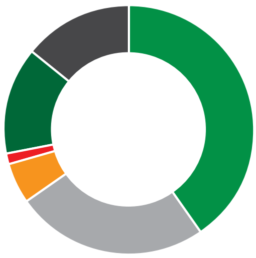
	Restated* 2013 Rmillion	% of revenue	%	**2014 Rmillion**	**% of revenue**	**%**
Revenue	47 796			**55 016**		
Less:						
Net cost of product and services	44 788			**51 562**		
Value added	3 008			**3 454**		
Add:						
Income from investments and associates	37			**21**		
Wealth created	3 045	6.4	100.0	**3 475**	**6.3**	**100.0**
Applied to:						
Employees						
Salaries, wages and other benefits	1 223		40.1	**1 407**		**40.5**
Providers of capital	807		26.5	**912**		**26.2**
Interest on borrowings	25		0.8	**45**		**1.3**
Dividends to ordinary shareholders	782		25.7	**867**		**24.9**
Taxation	471		15.5	**499**		**14.3**
Depreciation of assets	139		4.6	**179**		**5.2**
Retained in the group	405		13.3	**478**		**13.8**
Wealth distributed	3 045		100.0	**3 475**		**100.0**

* *Restated for the effect of IAS 19, refer note 21.*

2013

- Salaries, wages and other benefits: 40.1%
- Dividends: 25.7%
- Depreciation of assets: 4.6%
- Interest on borrowings: 0.8%
- Taxation: 15.5%
- Retained in the group: 13.3%

2014



- Salaries, wages and other benefits: 40.5%
- Dividends: 24.9%
- Depreciation of assets: 5.2%
- Interest on borrowings: 1.3%
- Taxation: 14.3%
- Retained in the group: 13.8%

ANNUAL FINANCIAL STATEMENTS

PREPARER OF THE ANNUAL FINANCIAL STATEMENTS
In compliance with the disclosure requirement of the Companies Act, No 71 of 2008, the annual financial statements have been prepared under the supervision of Mr MW Godfrey CA(SA) on behalf of The SPAR Group Limited.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. The group's independent external auditors, Deloitte & Touche, have audited the financial statements and their unmodified report is enclosed.

The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2014 and the results of their operations and cash flows for the year under review.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company or the group will not remain a going concern for the foreseeable future.

The annual financial statements were approved by the board of directors on 11 November 2014 and are signed on its behalf by:

MJ Hankinson
Chairman

GO O'Connor
Chief Executive Officer

11 November 2014

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 30 September 2014, all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

KJ O'Brien
Company Secretary

11 November 2014

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SPAR GROUP LIMITED

We have audited the consolidated and separate annual financial statements and annual financial statements of The SPAR Group Limited, set out on pages 86 to 129, which comprise statements of financial position as at 30 September 2014, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The SPAR Group Limited as at 30 September 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the year ended 30 September 2014, we have read the Directors' statutory report, the Audit Committee's report (on page 70 and 71) and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte . Touche

Deloitte & Touche
Registered Auditors
Per **Brian Botes** CA(SA)
Partner

11 November 2014
2 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban

National executive: LL Bam *Chief Executive*, AE Swiegers *Chief Operating Officer*, GM Pinnock *Audit*, DL Kennedy *Risk Advisory*, NB Kader *Tax*, TP Pillay *Consulting*, K Black *Clients & Industries*, JK Mazzocco *Talent & Transformation*, MJ Jarvis *Finance*, M Jordan *Strategy*, S Gwala *Managed Services*, TJ Brown *Chairman of the Board*, MJ Comber *Deputy Chairman of the Board*.

Regional leader: GC Brazier

A full list of partners and directors is available on request

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector
Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' STATUTORY REPORT

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the Group is as a wholesaler and distributor of goods and services to SPAR grocery stores, Build it builders' merchandise outlets, TOPS at SPAR liquor stores and other Group retail outlets in Southern Africa, Ireland and South West England. The group operates nine main distribution centres which are strategically located close to the major metropolitan areas.

FINANCIAL RESULTS

The net profit attributable to ordinary shareholders for the year ended 30 September 2014 amounted to R1 345.0 million (2013: R1 187.3* million). This translates into headline earnings per share of 781.8 cents (2013: 694.8* cents) based on the weighted average number of shares (net of treasury shares) in issue during the year.

STATED CAPITAL

Details of the authorised and issued stated capital of the company are set out in note 18.

During the year, 430 739 (2013: 422 606) shares were issued to option holders who exercised their option rights in terms of the rules of The SPAR Group Limited Employee Share Trust (2004).

TREASURY SHARES

During the year, The SPAR Group Limited Employee Share Trust (2004) purchased 1 292 469 (2013: 1 213 423) shares in The SPAR Group Limited for R164.0 million (2013: R145.4 million). A total of 1 286 055 (2013: 905 425) shares were reissued to option holders who exercised their option rights. At year-end, 369 594 (2013: 363 180) shares in the company were held by the trust.

At the 2014 annual general meeting (AGM), a general authority was granted by shareholders to allow the company to acquire its own shares in terms of the Companies Act. The directors consider it will be advantageous for the company for this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the company and shareholders to effect such share purchases having regard to prevailing circumstances and the cash resources of the company at the time. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming annual general meeting.

SHARE OPTION SCHEME

Details of the unissued shares of the company subject to option, in terms of The SPAR Group Limited Employee Share Trust (2004), are as follows:

	2014	2013
Shares under option at the beginning of the year	**7 432 705**	7 946 008
Options granted	**894 500**	880 500
Options exercised and paid in full	**(1 634 695)**	(1 289 369)
Options lapsed, cancelled or reinstated	**(46 800)**	(104 434)
Shares under option as at year-end (refer note 18.2)	**6 645 710**	7 432 705
Options available for issue (under control of the directors)	**431 632**	1 326 132

Details of options granted are set out in note 18.2.

DIVIDENDS

A final dividend of 306 cents in respect of 2013 was declared on 12 November 2013 and paid on 9 December 2013. An interim dividend of 195 cents per share was declared on 20 May 2014 and paid on 17 June 2014. A final dividend of 345 cents per share was declared on 11 November 2014, payable on 8 December 2014.

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

Last day to trade cum-dividend	Friday, 28 November 2014
Shares to commence trading ex-dividend	Monday, 1 December 2014
Record date	Friday, 5 December 2014
Payment of dividend	Monday, 8 December 2014

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 1 December 2014 and Friday, 5 December 2014, both days inclusive.

* *Restated for the effect of IAS 19, refer to note 21.*

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed on pages 63 to 64.

In terms of the company's Memorandum of Incorporation, one third of the non-executive directors retire annually by rotation at the annual general meeting. Accordingly, Mrs P Mnganga and Mr CF Wells retire at the AGM to be held on 13 February 2015, but offer themselves for re-appointment.

At 30 September 2014, the directors beneficially held 90 700 (2013: 90 700) shares in the company and unexercised options to acquire a total of 1 317 600 (2013: 1 410 600) ordinary shares in the company (refer notes 28.3 and 29).

AUDIT COMMITTEE

The Audit Committee, a statutory committee of the board, addresses matters requiring specialist attention. The committee's responsibility includes, but is not limited to, the examination of internal control processes, reviewing and approving the internal audit plan, assessing the reports of the internal and external auditors and confirming that the company will remain a going concern.

The external and internal auditors have unrestricted access to the Audit Committee, and attend meetings to report on their findings and to discuss accounting, auditing, internal control and financial reporting matters.

During the year the independence of the auditors was tested and confirmed.

RISK MANAGEMENT

The company has in place a Risk Committee, which operates as a sub-committee of the board. The committee is responsible for monitoring the management of risks that may affect the company's operations.

The group has identified the top 16 major risks that may have an effect on the operations of the company.

Regular risk management audits are conducted in conjunction with appropriate risk management consultants, where necessary. Identified risks are reviewed and action plans to minimise the possibility of a loss occurring are in place. Risks are considered to be adequately covered, and self-insurance programmes are in operation covering primary levels of risk. Assets are insured at current replacement values.

The group's practice regarding insurance includes an annual assessment, in conjunction with the group's insurance brokers, of the risk exposure relative to assets and possible liabilities arising from business transactions. In addition, the group's insurance programme is monitored by the Risk Committee.

SUBSIDIARIES

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R83.5 million (2013: loss of R11.9 million). Details of the company's subsidiaries are set out in note 34.

EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the financial year which have or may significantly affect the financial position of the group or the results of its operations.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared on the historical cost basis except for the revaluation of financial instruments, the valuation of share based payments and the post-retirement medical obligation. The principal accounting policies are consistent with those of the previous year, except as detailed in note 21.

The group has considered and adopted all new standards, interpretations and amendments to existing standards that are effective as at year-end. There has been no material impact of these amendments on the financial statements.

ADOPTION OF NEW AND REVISED STANDARDS

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 October 2013.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 (revised) Employee Benefits

At the date of approval of the annual financial statements, the following new standards, interpretations and amendments that apply to the group were in issue but not yet effective:

New standards	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to existing standards		
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results and financial position of the company and all its subsidiaries, which are defined as entities over which the group has the ability to exercise control so as to obtain benefits from their activities. The results of subsidiaries are included from the effective dates of acquisition and up to the effective dates of disposal.

All inter-company transactions and balances between group companies are eliminated.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by the group.

Arrangements to acquire non-controlling interests at future dates are recognised as financial liabilities at the present value of the expected payment. Changes in the measurement of the financial liability due to unwinding of the discount, changes in the expected future payment or foreign exchange translation are recognised in profit or loss.

In such cases, The SPAR Group Limited consolidates 100% of the subsidiary's results.

The company has effective control of The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa and the assets and liabilities of these entities are consolidated with those of the company. As the company acts as an agent of these Guilds, the income and the expenditure of the Guilds has been offset and not consolidated.

Investments acquired with the intention of disposal within 12 months are not consolidated.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost and is not depreciated.

Land and buildings are held for use in the supply of goods.

Owner-occupied buildings are stated at cost and depreciated at 2% per annum on a straight-line basis to their estimated residual value.

The cost less residual values of plant and equipment is depreciated over their estimated useful lives on a straight-line basis. The useful lives and residual values of all assets are reviewed annually and are adjusted should any changes arise. The following depreciation rates apply:

Vehicles	10% to 25% per annum
Plant and equipment	8.3% to 33.3% per annum
Furniture and fittings	4% to 33.3% per annum
Computer equipment	10% to 33.3% per annum

Where assets are identified as being impaired, that is when the recoverable amount has declined below the carrying amount, the carrying amount is reduced to reflect the decline in value.

Profit and loss on disposal of property, plant and equipment is recognised in profit or loss in the year of disposal.

Property, plant and equipment subject to finance lease agreements is capitalised at the cash cost equivalent and the corresponding liabilities raised. Lease finance charges are charged to operating profit as they fall due. These assets are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease.

BUSINESS COMBINATIONS

The acquisition of entities is accounted for under the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of the exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations, are recognised at their fair values at acquisition date, except for non-current assets held for sale, which are recognised at fair value less cost to sell. Goodwill arising on acquisition is initially recognised at cost. Negative goodwill is immediately recognised to profit and loss.

GOODWILL

Goodwill arising on the acquisition of entities represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the entities recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested annually for impairment or more frequently when there is an indication that the cash-generating unit may be impaired. Any impairment loss is recognised directly to profit and loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of an entity, attributable goodwill is included in the determination of the profit and loss on disposal.

INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities (including structured entities) which are, directly or indirectly, controlled by the group. Control is established where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less amounts written off to provide for diminution in the net asset values of subsidiaries where appropriate.

INVESTMENT IN ASSOCIATES

Associates are those companies, which are not subsidiaries, over which the group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these decisions. Associate companies are accounted for using the equity method except where the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Equity accounted income represents the group's proportionate share of the associate's post-acquisition accumulated profit after accounting for dividends declared by those entities.

The carrying value of investments in associates represents the cost of each investment including goodwill, the share of post-acquisition retained income or losses and other movements in reserves. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised. Any excess of the cost of acquisition over the group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition, is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

When a group company transacts with the associate, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

IMPAIRMENT (EXCLUDING GOODWILL)

At each statement of financial position date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying value. A reversal of an impairment loss is recognised immediately to profit and loss.

SHARE BASED PAYMENTS

The group has applied the requirements of IFRS 2 Share-based Payment to all equity instruments issued after 7 November 2002 that had not vested as of 1 January 2005. The group issues equity-settled, share-based payments to certain employees. These share-based payments are measured at fair value at the date of the grant and are recognised to profit and loss on a straight-line basis over the vesting period. Fair value is measured at grant date by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate of the effect of non-market vesting conditions.

The group's accounting for the BBBEE transaction complies with the requirements of IFRS 2 Share-based Payment. The fair value of options granted to retailer employees is recognised immediately to profit and loss. The fair value of options granted to SPAR employees is recognised to profit and loss over the vesting period. Fair value is measured at grant date by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate of the effect of non-market vesting conditions.

TAXATION

Income taxation expense represents the sum of current taxation payable, deferred taxation and Secondary Taxation on Companies (STC). Current taxation is payable based on taxable profit for the year. Taxable profit will differ from reported profit because it will exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been substantively enacted at the statement of financial position date. STC is recognised at the time the dividend is declared. Dividends withholding tax has replaced STC. It is a tax levied on the beneficial owner of the shares instead of the group. The resultant tax expense and liability has been transferred to the shareholder and is no longer accounted for as part of the tax charge of the group.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences.

Deferred taxation is calculated using taxation rates at the statement of financial position date and is charged or credited to the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is dealt with in equity.

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which future deductible temporary differences can be utilised. The carrying amount of deferred taxation assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill, or from the initial recognition (other than business combinations) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

The group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Obsolete, redundant and slow-moving inventory is identified and written down to estimated economic or realisable values. Net realisable value represents the selling price less all estimated costs to be incurred in the marketing, selling and distribution thereof.

When inventory is sold, the carrying amount is recognised to cost of sales. Any write-down of inventory to net realisable value and all losses of inventory or reversals of previous write-downs are recognised in cost of sales.

POST-RETIREMENT MEDICAL AID PROVISION

The company provides post-retirement healthcare benefits to certain of its retirees. The entitlement to these benefits is based on qualifying employees remaining in service until retirement age. The projected unit credit method of valuation is used to calculate the post-retirement medical aid obligations, which costs are accrued over the period of employment. Actuarial gains and losses are recognised immediately in equity as other comprehensive income. These benefits are actuarially valued annually. The liability is unfunded.

PROVISIONS

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

RETIREMENT BENEFITS
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service costs (including current service cost, past service cost as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the line item "defined benefit plan expenses". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

REVENUE RECOGNITION
Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for goods and services provided in the normal course of business, net of rebates, discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Advertising revenue consists of contributions from suppliers towards promotional activities and is recognised when the associated advertising and promotional activity has occurred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at an applicable interest rate.

Dividend income from investments is brought to account as and when the company is entitled to receive such dividend unless the dividend is due from an entity which operates under severe long-term restrictions. The dividends from these entities are accounted for on a cash basis.

FOREIGN CURRENCIES
Transactions in currencies other than in rands are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates ruling at period-end. Exchange differences arising on the settlement of monetary items or on reporting the group's monetary items at rates different from those at which they were initially recorded, are recognised to profit or loss in the period in which they arise.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity is expressed in rands, which is the functional currency of the company, and the presentation currency for the consolidated financial statements. For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in rands using exchange rates prevailing at period-end. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. In the period that the foreign operation is disposed of, such translation differences are recognised to profit or loss.

FINANCIAL INSTRUMENTS
Financial assets and financial liabilities are recognised on the statement of financial position when the company or group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value, which includes transaction costs for those financial assets not recognised at fair value through profit and loss. Subsequent to initial recognition, the instruments are measured as set out below:

- The principal financial assets are cash resources, trade receivables, investments and loans. Trade receivables, loans and cash resources are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. In the company's financial statements, the investments in subsidiaries are stated at cost less amounts written off to provide for the diminution in the net asset values of the subsidiaries. Other investments are stated at cost less any identified impairment losses;

- Financial liabilities are classified according to the substance of the contractual arrangements. Significant financial liabilities include trade and other payables and loans from banks. Trade and other payables are stated at their nominal value; interest-bearing bank loans and overdrafts are measured at amortised cost using the effective interest rate method;
- Derivative assets and liabilities are recognised at fair value through profit and loss at each reporting date;
- Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs; and
- Other equity investments are held at fair value. Changes in fair value are recognised in profit and loss.

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

LEASED ASSETS

Leased assets are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental recoveries received under property head lease agreements are recognised on the straight-line basis over the period of the relevant lease. These are offset against the head lease rental charge in operating expenditure.

Rental income in respect of operating leases is recognised on a straight-line basis over the term of the relevant lease.

In the capacity of lessee

Assets held under finance leases are recognised as assets of the group at their fair values, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The initial direct costs incurred are added to the amount recognised as an asset. The corresponding liability to the lessor is included in the statement of financial position. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss.

Rental costs incurred under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease.

In the capacity of lessor

Amounts due from lessees under a finance lease are recognised as receivables at the amount of the group's net investment in the lease, which includes initial direct costs. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on the straight-line basis over the term of the relevant lease.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal group are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such asset (or disposal group), and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale. Immediately prior to being classified as held for sale, the carrying amounts of assets and liabilities are measured in accordance with the applicable standard.

After classification as held for sale, an asset is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

SEGMENTAL REPORTING

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.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are eliminated on consolidation.

KEY MANAGEMENT JUDGEMENTS

There are a number of areas where judgement is applied in the application of the accounting policies in the financial statements.

Significant areas of judgement have been identified as:

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill relates. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value. Details of the assumptions used in the impairment test are detailed in note 10.

PROPERTY, PLANT, EQUIPMENT AND VEHICLES

The directors have assessed the useful lives and residual values of assets based on historical trends and external valuations.

PROVISION FOR INVENTORY OBSOLESCENCE

The provision for net realisable value of inventory represents management's estimate of the extent to which inventory on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year-end and an assessment of future saleability.

ALLOWANCE FOR DOUBTFUL DEBTS IN TRADE RECEIVABLES

The allowance for doubtful debts in trade receivables represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate takes into consideration past trends and makes an assessment of additional risk factors, which are likely to impact recoverability.

POST-EMPLOYMENT BENEFITS

The post-employment benefits are valued by actuaries taking into account the assumptions as detailed in note 21.

FINANCIAL LIABILITY

Determining the fair value of the purchase obligation of the non-controlling interest, which gives rise to the financial liability, is based on management's expectation of the future profit performance of TIL JV Limited (holding company of the BWG Group). Details of assumptions used can be found in note 31 and note 40.

SHARE OPTIONS

The share options are actuarially valued using a binomial model, with the expected life used in the model being based on management estimates.

KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Rmillion	Notes	GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
Revenue	1	**55 015.9**	47 795.8	**50 751.6**	46 539.4
Trading profit	3	**1 880.6**	1 658.9	**1 775.2**	1 675.6
BBBEE transactions	35	**(13.2)**	(13.3)	**(13.2)**	(13.3)
Operating profit		**1 867.4**	1 645.6	**1 762.0**	1 662.3
Interest received	4	**34.2**	34.0	**32.1**	33.4
Interest paid	4	**(37.9)**	(24.8)	**(16.6)**	(18.4)
Finance costs	4	**(6.7)**		**(6.7)**	
Share of equity-accounted associate (loss)/profit	12	**(12.8)**	3.3		
Profit before taxation		**1 844.2**	1 658.1	**1 770.8**	1 677.3
Taxation	5	**(499.2)**	(470.8)	**(481.3)**	(458.1)
Profit for the year attributable to ordinary shareholders		**1 345.0**	1 187.3	**1 289.5**	1 219.2
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss on retirement funds		**(21.4)**			
Actuarial (loss)/gain on post-retirement medical aid		**(8.1)**	11.8	**(8.1)**	11.8
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from translation of foreign operations		**16.1**	0.6		
Total comprehensive income		**1 331.6**	1 199.7	**1 281.4**	1 231.0
Earnings per share (cents)	6				
Basic		**778.2**	688.8		
Diluted		**727.0**	643.0		

* *Restated for the effect of IAS 19, refer to note 21.*

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

		GROUP			COMPANY	
Rmillion	Notes	**2014**	Restated* 2013	Restated* 2012	**2014**	Restated* 2013
ASSETS						
Non-current assets		**5 677.4**	2 381.7	2 226.7	**3 226.1**	2 348.7
Property, plant and equipment	9	**2 878.2**	1 749.1	1 588.0	**1 693.1**	1 636.3
Goodwill	10	**2 545.2**	387.6	391.0	**274.2**	264.0
Investment in subsidiaries	34				**1 002.0**	209.0
Investment in associates	12	**45.9**	52.6	40.0	**46.5**	38.8
Other investments	37	**2.9**	1.9	20.9	**2.9**	1.9
Operating lease receivables	11	**84.8**	98.1	112.7	**102.2**	117.2
Loans	13	**75.0**	64.4	59.0	**75.0**	64.4
Deferred taxation asset	14	**45.4**	28.0	15.1	**30.2**	17.1
Current assets		**11 253.7**	7 404.8	7 672.8	**8 042.1**	7 085.2
Inventories	15	**2 202.7**	1 374.0	1 415.6	**1 520.3**	1 333.7
Trade and other receivables	16	**8 515.1**	5 841.3	5 341.1	**6 375.9**	5 632.2
Prepayments		**32.9**	32.7	35.8	**30.9**	31.9
Operating lease receivables	11	**56.2**	39.1	34.3	**56.2**	39.1
Loans	13	**10.6**	5.5	4.4	**58.8**	48.3
Bank balances – SPAR	17	**323.6**		752.4		
Bank balances – Guilds	17	**112.6**	112.2	89.2		
Non-current assets classified as held for sale	38	**15.0**				
Total assets		**16 946.1**	9 786.5	9 899.5	**11 268.2**	9 433.9
EQUITY AND LIABILITIES						
Capital and reserves		**3 026.5**	3 175.6	2 826.9	**3 096.9**	3 290.8
Stated capital	18	**67.6**	61.6	54.5	**67.6**	61.6
Treasury shares	19	**(48.2)**	(42.8)	(6.9)		
Currency translation reserve		**16.6**	0.5	(0.1)		
Share-based payment reserve		**387.7**	355.1	323.1	**387.7**	355.1
Equity reserve		**(545.7)**			**(545.7)**	
Retained earnings		**3 148.5**	2 801.2	2 456.3	**3 187.3**	2 874.1
Non-current liabilities		**2 951.5**	227.5	251.2	**780.3**	226.0
Deferred taxation liability	14	**2.0**	1.5	3.9		
Post-retirement medical aid provision	21	**129.1**	110.9	118.3	**129.1**	110.9
Retirement benefit fund	30.3	**286.1**				
Financial liability	40	**548.9**			**548.9**	
Long-term borrowings	39	**1 866.3**				
Operating lease payables	11	**119.1**	115.1	129.0	**102.3**	115.1
Current liabilities		**10 968.1**	6 383.4	6 821.4	**7 391.0**	5 917.1
Trade and other payables	22	**9 697.9**	6 204.6	6 772.6	**6 427.8**	5 742.3
Current portion of long-term borrowings	39	**85.1**				
Operating lease payables	11	**62.1**	41.9	35.4	**56.2**	41.9
Provisions	23	**95.8**	14.7	6.7	**13.9**	11.6
Taxation payable	25	**47.6**	11.3	6.7	**43.4**	12.3
Bank overdrafts	17	**979.6**	110.9		**849.7**	109.0
Total equity and liabilities		**16 946.1**	9 786.5	9 899.5	**11 268.2**	9 433.9

* *Restated for the effect of IAS 19, refer to note 21.*

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity Reserve	Attributable to ordinary shareholders
GROUP							
Capital and reserves at 30 September 2012	54.5	(6.9)	(0.1)	323.1	2 467.0		2 837.6
Effect of adoption of IAS 19					(10.7)		(10.7)
Restated capital and reserves at 30 September 2012*	54.5	(6.9)	(0.1)	323.1	2 456.3	–	2 826.9
Total comprehensive income for the year			0.6		1 187.3		1 187.9
Actuarial gain on post-retirement medical aid					11.8		11.8
Recognition of share-based payments				19.6			19.6
Take-up of share options		116.6		(72.2)			44.4
Transfer arising from take-up of share options				72.2	(72.2)		-
Share repurchases		(145.4)					(145.4)
Dividends paid					(782.0)		(782.0)
Issue of shares	7.1	(7.1)					–
Recognition of BBBEE transaction				12.4			12.4
Restated capital and reserves at 30 September 2013*	**61.6**	**(42.8)**	**0.5**	**355.1**	**2 801.2**	**–**	**3 175.6**
Total comprehensive income for the year			**16.1**		**1 345.0**		**1 361.1**
Actuarial loss on post-retirement medical aid					**(8.1)**		**(8.1)**
Actuarial loss on retirement funds					**(21.4)**		**(21.4)**
Purchase obligation of non-controlling interest						**(545.7)**	**(545.7)**
Recognition of share-based payments				**20.2**			**20.2**
Take-up of share options		**164.6**		**(101.2)**			**63.4**
Transfer arising from take-up of share options				**101.2**	**(101.2)**		**–**
Share repurchases		**(164.0)**					**(164.0)**
Dividends paid					**(867.0)**		**(867.0)**
Issue of shares	**6.0**	**(6.0)**					**–**
Recognition of BBBEE transaction				**12.4**			**12.4**
Capital and reserves at 30 September 2014	**67.6**	**(48.2)**	**16.6**	**387.7**	**3 148.5**	**(545.7)**	**3 026.5**
COMPANY							
Capital and reserves at 30 September 2012	54.5	–	–	323.1	2 508.0		2 885.6
Effect of adoption of IAS 19					(10.7)		(10.7)
Restated capital and reserves at 30 September 2012*	54.5	–	–	323.1	2 497.3		2 874.9
Total comprehensive income for the year					1 219.2		1 219.2
Actuarial gain on post-retirement medical aid					11.8		11.8
Recognition of share-based payments				19.6			19.6
Contribution to Employee Share Trust				(72.2)			(72.2)
Transfer arising from take-up of share options				72.2	(72.2)		–
Dividends paid					(782.0)		(782.0)
Issue of shares	7.1						7.1
Recognition of BBBEE transaction				12.4			12.4
Restated capital and reserves at 30 September 2013*	**61.6**	**–**	**–**	**355.1**	**2 874.1**	**–**	**3 290.8**
Total comprehensive income					**1 289.5**		**1 289.5**
Actuarial gain on post-retirement medical aid					**(8.1)**		**(8.1)**
Recognition of share-based payments				**20.2**			**20.2**
Contribution to Employee Share Trust				**(101.2)**			**(101.2)**
Transfer arising from take-up of share options				**101.2**	**(101.2)**		**–**
Dividends paid					**(867.0)**		**(867.0)**
Issue of shares	**6.0**						**6.0**
Recognition of BBBEE transaction				**12.4**			**12.4**
Purchase obligation of non-controlling interest						**(545.7)**	**(545.7)**
Capital and reserves at 30 September 2014	**67.6**	**–**	**–**	**387.7**	**3 187.3**	**(545.7)**	**3 096.9**

* *Restated for the effect of IAS 19, refer to note 21.*

STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED 30 SEPTEMBER 2014

		GROUP		COMPANY	
Rmillion	Notes	2014	Restated* 2013	2014	Restated* 2013
Cash flows from operating activities		**481.2**	(443.2)	**394.1**	(446.8)
Cash generated from operations	24	**1 842.4**	815.6	**1 708.9**	793.8
Interest received		**30.9**	34.0	**28.9**	33.4
Interest paid		**(53.2)**	(24.8)	**(16.6)**	(18.4)
Taxation paid	25	**(471.9)**	(486.0)	**(460.1)**	(473.6)
Dividends paid	8	**(867.0)**	(782.0)	**(867.0)**	(782.0)
Cash flows from investing activities		**(924.4)**	(296.1)	**(1 140.8)**	(435.0)
Acquisition of businesses/subsidiaries	36.2	**(696.4)**	(24.3)	**(833.7)**	(24.3)
Proceeds from disposal of businesses	36.3	**12.3**	17.0		
Investment to expand operations		**(106.1)**	(220.1)	**(101.0)**	(206.1)
Investment to maintain operations		**(115.3)**	(78.5)	**(80.6)**	(79.7)
– Replacement of property, plant and equipment		**(120.8)**	(83.3)	**(86.5)**	(82.4)
– Proceeds on disposal of property, plant and equipment		**5.5**	4.8	**5.9**	2.7
Net movement in loans and investments	24.1	**(18.9)**	9.8	**(125.5)**	(124.9)
Cash flows from financing activities		**(100.6)**	(101.0)	**6.0**	7.1
Proceeds from issue of share capital	19	**6.0**	7.1	**6.0**	7.1
Proceeds from exercise of share options		**57.4**	37.3		
Share repurchases	19	**(164.0)**	(145.4)		
Net movement in cash and cash equivalents		**(543.8)**	(840.3)	**(740.7)**	(874.7)
Net balances/(overdrafts) at the beginning of the year		**1.3**	841.6	**(109.0)**	765.7
Exchange rate translation		**(0.9)**			
Net (overdrafts)/balances at the end of the year	17	**(543.4)**	1.3	**(849.7)**	(109.0)

* *Restated for the effect of IAS 19, refer to note 21.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Rmillion	GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
1.	**REVENUE**				
	Turnover	**54 483.0**	47 387.3	**50 237.9**	46 107.2
	Other income	**532.9**	408.5	**513.7**	432.2
	Marketing and service revenues	**521.9**	400.8	**473.7**	399.9
	Other receipts	**11.0**	7.7	**11.0**	7.7
	Dividends received – subsidiaries and associates			**29.0**	24.6
	Total revenue	**55 015.9**	47 795.8	**50 751.6**	46 539.4
2.	**COST OF SALES**				
	Cost of sales represents the net cost of purchases from suppliers, after discounts, rebates and incentive allowances received from suppliers.				
3.	**TRADING PROFIT**				
	Trading profit is arrived at after taking into account:				
	Turnover	**54 483.0**	47 387.3	**50 237.9**	46 107.2
	Cost of sales	**(49 985.1)**	(43 566.6)	**(46 186.2)**	(42 449.9)
	Gross profit	**4 497.9**	3 820.7	**4 051.7**	3 657.3
	Other income	**532.9**	408.5	**513.7**	432.2
	Operating expenses	**(3 150.2)**	(2 570.3)	**(2 790.2)**	(2 413.9)
	Warehousing and distribution expenses	**(1 402.3)**	(1 208.6)	**(1 314.9)**	(1 222.5)
	Marketing and selling expenses	**(972.0)**	(753.4)	**(673.2)**	(582.1)
	Administration and information technology expenses	**(775.9)**	(608.3)	**(802.1)**	(609.3)
	Trading profit	**1 880.6**	1 658.9	**1 775.2**	1 675.6
	Operating expenses include the following:				
	Auditors' remuneration:	**6.8**	5.7	**4.9**	4.8
	Audit fees	**5.3**	4.5	**3.7**	3.6
	Other fees	**1.5**	1.2	**1.2**	1.2
	Depreciation:	**178.6**	138.6	**140.4**	126.1
	Buildings and leasehold improvements	**4.0**	3.8	**3.7**	3.7
	Plant, equipment and vehicles	**174.6**	134.8	**136.7**	122.4
	Fair value adjustment	**(1.0)**		**(1.0)**	
	Net foreign exchange (profits)/losses	**(3.9)**	0.5	**(3.6)**	0.5
	Operating lease charges:				
	Immovable property	**85.2**	55.0	**24.7**	22.8
	Lease rentals payable	**593.5**	474.3	**562.4**	442.1
	Sub-lease recoveries	**(508.3)**	(419.3)	**(537.7)**	(419.3)
	Plant, equipment and vehicles	**8.1**	4.8	**1.1**	3.1
	Net loss/(profit) on disposal of plant and equipment	**5.4**	(0.2)	**4.1**	1.6
	Impairment of goodwill	**5.6**	7.5		
	Loss on disposal of investments		3.0		
	Profit on disposal of associate interests	**(1.5)**		**(3.0)**	
	Profit on disposal of businesses	**(2.1)**			
	Impairment of investments			**5.6**	5.0
	Post-retirement medical aid provision	**10.2**	9.0	**10.2**	9.0
	Retirement contributions:				
	Defined contribution plan expenses	**85.6**	78.9	**81.6**	76.2
	Defined benefit plan expenses	**5.1**			
	Share-based payments charge	**20.2**	19.6	**20.2**	19.6
	Staff costs	**1 407.2**	1 223.1	**1 248.0**	1 145.3
	Technical and consulting fees	**36.5**	18.4	**31.7**	17.0

* *Restated for the effect of IAS 19, refer to note 21.*

Rmillion		GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
4. NET INTEREST					
Interest received					
Bank deposits		**18.8**	22.9	**18.1**	22.3
Loans		**0.8**	0.9	**0.8**	0.9
Overdue debtors		**14.2**	8.9	**12.8**	8.9
Other		**0.4**	1.3	**0.4**	1.3
Total interest received		**34.2**	34.0	**32.1**	33.4
Interest paid					
Security deposits		**(2.6)**	(2.1)	**(2.6)**	(2.1)
Bank overdraft		**(10.9)**	(20.6)	**(6.5)**	(14.5)
Borrowings		**(15.0)**			
Other		**(9.4)**	(2.1)	**(7.5)**	(1.8)
Total interest paid		**(37.9)**	(24.8)	**(16.6)**	(18.4)
Finance costs					
Finance costs of financial liability		**(6.7)**		**(6.7)**	
Total finance costs		**(6.7)**	–	**(6.7)**	–
Net interest (paid)/received		**(10.4)**	9.2	**8.8**	15.0
5. TAXATION					
Current taxation					
– current year		**508.0**	490.3	**491.0**	478.9
– prior year		**0.1**	(0.8)	**(0.2)**	(0.8)
Deferred taxation					
– current year		**(9.2)**	(20.1)	**(9.1)**	(20.6)
– prior year		**(0.8)**	0.3	**(0.8)**	0.3
Secondary Tax on Companies		**0.6**	0.5		
Foreign tax		**0.5**	0.6	**0.4**	0.3
Total taxation		**499.2**	470.8	**481.3**	458.1
Reconciliation of effective taxation rate					
Standard taxation rate	(%)	**28.0**	28.0	**28.0**	28.0
Permanent differences	(%)	**(0.9)**	(0.3)	**(0.9)**	(0.7)
Tax loss not provided for	(%)		0.6		
Prior year overprovision	(%)		0.1		
Foreign tax differential	(%)	**(0.3)**			
Effective rate of taxation		**26.8**	28.4	**27.1**	27.3

* *Restated for the effect of IAS 19, refer to note 21.*

	Rmillion		GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
6.	**EARNINGS PER SHARE**					
	Earnings per share is calculated using the weighted average number of ordinary shares (net of treasury shares) in issue during the year. In the case of basic earnings per share, the weighted average number of ordinary shares (net of treasury shares) in issue during the year was 172 829 248 (2013: 172 380 610). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 184 994 183 (2013: 184 646 200).					
	The calculation of the basic and diluted earnings per share attributable to ordinary shareholders is based on the following data:					
	Earnings					
	Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders)		**1 345.0**	1 187.3	**1 289.5**	1 219.2
	Earnings per share:					
	Basic	(cents)	**778.2**	688.8		
	Diluted	(cents)	**727.0**	643.0		
	Number of shares					
	Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	**172 829**	172 381	**172 829**	172 381
	Effect of diluted potential ordinary shares:					
	Share options and BBBEE shares	('000)	**12 165**	12 265	**12 165**	12 265
	Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	('000)	**184 994**	184 646	**184 994**	184 646

* *Restated for the effect of IAS 19, refer to note 21.*

Rmillion		GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
7. HEADLINE EARNINGS					
Profit for the year attributable to ordinary shareholders		**1 345.0**	1 187.3		
Adjusted for:					
Loss/(profit) on sale of property, plant and equipment		**4.3**	(0.1)		
– Gross		**5.4**	(0.2)		
– Tax effect		**(1.1)**	0.1		
Impairment of goodwill		**5.6**	7.5		
Loss on disposal of investments			3.0		
Profit on disposal of associate interests		**(1.5)**			
Profit on disposal of businesses		**(2.1)**			
Headline earnings		**1 351.3**	1 197.7		
Headline earnings per share:					
Basic	(cents)	**781.8**	694.8		
Diluted	(cents)	**730.4**	648.6		
8. DIVIDENDS PAID					
2013 Final dividend declared 12 November 2013					
– paid 9 December 2013		**529.5**	473.3	**529.5**	473.3
2014 Interim dividend declared 20 May 2014					
– paid 17 June 2014		**337.5**	308.7	**337.5**	308.7
Total dividends		**867.0**	782.0	**867.0**	782.0
2013 Final dividend per share declared 12 November 2013					
– paid 9 December 2013	(cents)	**306.0**	275.0	**306.0**	275.0
2014 Interim dividend per share declared 20 May 2014					
– paid 17 June 2014	(cents)	**195.0**	179.0	**195.0**	179.0
Total dividends per share	(cents)	**501.0**	454.0	**501.0**	454.0

The final dividend for the year ended 30 September 2014 of 345 cents per share declared on 11 November 2014 and payable on 8 December 2014 has not been accrued.

* *Restated for the effect of IAS 19, refer to note 21.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9.	**PROPERTY, PLANT AND EQUIPMENT**				
	GROUP – 2014				
	Carrying value at 30 September 2013	1 003.0	1.0	745.1	1 749.1
	Additions	1.9	8.4	239.9	250.2
	Expansions	(0.4)	8.4	98.1	106.1
	Replacements	2.3		141.8	144.1
	Additions through business acquisitions	412.3	33.1	637.9	1 083.3
	Disposals at net book value			(10.9)	(10.9)
	Disposal through sale of businesses			(10.2)	(10.2)
	Depreciation	(3.6)	(0.4)	(174.6)	(178.6)
	Effect of foreign currency exchange differences	(2.2)	(0.2)	(2.3)	(4.7)
	Foreign currency translation – costs	(1.9)	(0.2)	0.2	(1.9)
	Foreign currency translation – accumulated depreciation	(0.3)		(2.5)	(2.8)
	Carrying value at 30 September 2014	1 411.4	41.9	1 424.9	2 878.2
	Analysed as follows:				
	Cost	1 505.9	44.6	2 274.3	3 824.8
	Accumulated depreciation and impairments	(94.5)	(2.7)	(849.4)	(946.6)
	COMPANY – 2014				
	Carrying value at 30 September 2013	933.1	0.5	702.7	1 636.3
	Additions	1.5	8.4	177.6	187.5
	Expansions	(0.4)	8.4	93.0	101.0
	Replacements	1.9		84.6	86.5
	Additions through business acquisitions			19.7	19.7
	Disposals at net book value			(10.0)	(10.0)
	Depreciation	(3.4)	(0.3)	(136.7)	(140.4)
	Carrying value at 30 September 2014	931.2	8.6	753.3	1 693.1
	Analysed as follows:				
	Cost	1 014.7	11.2	1 545.6	2 571.5
	Accumulated depreciation	(83.5)	(2.6)	(792.3)	(878.4)

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
GROUP – 2013				
Carrying value at 30 September 2012	941.0	1.3	645.7	1 588.0
Additions	65.4	0.1	237.9	303.4
Additions through expansions	64.0	0.1	156.0	220.1
Additions through replacements	1.4		81.9	83.3
Additions through business acquisitions			5.9	5.9
Disposals at net book value			(4.6)	(4.6)
Disposal through sale of business			(5.0)	(5.0)
Depreciation	(3.4)	(0.4)	(134.8)	(138.6)
Carrying value at 30 September 2013	1 003.0	1.0	745.1	1 749.1
Analysed as follows:				
Cost	1 093.7	3.3	1 465.3	2 562.3
Accumulated depreciation and impairments	(90.7)	(2.3)	(720.2)	(813.2)
COMPANY – 2013				
Carrying value at 30 September 2012	872.0	0.8	599.5	1 472.3
Additions	64.5		224.0	288.5
Additions through expansions	64.0		142.1	206.1
Additions through replacements	0.5		81.9	82.4
Additions through business acquisitions			5.9	5.9
Disposals at net book value			(4.3)	(4.3)
Depreciation	(3.4)	(0.3)	(122.4)	(126.1)
Carrying value at 30 September 2013	933.1	0.5	702.7	1 636.3
Analysed as follows:				
Cost	1 013.2	2.8	1 392.4	2 408.4
Accumulated depreciation	(80.1)	(2.3)	(689.7)	(772.1)

Details of land and buildings are recorded in a register which is available for inspection at the registered office of the company.

The directors' valuation of freehold land and buildings at 30 September 2014 is R2 393.5 million (2013: R1 760.1 million). The valuation is based on a net yield of 10.5% (2013: 11%).

As required by IAS 16, the group has reviewed the useful lives and residual values of property, plant and equipment.

		GROUP		COMPANY	
	Rmillion	**2014**	2013	**2014**	2013
10.	**GOODWILL**				
	Opening balance	**387.6**	391.0	**264.0**	245.6
	Impairment – retail stores	**(5.6)**	(7.5)		
	Goodwill derecognised on disposal of business		(14.3)		
	Business combination	**2 163.2**	18.4	**10.2**	18.4
	Closing balance	**2 545.2**	387.6	**274.2**	264.0
	Closing balance analysis:				
	SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
	TIL JV Limited	**2 153.0**			
	Retail stores	**146.6**	142.0	**28.6**	18.4
		2 545.2	387.6	**274.2**	264.0

The "value in use" discounted cash flow model was applied in assessing the carrying value of goodwill.

The following assumptions were applied in determining the value in use of the goodwill for Southern African entities:

		2014	2013
Discount rate	(%)	**9.4**	7.7
Sales growth rate	(%)	**6.0**	6.0
Terminal value growth rate	(%)	**3.0**	3.0

The following assumptions were applied in determining the value in use of the goodwill for Ireland entities:

		2014
Discount rate	(%)	**10.0**
Sales growth rate	(%)	**3.0**
Terminal value growth rate	(%)	**2.0**

The group prepares five-year cash flow projections based on the most recent budgets approved by management and extrapolations of cash flows for the remaining periods. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market.

		GROUP		COMPANY	
	Rmillion	**2014**	2013	**2014**	2013
11.	**OPERATING LEASE RECEIVABLES AND PAYABLES**				
	Operating lease receivables	**141.0**	137.2	**158.4**	156.3
	Less current portion	**(56.2)**	(39.1)	**(56.2)**	(39.1)
	Non-current operating lease receivables	**84.8**	98.1	**102.2**	117.2
	Operating lease payables	**181.2**	157.0	**158.5**	157.0
	Less current portion	**(62.1)**	(41.9)	**(56.2)**	(41.9)
	Non-current operating lease payables	**119.1**	115.1	**102.3**	115.1

The group has entered into various non-cancellable operating lease agreements in respect of rented premises. Other than for those premises occupied by the group, the premises are sub-let to SPAR retailers. Leases are contracted for periods of up to 10 years, some with renewal options. Rentals comprise minimum monthly payments and additional payments based on turnover levels.

Operating leases with fixed escalation charges are recognised in the statement of comprehensive income on the straight-line basis, which is consistent with the prior year.

Rmillion	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
12. INVESTMENT IN ASSOCIATES				
SPAR Harare (Pvt) Ltd				
Shares at cost	**17.5**	17.5	**17.5**	17.5
Cumulative share of post-acquisition (loss)/profit, net of dividend received	**(9.3)**	10.3		
Investment in SPAR Harare (Pvt) Ltd	**8.2**	27.8	**17.5**	17.5
Fig Leaf (Pty) Ltd				
Loan to Fig Leaf (Pty) Ltd	**12.0**	12.0	**12.0**	12.0
Disposal of investment	**(5.3)**		**(4.6)**	
Cumulative share of post-acquisition profit, net of dividend received	**4.2**	3.3		
Investment in Fig Leaf (Pty) Ltd	**10.9**	15.3	**7.4**	12.0
Gezaro Retailers (Pty) Ltd				
Shares at cost	**5.5**	5.5	**5.5**	5.5
Loan to Gezaro Retailers (Pty) Ltd	**3.8**	3.8	**3.8**	3.8
Cumulative share of post-acquisition profit, net of dividend received	**0.7**	0.2		
Investment in Gezaro Retailers (Pty) Ltd	**10.0**	9.5	**9.3**	9.3
Ariano 649 (Pty) Ltd				
Shares at cost	**12.1**		**12.1**	
Further capital invested	**3.9**		**3.9**	
Loan to Ariano 649 (Pty) Ltd	**11.1**		**11.1**	
Disposal of investment	**(28.0)**		**(27.1)**	
Cumulative share of post-acquisition profit, net of dividend received	**0.9**			
Investment in Ariano 649 (Pty) Ltd	**–**	–	**–**	–
Monteagle Merchandising Services (Pty) Ltd				
Shares at cost	**9.7**		**9.7**	
Loan to Monteagle Merchandising Services (Pty) Ltd	**2.6**		**2.6**	
Cumulative share of post-acquisition profit, net of dividend received	**4.5**			
Investment in Monteagle Merchandising Services (Pty) Ltd	**16.8**	–	**12.3**	–
Total investment in associates	**45.9**	52.6	**46.5**	38.8
Summarised financial statements of the group's share of associates:				
Total assets	**40.1**	93.9		
Total liabilities	**(32.1)**	(58.4)		
Net assets	**8.0**	35.5		
Revenue	**182.9**	249.0		
(Loss)/profit for the year attributable to ordinary shareholders	**(12.8)**	3.3		

12.1 The group has a 35% shareholding in SPAR Harare (Pvt) Ltd; the company acts as a wholesaler and distributor of goods and services to SPAR supermarkets in eastern Zimbabwe. SPAR Harare (Pvt) Ltd has a 30 June year-end.

For purposes of equity accounting, the financial statements of SPAR Harare (Pvt) Ltd for the year ended 30 June 2014 have been utilised, after taking into account any significant transactions occurring in the three-month period after year-end. There were no significant transactions occurring in the three-month period between June 2014 and September 2014.

	2014	2013
Rates of exchange utilised are:		
Rand/United States dollar exchange rate at year-end	**10.63**	9.91

12.2 The group originally held a 49.9% shareholding in Fig Leaf (Pty) Ltd, which owns and operates the Gateway SUPERSPAR in Hermanus. During the 2014 financial year the group sold 9.9% of its shareholding in Fig Leaf (Pty) Ltd for proceeds of R5.4 million.

12.3 The group has a 40% shareholding in Gezaro Retailers (Pty) Ltd, which owns and operates the Zevenwacht SUPERSPAR in Kuilsriver.

12.4 During the course of the 2014 financial year, the group purchased a shareholding in Ariano 649 (Pty) Ltd, which owns and operates the Khayelitsha SUPERSPAR in the Western Cape. The entire shareholding was sold during the course of the financial year for proceeds of R29.4 million.

12.5 The group has a 50% shareholding in Monteagle Merchandising Services (Pty) Ltd, the principal activities of which are merchandising services.

	Rmillion	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
13.	**LOANS**				
	Retailer loans	**85.1**	69.4	**85.1**	69.4
	Advance to The SPAR Group Limited Employee Share Trust (2004)			**48.2**	42.8
	Loan to Group Risk Holdings (Pty) Ltd	**0.5**	0.5	**0.5**	0.5
		85.6	69.9	**133.8**	112.7
	Less current portion	**(10.6)**	(5.5)	**(58.8)**	(48.3)
	Non-current loans	**75.0**	64.4	**75.0**	64.4

13.1 Retailer loans are both secured and unsecured, bear interest at various rates and have set repayment terms.

13.2 The advance to The SPAR Group Limited Employee Share Trust (2004) is unsecured, bears no interest and has no set repayment terms. The company advanced money to the trust to enable it to finance the repurchase of the company's shares (refer note 19). This advance constitutes a loan and a contribution. The loan portion is recoverable from the trust upon exercise of share options to the extent of the sum of option strike prices of options exercised. The contribution portion will be the difference between the cost price of treasury shares and the option strike prices of the equivalent number of treasury shares utilised to satisfy option holders who exercise their option rights.

	Rmillion	GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
14.	**DEFERRED TAXATION**				
	Asset				
	Deferred taxation asset analysed by major category:				
	Accelerated capital allowances	**(126.5)**	(116.4)	**(129.8)**	(116.5)
	Provisions, claims and prepayments	**171.9**	144.4	**160.0**	133.6
	Closing balance	**45.4**	28.0	**30.2**	17.1
	Reconciliation of deferred taxation asset:				
	Opening balance	**28.0**	15.1	**17.1**	4.1
	Business acquisition	**3.8**			
	Charged to profit or loss	**10.5**	9.5	**10.0**	9.6
	Other comprehensive income effect	**3.1**	3.4	**3.1**	3.4
	Closing balance	**45.4**	28.0	**30.2**	17.1
	Liability				
	Deferred taxation liability analysed by major category:				
	Accelerated capital allowances	**(2.0)**	(1.5)		
	Provisions, claims and prepayments				
	Closing balance	**(2.0)**	(1.5)	**–**	–
	Reconciliation of deferred taxation liability:				
	Opening balance	**(1.5)**	(3.9)		(2.8)
	Charged to profit or loss	**(0.5)**	2.4		2.8
	Closing balance	**(2.0)**	(1.5)	**–**	–
	Total net asset	**43.4**	26.5	**30.2**	17.1

* *Restated for the effect of IAS 19, refer to note 21.*

	Rmillion	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
15.	**INVENTORIES**				
	Merchandise	**2 257.4**	1 403.3	**1 553.2**	1 363.0
	Less provision for obsolescence	**(54.7)**	(29.3)	**(32.9)**	(29.3)
	Total inventories	**2 202.7**	1 374.0	**1 520.3**	1 333.7
	Shrinkages and damages written off	**37.8**	35.9	**34.4**	35.9
16.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**8 056.4**	5 392.3	**5 839.6**	5 196.8
	Allowance for doubtful debts	**(528.3)**	(121.4)	**(127.7)**	(118.7)
	Net trade receivables	**7 528.1**	5 270.9	**5 711.9**	5 078.1
	Other receivables	**987.0**	570.4	**664.0**	554.1
	Total trade and other receivables	**8 515.1**	5 841.3	**6 375.9**	5 632.2
	The other receivables balance includes loans made by The SPAR Guild of Southern Africa to SPAR retail members.				
	Movement in the allowance for doubtful debts:				
	Allowance at 30 September 2013	**(121.4)**	(104.7)	**(118.7)**	(103.6)
	Business acquisition	**(382.5)**			
	Increase in allowance	**(26.8)**	(16.7)	**(9.0)**	(15.1)
	Exchange rate translation	**2.4**			
	Allowance at 30 September 2014	**(528.3)**	(121.4)	**(127.7)**	(118.7)
	Irrecoverable debts written off net of recoveries	**97.4**	35.6	**96.2**	34.0

Trade receivables

The group provides trade credit facilities to SPAR and Build it members. The recoverability of amounts owing by members to the group is regularly reviewed and assessed on an individual basis. To the extent considered irrecoverable, debts are written off. It is a prerequisite for appropriate security to be obtained from retailers to reduce the level of credit exposure. Standard credit terms granted to members are as follows:

SPAR

Ex-warehouse supply – 19/25 days from weekly statement
Ex-direct supplier delivery – 25/31 days from weekly statement

Build it

Ex-direct supplier delivery – 38/48 days from weekly statement

Included in trade receivables are debtors with a net carrying amount of R375.7 million (2013: R167.0 million) which are past due. The group has not provided for these amounts as there has not been a significant change in credit quality of the debts and the amounts are considered recoverable.

The directors consider the carrying amount of trade and other receivables to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

17. OVERDRAFTS/CASH BALANCES

For the purpose of the statement of cash flow, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

The group separately discloses bank balances between SPAR bank balances and Guild bank balances, with the latter classification comprising retailer funds held in trust and other cash deposits attributable to The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa.

Cash and cash equivalents at the end of the financial year as shown in the statements of cash flow can be reconciled to the related items in the statements of financial position as follows:

	GROUP		COMPANY	
Rmillion	**2014**	2013	**2014**	2013
Bank balances – Guilds	**112.6**	112.2		
Bank balances – SPAR	**323.6**			
Bank overdrafts – SPAR	**(979.6)**	(110.9)	**(849.7)**	(109.0)
Net (overdrafts)/balances	**(543.4)**	1.3	**(849.7)**	(109.0)

18. STATED CAPITAL

18.1 Authorised

	GROUP		COMPANY	
Rmillion	**2014**	2013	**2014**	2013
250 000 000 (2013: 250 000 000) ordinary shares	**0.2**	0.2	**0.2**	0.2
30 000 000 (2013: 30 000 000) redeemable convertible preference shares				
Issued				
173 231 049 (2013: 172 800 310) ordinary shares	**67.6**	61.6	**67.6**	61.6
18 759 349 (2013: 18 859 949) redeemable convertible preference shares				
	67.6	61.6	**67.6**	61.6

All authorised and issued shares of the same class rank *pari passu* in every respect.

There are no conversion or exchange rights in respect of the ordinary shares and a variation of share rights requires approval by a special resolution from the shareholders at a general meeting in accordance with the Memorandum of Incorporation.

Certain redeemable convertible preference shares were issued during the 2009 financial year, in terms of the company's approved BBBEE scheme, with 7 564 540 shares being issued to The SPAR BBBEE Employee Trust and 11 346 809 shares being issued to The SPAR BBBEE Retailer Employee Trust (details of the transaction are covered in note 35). The preference shares are not listed.

During the current financial year 100 600 (2013: 51 400) redeemable convertible preference shares converted into 38 739 (2013: 18 122) ordinary shares. These related to death participants in both BBBEE Trusts.

The redeemable convertible preference shares, redeemable in 2016, are treated as treasury shares arising from the consolidation of the BBBEE trusts at year-end.

The unissued shares of the company are under the control of the directors to the extent that such shares may be required to satisfy option holders' requirements. This authority will expire at the forthcoming annual general meeting.

18. STATED CAPITAL (CONTINUED)

18.2 Shares subject to option

Details of share options granted in terms of the company's share option scheme are as follows:

Option strike price per share	Option exercisable until	Number of shares under option 2014	2013
R15.10867	29 January 2014		453 100
R21.04	14 December 2014	**332 580**	626 114
R29.00	13 November 2015	**352 050**	519 300
R30.36	10 January 2016	**110 000**	110 000
R46.22	8 March 2017	**698 134**	808 334
R58.10	3 December 2017	**359 800**	419 723
R50.23	11 November 2018	**584 200**	861 800
R66.42	10 November 2019	**697 746**	896 334
R95.11	16 November 2020	**636 200**	732 000
R99.91	8 December 2020	**130 000**	130 000
R96.46	8 November 2021	**985 000**	999 000
R122.81	13 November 2022	**865 500**	877 000
R126.43	12 November 2023	**844 500**	
R124.22	7 February 2024	**50 000**	
		6 645 710	7 432 705
Unissued options under the control of the directors		**431 632**	1 326 132

19. TREASURY SHARES

During the year The SPAR Group Limited Employee Share Trust (2004) purchased 1 292 469 (2013: 1 213 423) shares in the company at an average purchase price per share of R126.86 (2013: R119.82). The trust purchased and holds these shares for the purpose of satisfying option holder requirements as and when option holders exercise their share option rights.

	GROUP	
Rmillion	**2014**	2013
Cost of shares		
Opening balance	**42.8**	6.9
Share repurchases	**164.0**	145.4
Share issues to trust on exercise of share option rights	**6.0**	7.1
Shares sold to option holders on exercise of share option rights	**(164.6)**	(116.6)
Closing balance	**48.2**	42.8

	Number of shares held	
	2014	2013
Shares held in trust		
Opening balance	**363 180**	55 182
Share repurchases	**1 292 469**	1 213 423
Share issues to trust on exercise of share option rights	**392 000**	404 484
Shares sold to option holders on exercise of share option rights	**(1 678 055)**	(1 309 909)
Closing balance	**369 594**	363 180

20. SHARE-BASED PAYMENTS

The company has in place a share option scheme which is operated through The SPAR Group Limited Share Employee Trust (2004) (the trust). On election by option holders, one third of the options granted vest after three years, with a further third vesting on the expiry of years four and five respectively. Options issued by the trust expire 10 years from grant date. Options are forfeited if the employee leaves the group before vesting date.

Share options outstanding at year-end are as follows:

	Number of options 2014	2013
Opening balance	**7 432 705**	7 946 008
New options granted*	**894 500**	880 500
Options taken up**	**(1 634 695)**	(1 289 369)
Options forfeited or reinstated	**(46 800)**	(104 434)
Closing balance	**6 645 710**	7 432 705
* *Weighted average price of options granted during the year*	**126.31**	122.81
** *Weighted average grant price of options taken up during the year*	**37.89**	41.53
** *Weighted average selling price of options exercised during the year*	**128.86**	120.71

844 500 share options were granted on 12 November 2013 and a further 50 000 share options were granted on 7 February 2014. The estimated fair value of the options granted were R20 515 720 and R1 252 833 respectively.

The fair values of these options were calculated using a binomial model.

The valuation of options granted was performed by an independent valuator utilising the following principal assumptions:

		Assumption			
Grant date	Vesting date	Expected option life time	Rolling volatility %	Dividend yield %	Risk-free rate %
2014					
12/11/2013	12/11/2016	**4**	**19.57**	**3.83**	**7.46**
12/11/2013	12/11/2017	**5**	**19.57**	**3.83**	**7.82**
12/11/2013	12/11/2018	**6**	**19.57**	**3.83**	**8.15**
7/2/2014	7/2/2017	**4**	**20.14**	**3.79**	**7.81**
7/2/2014	7/2/2018	**5**	**20.14**	**3.79**	**8.13**
7/2/2014	7/2/2019	**6**	**20.14**	**3.79**	**8.36**
2013					
13/11/2012	13/11/2015	4	19.98	3.99	5.86
13/11/2012	13/11/2016	5	19.98	3.99	6.17
13/11/2012	13/11/2017	6	19.98	3.99	6.51

Broad-based black economic empowerment deal

The company entered into a broad-based black economic empowerment (BBBEE) deal in the 2009 financial year. The participants in this scheme are SPAR Group employees and SPAR retailer employees. The scheme operates through The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust respectively.

In terms of the transaction, 7 564 540 redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust and 11 346 809 redeemable convertible preference shares were issued to The SPAR BBBEE Retailer Employee Trust. All BBBEE share options vest and mature seven years from grant date (19 August 2016), at a strike price of R69.97.

During the current financial year 100 600 (2013: 51 400) redeemable convertible preference shares were converted into 38 739 (2013: 18 122) ordinary shares. These relate to the vesting arising from the death of participants in both BBBEE trusts. The average market price used to calculate the pay-outs to these participants was R126.28 (2013: R115.61), representing a pay-out value of R4.9 million (2013: R2.1 million).

The share-based payment cost relating to SPAR employees is recognised in profit and loss on a straight-line basis over the vesting period. The cost relating to SPAR retailer employees was recognised in profit and loss in the 2009 financial year as these beneficiaries are not classified as employees of The SPAR Group Limited.

		Assumption			
Grant date	Vesting date	Expected option life time	Rolling volatility %	Dividend yield %	Risk-free rate %
19/08/2009	19/08/2016	7	25.65	5	8.11

Rmillion	GROUP 2014	GROUP Restated* 2013	COMPANY 2014	COMPANY Restated* 2013
21. POST- RETIREMENT MEDICAL AID PROVISION				
Opening balance – actuarial valuation	**110.9**	118.3	**110.9**	118.3
Recognised as an expense during the current year	**12.3**	13.6	**12.3**	13.6
Interest cost	**9.4**	8.7	**9.4**	8.7
Current service cost	**2.9**	4.9	**2.9**	4.9
Employer contributions	**(5.3)**	(4.6)	**(5.3)**	(4.6)
Actuarial loss/(gain)	**11.2**	(16.4)	**11.2**	(16.4)
Closing balance	**129.1**	110.9	**129.1**	110.9
The principal actuarial assumptions applied in the determination of fair values include:				
Discount rate (%)	**8.4**	8.7	**8.4**	8.7
Healthcare cost inflation (%)	**7.1**	7.2	**7.1**	7.2
Average retirement age (years)	**63/65**	63/65	**63/65**	63/65

The obligation of the company to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997. There are 288 (2013: 274) pensioners and current employees who remain entitled to this benefit.

Change in accounting policy

In the current year, the group has applied IAS 19 Employee Benefits (as revised in 2011). IAS 19 (revised) impacted the measurement of the various components representing movements in the post-retirement medical aid obligation and associated disclosures.

The impact of the application of IAS 19 (revised) on the group's financial results is as follows:

Rmillion	**Post-retirement medical aid provision**	**Deferred taxation asset**	**Equity**
Balance as reported at 30 September 2012	(103.4)	10.9	2 837.6
Effect of adoption of IAS 19 (revised)	(14.9)	4.2	(10.7)
Restated balance as at 30 September 2012	(118.3)	15.1	2 826.9
Balance as reported at 30 September 2013	(108.0)	27.2	3 177.7
Effect of adoption of IAS 19 (revised)			
– Prior year adjustment	(14.9)	4.2	(10.7)
– Restatement	(4.4)	1.2	(3.2)
Effect on other comprehensive income	16.4	(4.6)	11.8
Restated balance as at 30 September 2013	(110.9)	28.0	3 175.6

The adoption of amendments to IAS 19 Employee Benefits, as outlined above, resulted in the recognition of all previously unrecognised actuarial gains and losses.

The expected payments to retired employees for the next financial year is R6.2 million.

A quantitative sensitivity analysis for significant assumptions as at 30 September 2014 is as shown below:

Assumptions	**Discount rate**		**Medical inflation**	
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease
Impact on defined benefit obligation (Rmillion)	(20.3)	26.1	24.8	(25.3)

Based on past experience, life expectancy is assumed to remain unchanged.

The sensitivity analysis has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

The last actuarial valuation was performed in September 2014 and the next valuation is expected to be performed during the 2015 financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

		GROUP		COMPANY	
	Rmillion	**2014**	2013	**2014**	2013
22.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**7 686.7**	4 805.6	**5 176.1**	4 620.7
	Other payables	**2 011.2**	1 399.0	**1 251.7**	1 121.6
	Trade and other payables	**9 697.9**	6 204.6	**6 427.8**	5 742.3
	Deposits received by The SPAR Guild of Southern Africa from SPAR retail members are included in other payables.				
	The directors consider the carrying amount of trade and other payables to approximate their fair value.				
23.	**PROVISIONS**				
	Supplier claims	**18.1**	14.7	**13.9**	11.6
	Termination of leases	**77.7**			
	Total provisions	**95.8**	14.7	**13.9**	11.6
	Supplier claims				
	Balance at the beginning of the year	**14.7**	6.7	**11.6**	6.1
	Provisions raised	**7.6**	8.2	**6.7**	5.7
	Provisions utilised	**(4.4)**	(0.2)	**(4.4)**	(0.2)
	Exchange rate translation	**(0.2)**			
	Balance at the end of the year	**18.1**	14.7	**13.9**	11.6
	Termination of leases				
	Balance at the beginning of the year	**–**	–	**–**	–
	Business acquisition	**78.2**			
	Exchange rate translation	**(0.5)**			
	Balance at the end of the year	**77.7**	–	**–**	–

Both provisions for supplier claims and terminations of leases represent management's best estimate of the group's liability. The supplier claim provision represents the value of disputed supplier deliveries and other issues. Termination of leases relates to specific leases which have been identified for surrender. The provision is based on historic experience of three years rental to surrender.

	GROUP		COMPANY	
Rmillion	2014	Restated* 2013	2014	Restated* 2013
24. CASH GENERATED FROM OPERATIONS				
Operating profit	**1 867.4**	1 645.6	**1 762.0**	1 662.3
Adjusted for:				
Depreciation	**178.6**	138.6	**140.4**	126.1
Net loss/(profit) on disposal of property, plant and equipment	**5.4**	(0.2)	**4.1**	1.6
Post-retirement medical aid provision	**10.2**	9.0	**10.2**	9.0
Retirement benefit fund provision	**(1.8)**			
BBBEE transaction	**12.4**	12.4	**12.4**	12.4
Share based payments	**20.2**	19.6	**20.2**	19.6
Provision against loans and trade receivables	**(9.2)**	8.1	**8.1**	8.1
Lease smoothing adjustment	**(4.0)**	4.7	**(0.6)**	0.8
Impairment of goodwill and investments	**5.6**	7.5	**5.6**	5.0
Exchange rate translation	**(2.6)**		**(3.5)**	
Loss on disposal of investments		3.0		
Profit on disposal of associate interests	**(1.5)**		**(3.0)**	
Profit on disposal of businesses	**(2.1)**			
Fair value adjustment	**(1.0)**		**(1.0)**	
Cash generated from operations before:	**2 077.6**	1 848.3	**1 954.9**	1 844.9
Net working capital changes	**(235.2)**	(1 032.7)	**(246.0)**	(1 051.1)
(Increase)/decrease in inventories	**(179.9)**	41.6	**(181.4)**	42.3
Increase in trade and other receivables	**(768.0)**	(514.9)	**(752.4)**	(559.8)
Increase/(decrease) in trade payables and provisions	**712.7**	(559.4)	**687.8**	(533.6)
Cash generated from operations	**1 842.4**	815.6	**1 708.9**	793.8
24.1 Net movement in loans and investments	**(18.9)**	9.8	**(125.5)**	(124.9)
Investment acquired				(10.6)
Proceeds from disposal of investments	**34.8**	16.0	**34.8**	
Investment in associate	**(21.8)**	(5.5)	**(21.8)**	(5.5)
Further capital invested in associate	**(3.9)**		**(3.9)**	
Net movement on retailer and subsidiary loans	**(14.3)**	3.1	**(14.2)**	3.1
Loan to The SPAR Group Limited Employee Share Trust (2004)			**(106.7)**	(108.1)
Loan to associate	**(13.7)**	(3.8)	**(13.7)**	(3.8)
25. TAXATION PAID				
Payable at the beginning of the year	**11.3**	6.7	**12.3**	7.5
Business acquisition	**(0.9)**			
Exchange rate translation	**(0.1)**			
Charged to profit or loss	**509.2**	490.6	**491.2**	478.4
Payable at the end of the year	**(47.6)**	(11.3)	**(43.4)**	(12.3)
Total taxation paid	**471.9**	486.0	**460.1**	473.6

* *Restated for the effect of IAS 19, refer to note 21.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Rmillion	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
26.	**CONTINGENT LIABILITIES**				
	Guarantees issued in respect of the finance obligations of SPAR retailer members	**646.1**	482.8	**624.7**	482.8
	– Loan guarantees	**469.2**	350.9	**469.2**	350.9
	– Rental guarantees	**25.4**	6.9	**4.0**	6.9
	– IT retail computer equipment lease scheme	**151.5**	125.0	**151.5**	125.0
	The board has limited guarantee facilities to R725 million (2013: R676 million).				
	The company has guaranteed the finance obligations of SPAR Retail Stores (Pty) Ltd and Kaplian Trading (Pty) Ltd to its bankers.				
	These guarantees commenced 15 April 2011 and 25 July 2011 respectively and are for an indefinite period.			–	38.0
27.	**COMMITMENTS**				
27.1	**Operating lease commitments**				
	Future minimum lease payments due under non-cancellable operating leases:				
	Land and buildings				
	Payable within one year	**857.4**	612.4	**643.4**	612.4
	Payable later than one year but not later than five years	**3 058.2**	2 093.3	**2 255.4**	2 093.3
	Payable later than five years	**2 791.5**	980.9	**1 127.5**	980.9
	Total land and buildings operating lease commitments	**6 707.1**	3 686.6	**4 026.3**	3 686.6
	Other				
	Payable within one year	**21.1**	2.3	**2.3**	2.3
	Payable later than one year but not later than five years	**33.6**	4.4	**3.9**	4.4
	Payable later than five years	**3.3**	0.7	**0.5**	0.7
	Total other operating lease commitments	**58.0**	7.4	**6.7**	7.4
27.2	**Operating lease receivables**				
	Future minimum sub-lease receivables due under non-cancellable property leases:				
	Receivable within one year	**583.4**	539.3	**605.4**	586.0
	Receivable later than one year but not later than five years	**2 063.9**	1 846.5	**2 169.7**	2 040.8
	Receivable later than five years	**1 072.6**	904.4	**1 069.1**	964.0
	Total operating lease receivables	**3 719.9**	3 290.2	**3 844.2**	3 590.8
27.3	**Capital commitments**				
	Contracted	**145.7**	93.0	**133.9**	93.0
	Approved but not contracted	**141.2**	13.2	**102.3**	13.2
	Total capital commitments	**286.9**	106.2	**236.2**	106.2

Capital commitments will be financed from group resources.

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel allowance and other benefits[(1)]	Share option gains	Total
28. DIRECTORS' REMUNERATION AND INTERESTS REPORT						
28.1 Emoluments						
2014						
Executive directors						
GO O'Connor*	**2 233**	**3 176**	**270**	**495**		**6 174**
WA Hook	**3 239**	**3 101**	**408**	**1 706**	**5 697**	**14 151**
MW Godfrey	**1 962**	**1 962**	**247**	**722**		**4 893**
R Venter	**2 253**	**2 102**	**291**	**791**	**14 971**	**20 408**
Total emoluments	**9 687**	**10 341**	**1 216**	**3 714**	**20 668**	**45 626**
2013						
Executive directors						
WA Hook	3 102	2 384	399	423	3 279	9 587
MW Godfrey	1 792	1 377	228	376		3 773
R Venter	2 125	1 633	266	667		4 691
Total emoluments	7 019	5 394	893	1 466	3 279	18 051

[(1)] *Other benefits include medical aid contributions and a long service award.*
* *GO O'Connor was appointed as CEO on 1 February 2014.*

R'000	2014	2013
28.2 Fees for services as non-executive directors		
MJ Hankinson (chairman)[bc]	**944**	885
PK Hughes[a]	**345**	323
RJ Hutchinson[b]	**328**	307
MP Madi	**309**	250
HK Mehta[abc]	**468**	438
P Mnganga[d]	**362**	338
CF Wells[acd]	**585**	547
Total fees	**3 341**	3 088

[a] *Member of Audit Committee.*
[b] *Member of Remuneration and Nominations Committee.*
[c] *Member of Risk Committee.*
[d] *Member of Social and Ethics Committee.*

	2014 Shares	2013 Shares
28.3 Directors' interests in the share capital of the company		
Executive directors		
WA Hook – direct beneficial holding	**4 200**	4 200
Non-executive directors		
MJ Hankinson – held by associates	**2 800**	2 800
PK Hughes – direct beneficial holding	**64 400**	64 400
RJ Hutchinson – indirect beneficial holding	**10 000**	10 000
HK Mehta – direct beneficial holding	**10 000**	10 000
HK Mehta – indirect beneficial holding	**1 000**	1 000
CF Wells – direct beneficial holding	**1 100**	1 100

As at the date of this report, the directors' interests in the share capital of the company remained unchanged.

28.4 Declaration of disclosure

Other than that disclosed above and in note 29, no consideration was paid to, or by any third party, or by the company itself, in respect of the services of the company's directors, as directors of the company, during the year ended 30 September 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

29. DIRECTORS' SHARE OPTION SCHEME INTERESTS

The group's option scheme provides the right to the option holder to purchase shares in the company at the option price. On election by option holders, one third of the options granted vest after three years, with a further third vesting on the expiry of years four and five respectively. Option holders have 10 years from date of issue to exercise their option rights.

	Date of option issue	Option price Rand	Number of options held 2014	2013
29.1 Options held over shares in The SPAR Group Limited				
Executive directors				
GO O'Connor	07/2/2014	124.22	**50 000**	
			50 000	–
WA Hook	13/12/2004	21.04		51 000
	14/11/2005	29.00	**70 000**	70 000
	9/3/2007	46.22	**120 000**	120 000
	4/12/2007	58.10	**60 000**	60 000
	11/11/2008	50.23	**100 000**	100 000
	10/11/2009	66.42	**50 000**	50 000
	8/12/2010	99.91	**50 000**	50 000
	8/11/2011	96.46	**55 000**	55 000
	13/11/2012	122.81	**60 000**	60 000
			565 000	616 000
R Venter	13/12/2004	21.04		51 000
	14/11/2005	29.00		70 000
	9/3/2007	46.22	**50 000**	80 000
	4/12/2007	58.10	**35 000**	35 000
	11/11/2008	50.23	**50 000**	50 000
	10/11/2009	66.42	**38 000**	38 000
	8/12/2010	99.91	**35 000**	35 000
	8/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	
			303 000	424 000
MW Godfrey	13/12/2004	21.04	**26 100**	26 100
	14/11/2005	29.00	**25 000**	25 000
	9/3/2007	46.22	**20 000**	20 000
	4/12/2007	58.10	**8 000**	8 000
	11/11/2008	50.23	**12 000**	12 000
	10/11/2009	66.42	**12 000**	12 000
	8/12/2010	99.91	**25 000**	25 000
	8/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	
			223 100	193 100
Non-executive director				
PK Hughes	13/12/2004	21.04	**65 000**	66 000
	14/11/2005	29.00	**1 500**	1 500
	11/1/2006	30.36	**110 000**	110 000
			176 500	177 500

29. DIRECTORS' SHARE OPTION SCHEME INTERESTS (CONTINUED)

29.2 Options exercised

	Date option exercised	Number of options exercised	Option price Rand	Market price on exercise	Gain
WA Hook	20/12/2013	51 000	21.04	132.74	5 696 797
R Venter	19/11/2013	51 000	21.04	131.41	5 628 758
	18/12/2013	50 000	29.00	128.00	4 950 104
	4/6/2014	20 000	29.00	127.17	1 963 374
	4/6/2014	30 000	46.22	127.17	2 428 461
PK Hughes	12/9/2014	1 000	21.04	131.09	110 050

30. RETIREMENT BENEFIT FUNDS

The company contributes towards retirement benefits for substantially all permanent employees who, depending on preference, are members of either the group's defined contribution pension fund, defined contribution staff provident fund, defined contribution management provident fund or defined benefit fund. Contributions to fund obligations for the payment of retirement benefits are recognised to profit and loss when due.

All funds are governed by the Pension Funds Act, 1956. The funds are managed by appointed administrators and investment managers, and their assets remain independent of the company.

30.1 In terms of their rules, the defined contribution funds have annual financial reviews, which are performed by the funds' consulting actuaries. At the date of their last reviews the funds were judged to be financially sound. Contributions of R84.0 million (2013: R78.9 million) and R81.6 million (2013: R76.2 million) were expensed for the group and company respectively during the year.

30.2 The SPAR Group Limited Defined Benefit Pension Fund

The SPAR Group Limited Defined Benefit Pension Fund was valued as at 28 February 2014, and the fund was found to be in a sound financial position. The projected unit credit method is used to calculate the present value of plan liabilities. Plan assets are measured at fair value. At that date the actuarial fair value of the plan assets represent 100% of the plan liabilities.

The next actuarial valuation of this fund will take place on 28 February 2015. There are eight members of this fund and this fund is closed to further membership. Contributions of Rnil (2013: Rnil) and Rnil (2013: Rnil) were expensed for the group and company respectively during the year.

The net asset relating to the Defined Benefit Fund is not recognised in the statements of financial position, as the benefits will not be received by The SPAR Group Limited, and The SPAR Group Limited is not liable for the obligations of the fund while the fund assets exceed the fund liabilities. Therefore actuarial gains and losses are not recognised for this fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Rmillion		2014	Restated* 2013
30.	**RETIREMENT BENEFIT FUNDS** (CONTINUED)			
30.2	**The SPAR Group Limited Defined Benefit Pension Fund (continued)**			
	Details of the IAS 19 valuation			
	The SPAR Group Limited Defined Benefit Pension Plan			
	Amounts recognised on the statements of financial position			
	Present value of fund obligations		**(19.0)**	(11.5)
	Fair value of plan assets		**21.4**	12.5
	Surplus in plan		**2.4**	1.0
	Unrecognised actuarial gains		**(2.4)**	(1.0)
	Net asset/(liability) recognised in the statements of financial position		**–**	–
	Amounts recognised on the statements of comprehensive income			
	Current service cost		**(0.5)**	(0.5)
	Interest on obligation		**0.1**	0.1
	Net cost recognised in the statements of comprehensive income		**(0.4)**	(0.4)
	Movement on net asset			
	Net asset at the beginning of the year		**1.0**	1.2
	Net expense recognised in the statements of comprehensive income		**(0.4)**	(0.2)
	Net actuarial gain not recognised		**1.8**	
	Net asset at the end of the year		**2.4**	1.0
	A 1% movement in the discount rate or salaries is not expected to yield a material movement in the recognised obligation.			
	Key actuarial assumptions in determining the above provision:			
	Discount rate	(%)	**9.40**	7.40
	Inflation rate	(%)	**6.80**	6.40
	Salary increase rate	(%)	**7.80**	7.40
	Pension increase allowance	(%)	**5.27**	2.29
	Pension retirement discount rate	(%)	**3.92**	5.00
	Average future working life of active members at the start of the year	(years)	**11.0**	11.8

* *Restated effect due to IAS 19 disclosure requirements only.*

30.3 The BWG Group Retirement Funds

The BWG Group contributes towards retirement benefits for approximately 980 current and former employees who are members of either the group's defined benefit staff pension scheme (BWG Foods Limited Staff Pension Scheme), defined benefit executive pension scheme (BWG Limited Executive Pension Scheme) or one of the defined contribution schemes. Current service costs, past service cost or credit and net expense or income are recognised to the income statement.

All schemes are governed by the Pensions Act 1990 (as amended per Irish statute). The bulk of the funds are invested with Irish Life Investment Managers, with small holdings managed by SSgA and F & C and directly by the scheme. The schemes' assets remain independent of the company.

In terms of their rules, the defined benefit funds have annual financial reviews, which are performed by the funds' consulting actuaries. At the date of their last reviews the funds were judged to be on track to meet their obligations. Contributions of R5.1 million were expensed for the group during the year.

The defined benefit pension schemes were valued at R997.3 million using the projected unit credit method and the fund was found to be in a sound financial position. At that date the actuarial fair value of the plan assets represent 67.2% of the plan liabilities.

Rmillion		2014
30. RETIREMENT BENEFIT FUNDS (CONTINUED)		
30.3 The BWG Group Retirement Funds (continued)		
The key actuarial assumptions applied in the determination of fair values include:		
Inflation rate	(%)	**1.7**
Salary escalation rate	(%)	**1.7**
Discount rate	(%)	**2.6**
Expected rate of return on plan assets	(%)	**2.6**
Marriage rates — Marriage assumption – 90% of fund membership is married		
Spouse age difference — Husbands are four years older than wives		

The next actuarial valuation of the defined benefit schemes will take place on 1 January 2015. These schemes are closed to further membership.

Details of the IAS 19 valuation of the defined benefit fund:	
Fair value of fund assets	
Balance at the beginning of the period 1 August 2014	**579.0**
Expected return on fund assets	**3.0**
Contributions	**5.1**
Benefits paid	**(3.2)**
Actuarial gain	**8.0**
Exchange rate translation	**(5.3)**
Balance at the end of the year	**586.6**
Present value of defined benefit obligation	
Balance at the beginning of the period 1 August 2014	**(845.5)**
Interest cost	**(4.4)**
Current service cost	**(2.7)**
Benefits paid/accrued to be paid	**2.6**
Actuarial loss	**(32.6)**
Exchange rate translation	**9.9**
Present values of obligation at the end of the year	**(872.7)**
Amounts recognised on the statements of financial position	
Present value of fund obligations	**(872.7)**
Fair value of plan assets	**586.6**
Deficit in plan	**(286.1)**
Unrecognised actuarial (gains)/losses	
Net liability recognised in the statements of financial position	**(286.1)**
Amounts recognised on the statements of comprehensive income	
Current service cost	**(2.7)**
Interest on obligation	**(1.3)**
Expected return on plan assets	**8.0**
Net actuarial losses recognised in the current year	**(32.6)**
Net losses recognised in the statements of comprehensive income	**(28.6)**
The fair value of plan assets at the end of the reporting period for each category are as follows:	**%**
Cash and cash equivalents	**3**
Equities	**49**
Property	**8**
Fixed interest bonds	**40**
	100
Sensitivity of pension cost trend rates	**Liabilities**
Discount rate 0.5% higher	**(82.3)**
Discount rate 0.5% lower	**94.8**

		GROUP		COMPANY	
	Rmillion	**2014**	2013	**2014**	2013
31.	**FINANCIAL RISK MANAGEMENT**				
	Financial instruments classification				
	Net bank balances/(overdrafts)	**(543.4)**	1.3	**(849.7)**	(109.0)
	Loans*	**85.6**	69.9	**133.8**	112.7
	Other equity investments***	**2.9**	1.9	**2.9**	1.9
	Trade and other receivables*	**8 515.1**	5 841.3	**6 376.0**	5 632.2
	Trade and other payables**	**(9 697.9)**	(6 204.6)	**(6 427.8)**	(5 742.3)
	FEC (liability)/asset***	**0.5**	(0.2)	**0.5**	(0.2)
	Borrowings**	**(1 951.4)**			
	Financial liability***	**(548.9)**		**(548.9)**	

* *Classified under IAS 39 as loans and receivables.*
** *Classified under IAS 39 as financial liabilities measured at amortised cost.*
*** *Classified under IAS 39 as financial assets or liabilities at fair value through profit or loss.*

The company and group's financial instruments consist primarily of bank balances and overdraft funding from banks, trade payables, loans, borrowings and trade receivables. The carrying amount of trade receivables, after accounting for the allowance for doubtful debts and bad debts written off, approximates fair value. Trade receivables represent the estimated future cash to be received in the short term. The book values of the other categories of financial instruments approximate fair value.

In the normal course of its operations the group is, inter alia, exposed to credit, interest, liquidity and currency risk on its financial instruments. Executive management meets on a regular basis to analyse these risks and to re-evaluate financial management strategies. Other than forward exchange contracts (FECs) used to hedge foreign currency liabilities and the purchase obligation of non-controlling interest, the group has no financial instruments that are classified at fair value through profit and loss. FECs represent an insignificant portion of the group's financial instruments and amounted to a net asset of R0.5 million in the current year (2013: net liability of R0.2 million). The group does not speculate in or engage in the trading of derivatives or other financial instruments.

The financial liability is to the non-controlling shareholders of TIL JV Limited, one of the group's foreign subsidiaries, with whom the group has contracted to acquire the minority shareholding. For a maturity analysis and further disclosures refer to note 40.

The group does not have any exposure to commodity price movements.

Currency risk

The group is subject to transaction exposure through the import of merchandise and its investments in foreign operations by way of translation risks and currency risks relating to the settlement of the financial liability.

Southern Africa: Import of merchandise

Foreign currency risks that do not influence the group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the group's reporting currency) are not hedged.

It is the group's policy to cover its material foreign currency exposure which amounted to R14.9 million at year-end (2013: R10.8 million), in respect of liabilities and purchase commitments. Forward exchange contracts have been taken out to hedge this currency risk at year-end. There were no speculative positions in foreign currencies.

Foreign exchange contracts

All foreign exchange contracts constitute designated hedges of currency risk at year-end.

	GROUP AND COMPANY			
	Average contract rate	**Commit-ment Rm**	**Fair value of FEC 2014 Rm**	Fair value of FEC 2013 Rm
Imports				
US dollar	11.12	14.9	**0.5**	(0.2)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Ireland: Financial liability

The settlement of the financial liability (purchase obligation of non-controlling interest, refer to note 40) is denominated in euros. The group is therefore exposed to currency risk. There is also an element of translation risk as the financial liability is translated to the rand spot value at year-end.

Please refer to note 40 for the effect of foreign exchange differences on the financial liability in the current year.

Ireland: Investments in foreign operations

The group is also subject to translation exposure. Translation exposure relates to the group's investments and earnings in non-ZAR currencies which are translated in the ZAR reporting currency. Foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets. Monetary items are converted to rands at the rate of exchange ruling at the financial reporting date.

The carrying amount of the group's unhedged and uncovered foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	GROUP			
Rmillion	2014 ZAR	2014 Euro	2014 Other	2014 Total
Financial instrument balances:				
Loans	**85.6**			**85.6**
Net bank (overdrafts)/balances	**(722.4)**	**124.6**	**54.4**	**(543.4)**
Trade and other receivables	**6 449.4**	**1 921.9**	**143.8**	**8 515.1**
Trade and other payables	**(6 738.2)**	**(2 774.3)**	**(185.4)**	**(9 697.9)**
Financial liability		**(548.9)**		**(548.9)**
Borrowings		**(1 951.4)**		**(1 951.4)**
	(925.6)	**(3 228.1)**	**12.8**	**(4 140.9)**

Sensitivity analysis

The group has its most significant exposure to the euro through its Ireland operations, being its controlling shareholding in TIL JV Limited, the holding company of BWG Foods. For a 10% weakening of the rand against the euro, there would be an equal and opposite impact on profit before tax.

	GROUP
Rmillion	2014
Net exposure	
+ 10%	**4.8**
–10%	**(4.8)**

Interest rate risk

The group is exposed to interest rate risk on its cash deposits, loan receivables and loan payables which impacts on the cash flows arising from these instruments. In the current year, net interest received on cash deposits net of overdraft was R7.9 million (2013: R2.3 million), interest received from loans was R0.8 million (2013: R0.9 million) and interest paid on loans was R15.0 million (2013: Rnil). The exposure of cash deposits and overdrafts to interest rate risk is managed through the group's cash management system which enables the group to maximise returns while minimising risk. Loan receivables are funded from the group's cash resources. During the current year the group acquired a subsidiary in which short- and long-term borrowings are held.

The group is also exposed to finance cost risk which will affect the unwinding of the financial liability (purchase obligation of non-controlling interest) to payment date. Please refer to level 3 sensitivity information below.

The interest rate profile at 30 September 2014 is as follows:

		Floating rate		Total borrowings
		Less than one year	Greater than one year	
Borrowings	(Rmillion)	85.1	1 866.3	1 951.4
Total borrowings	(%)	4	96	100

The average rate for the period was 4.2%.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

Southern Africa

Changes in market interest rates relating to cash deposits and loan receivables do not have a material impact on the group's profits and hence no sensitivity analysis has been presented.

Ireland

If interest rates had been 0.5% higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:

	GROUP
Rmillion	**2014**
Net exposure	
+ 0.5%	**(9.8)**
– 0.5%	**9.8**

Credit risk

Trade receivables, lease receivables, short-term investments and loans and guarantees to retailers represent the significant categories of the group's financial instruments exposed to credit risk.

Trade receivables consist of:

- Southern Africa: SPAR and Build it member debts
- Ireland: Central billing customer and value centre debts

Overdue receivables balances, representing 10.6 % (2013: 4.9%) of the total trade receivables balance, amounted to R903.9 million (2013: R288.5 million) at the reporting date. Allowances for doubtful debts totalling R528.3 million (2013: R121.4 million) have been raised against overdue balances. It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure and at 30 September 2014 security representing 59.29% (2013: 70.82%) of the trade receivables balance was held by the group. Ongoing credit evaluations are performed including regular reviews of security cover held (refer note 16 for additional disclosure).

Loans to retailers may be discounted with approved financial institutions under standard conditions with recourse block discounting agreements. Loans which have been discounted with the financial institutions are disclosed as contingent liabilities due to the group providing guarantees against these discounting agreements. Management has assessed the credit risk relating to these guarantees and, where applicable, provision has been made in the event that the group does have an exposure. The maximum value of exposure to credit risk relating to guarantees has been disclosed in note 26. We have assessed the group's exposure and suitable provision has been made where required.

In 2009, the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams. In relation to the continuing operation of this scheme, the group is exposed to credit risk in the event of the retail stores defaulting on their payments. At year-end, 912 SPAR stores, 480 TOPS at SPAR stores, 17 Pharmacy at SPAR stores and one Build it store were participants in the IT retail scheme, with an average debt of R107 434 (2013: R93 013) per store.

The group selectively assists retail members suffering financial stress in order to ensure the continued operation of stores, thereby preserving the recoverability of trade and loan receivable balances.

The directors are of the opinion that the credit risk in respect of short-term cash investments is low as funds are only invested with acceptable financial institutions of high credit standing and within specific guidelines laid down by the board of directors.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The group has the following overdraft/call facilities at its disposal:

	Southern Africa		Ireland	
Rmillion	**2014**	2013	**2014**	2013
Unsecured bank overdraft facilities, reviewed annually, and at call:				
– Utilised as at year-end	**900**	333	**2 312**	
– Unutilised	**850**	1 417	**410**	
Total available overdraft/call facilities	**1 750**	1 750	**2 722**	–

The majority of the trade payables at year-end will be paid within 30 days of year-end from available facilities or cash received from debtors.

The group has long-term borrowings giving rise to cash payment obligations. The company has unlimited borrowing powers in terms of the Memorandum of Incorporation.

Fair value hierarchy

The group's financial instruments carried at fair value are classified into three categories defined as follows:

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These instruments consists of the forward exchange contracts.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 are mainly comprised of other equity investments.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following financial instruments on the statement of financial position are carried fair value.

The financial instruments are further categorised into the appropriate fair value hierarchy:

2014	**Carrying value**	**Level 1**	**Fair value Level 2**	**Level 3**
Financial instrument	**Rmillion**	**Rmillion**	**Rmillion**	**Rmillion**
Other equity investments	**2.9**		**2.9**	
FEC asset	**0.5**	**0.5**		
Financial liability	**(548.9)**			**(548.9)**
Total	**(545.5)**	**0.5**	**2.9**	**(548.9)**

Level 3 sensitivity information

The fair value of the level 3 financial liability of R545.5 million was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 30 September 2014 would change in relation to the interest rate if the interest rate increased or decreased by 0.5%.

Financial instruments	**Valuation technique**	**Discount rate %**	**Sensitivity %**	**Liability Rmillion**
Financial liability	Income approach	**7.46%**	**0.5%**	**(533.0)**
Financial liability	Income approach	**7.46%**	**(0.5%)**	**565.3**

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Movements in level 3 financial instruments carried at fair value

The following table shows a reconciliation of the level 3 financial instruments carried at fair value at 30 September 2014:

	Group
R million	2014
Balance at the beginning of the year	–
Initial recognition direct in equity	**545.7**
Finance costs recognised in profit or loss	**6.7**
Net exchange differences arising during the period	**(3.5)**
Closing value of financial liability	**548.9**

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The group's overall capital management strategy remained unchanged in 2014. The strategy entails a philosophy of tight risk management and minimum use of derivative instruments.

The capital structure of the group consists of equity attributable to shareholders comprising issued capital, reserves and retained earnings as disclosed in notes 18 and 20 respectively and borrowings as disclosed in note 39.

Treasury shares (refer note 19) are held from time to time for the purpose of settling option holder obligations and these are only acquired on approval from shareholders and where the market presents value in their acquisition.

The strong cash inflow generated by group operations is utilised to fund distribution centre expansions and other capital expenditure, and to settle dividends declared, taxation and trade payable obligations.

32. RELATED PARTY TRANSACTIONS

Related party relationships exist between the company, its subsidiaries, key personnel within the group and its shareholders. These transactions occurred under terms and conditions no more favourable than transactions concluded with independent third parties, unless otherwise stated below:

32.1 Company

During the year, the following related party transactions occurred:

- SPAR P.E. Property (Pty) Ltd is a property company owning the SPAR Eastern Cape distribution centre. This property is rented by The SPAR Group Limited. During the year rentals of R17 580 000 (2013: R16 584 000) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R12 657 545 (2013: R11 942 422) were paid by SPAR P.E. Property (Pty) Ltd to The SPAR Group Limited. The intercompany liability due to The SPAR Group Limited as at 30 September 2014 amounted to R66 360 860 (2013: R61 871 582). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd have accounting services provided to them by The SPAR Group Limited. During the year dividends of R11 500 000 (2013: R9 900 000) and R3 651 900 (2013: R2 763 750) and management fees of R2 700 000 (2013: R2 757 000) and R627 000 (2013: R1 767 000) were paid to The SPAR Group Limited by SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd respectively. The intercompany liability due to The SPAR Group Limited as at 30 September 2014 amounted to R16 528 568 (2013: R27 584 176) and R31 636 778 (2013: R34 171 122) for SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd respectively. These liabilities are interest-free, unsecured and no date has been set for repayment.
- The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa are non-profit-making companies set up to co- ordinate and develop SPAR in Southern Africa. The members of the Guild consist of SPAR retailers (who are independent store owners) and SPAR distribution centres. The members pay subscriptions to the Guild, which uses these monies to advertise and promote SPAR. During the year subscriptions of R4 546 108 (2013: R4 286 448) were paid to The SPAR Guild of Southern Africa. The intercompany liability with The SPAR Group Limited as at 30 September 2014 amounted to R26 055 775 (2013: R20 182 033) and R3 244 775 (2013: R974 320) for the SPAR Guild and the Build it Guild respectively.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

32.1 Company (continued)

- The SPAR Group Limited Employee Share Trust (2004) purchased shares in the company for the purpose of satisfying option holder obligations. To fund these purchases, the company advances monies to the trust. At 30 September 2014, funds had been advanced by the company to the trust to the amount of R48 226 778 (2013: R42 756 520) (refer notes 13 and 19). No interest is charged on the intercompany loan balances.
- During the 2009 financial year, The SPAR Group donated an amount of R4 539 and R6 808 to The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust respectively. These amounts were used by the trusts to invest in The SPAR Group Limited redeemable convertible preference shares, issued in terms of the broad-based black economic empowerment transaction (refer note 35).
- Spar Retail Stores (Pty) Ltd is a wholly owned subsidiary of The SPAR Group Limited. During the year The SPAR Group Limited made sales to Spar Retail Stores (Pty) Ltd to the value of R524 605 953 (2013: R590 349 786). The intercompany liability due to The SPAR Group Limited as at 30 September 2014 amounted to R183 798 907 (2013: R183 798 907).
- Kaplian Trading (Pty) Ltd is a subsidiary of The SPAR Group Limited. During the year The SPAR Group Limited made sales to Kaplian Trading (Pty) Ltd to the value of R52 678 180 (2013: R44 553 756). The intercompany liability due to The SPAR Group Limited as at 30 September 2014 amounted to R15 000 026 (2013: R15 000 026).
- Monteagle Merchandising Services (Pty) Ltd is an associate of The SPAR Group Limited. During the year The SPAR Group Limited provided Monteagle Merchandising Services (Pty) Ltd with a loan. The balance on the loan as at 30 September 2014 amounted to R2 549 500 (2013: Rnil).
- The SPAR Group Limited entered into an associate agreement with Fig Leaf (Pty) Ltd during the 2010 financial year. The associate relates to the Gateway SUPERSPAR in Hermanus. During the year sales of R132 347 661 (2013: R61 462 163) were made to the Gateway SUPERSPAR.
- The SPAR Group Limited entered into an associate agreement with Gezaro Retailers (Pty) Ltd during the 2013 financial year. The associate relates to the Zevenwacht SUPERSPAR in Kuils River. During the year sales of R111 326 807 (2013: R20 724 797) were made to the Zevenwacht SUPERSPAR.
- The SPAR Group Limited entered into an associate agreement with Ariano 649 (Pty) Ltd during the 2014 financial year. The associate relates to the Khayelitsha SUPERSPAR in Khayelitsha. During the year sales of R94 695 922 were made to the Khayelitsha SUPERSPAR.
- SPAR South Africa (Pty) Ltd, SaveMor Products (Pty) Ltd, Nelspruit Wholesalers (Pty) Ltd, Rubean Trading (Pty) Ltd, PowerBuild (Pty) Ltd, SPAR Academy of Learning (Pty) Ltd and Annison 45 (Pty) Ltd, are all dormant companies.
- Dividends from SPAR Harare (Pvt) Ltd of Rnil (2013: Rnil) were received during the year.

32.2 Investment in associate

Details of the company's investment in its associates are disclosed in note 12.

32.3 Shareholders

Details of major shareholders of the company appear on page 130.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

32.4 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group. No key management personnel had a material interest in any contract with any group company during the year under review. Details of directors' emoluments and shareholding in the company are disclosed in notes 28 and 29 as well as in the Directors' statutory report. The board has determined that prescribed officers in accordance with the Companies Act are the executive and non-executive directors only.

Key management personnel remuneration comprises:

Rmillion	**2014**	2013
Directors' fees	**3.3**	3.1
Remuneration for management services	**35.7**	31.1
Retirement contributions	**3.9**	3.3
Medical aid contributions	**1.0**	1.0
Performance bonuses	**27.5**	18.0
Fringe and other benefits	**0.6**	0.7
Expense relating to share options granted	**44.9**	22.0
Total	**116.9**	79.2

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of the individual and market trends.

33. SEGMENT REPORTING

The principal segments of the group have been identified on a primary basis by geographical segment which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns.

The Chief Executive Officer (the Chief Operating Decision Maker) is of the opinion that the operations of the individual distribution centres within Southern Africa are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. The risks and returns of the Ireland operations are not considered to be similar to those within Southern Africa.

As a result, the geographical segments of the group have been identified as Southern Africa and Ireland. All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are eliminated on consolidation.

Segment analysis:

Rmillion	**Southern Africa**	**Ireland**	**Consoli-dated Total**
Total revenue	**52 220.4**	**2 795.5**	**55 015.9**
Operating profit	**1 801.9**	**65.5**	**1 867.4**
Total assets	**11 590.6**	**5 355.5**	**16 946.1**
Total liabilities	**8 607.0**	**5 312.6**	**13 919.6**

		Issued share capital		Effective holding		Cost of investment	
		2014 Rand	2013 Rand	**2014 %**	2013 %	**2014 Rmillion**	2013 Rmillion
34.	**INVESTMENT IN SUBSIDIARIES**						
	Subsidiary*						
	TIL JV Limited Luxembourg (1)	**100 000**		**80**		**798.6**	
	SPAR South Africa (Pty) Ltd(2)	**10 000**	10 000	**100**	100		
	SPAR Namibia (Pty) Ltd(1) (registered in Namibia)**	**100**	100	**100**	100		
	The SPAR Group (Botswana) (Pty) Ltd(1) (registered in Botswana)**	**136**	136	**100**	100		
	SPAR Mozambique Limitada(1) (registered in Mozambique)**	**8 033**	8 033	**100**	100		
	SPAR P.E. Property (Pty) Ltd(3)	**11 467 875**	11 467 875	**100**	100	**2.3**	2.3
	SaveMor Products (Pty) Ltd(2)	**1**	1	**100**	100		
	SPAR Academy of Learning (Pty) Ltd(2)	**100**	100	**100**	100		
	Nelspruit Wholesalers (Pty) Ltd(2)	**109**	109	**100**	100		
	SPAR Retail Stores (Pty) Ltd(1)	**100**	100	**100**	100	**186.1**	191.7
	Kaplian Trading (Pty) Ltd(1)	**120**	120	**100**	100	**15.0**	15.0
	Rubean Trading (Pty) Ltd(2)	**235**	235	**100**	100		
	PowerBuild (Pty) Ltd(2)	**100**	100	**100**	100		
	Annison 45 (Pty) Ltd(2)	**100**		**60**			
	Consolidated entities						
	The SPAR Guild of Southern Africa(1)***						
	The Build it Guild of Southern Africa(1)***						
	The SPAR Group Limited Employee Share Trust (2004)(1)						
	The SPAR BBBEE Employee Trust(1)						
	The SPAR BBBEE Retailer Employee Trust(1)						
	Total					**1 002.0**	209.0
	Directors' valuation					**1 002.0**	209.0

* *The SPAR Group Limited Employee Share Trust (2004), The SPAR BBBEE Employee Trust, and The SPAR BBBEE Retailer Employee Trust have 28 February as their year-end. SPAR Mozambique Limitada has a 31 December year-end. All other companies have a 30 September year-end.*

** *All legal entities are incorporated in the Republic of South Africa unless otherwise indicated.*

*** *Association incorporated under section 21 of the Companies Act over which the company exercises control.*

(1) *Operating company or entity*

(2) *Dormant*

(3) *Property owning company*

35. BBBEE TRANSACTION

On 12 August 2009, shareholders approved a broad-based black economic empowerment (BBBEE) transaction. The participants in the transaction are:

- all full-time employees of the company as at 12 August 2009, but excluding Paterson E or F graded employees; and
- full-time employees of SPAR and Build it retail stores subject, however, to a minimum employment period pre-condition and the election of the store to participate in the transaction.

In terms of the transaction, 7 564 540 redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust and 11 346 809 redeemable convertible preference shares were issued to The SPAR BBBEE Retailer Employee Trust. Shares were issued to the trusts at a notional value of R59.18 per share.

To fund the transaction, notional loans were advanced by the company to the trusts. Loans will bear notional interest at 80% of prime, with the loans being credited with notional dividends equivalent to the actual dividends declared by the company during the duration of the transaction. At year-end, the notional outstanding redemption amount was R1 160 153 053 (2013: R1 177 189 752).

The shares issued to the trusts are subject to restrictions on transferability for a period of seven years from issue date. Thereafter the trusts will be required to settle their notional loans by way of surrendering such number of redeemable convertible preference shares at the then market value as will be required to settle the loan liability. The remaining convertible preference shares held by the trusts will be converted into ordinary SPAR shares and distributed to participants of the relevant trusts.

Full details of the scheme were set out in the Circular to Shareholders (dated 17 July 2009), copies of which are obtainable from the company.

The cost of the BBBEE scheme including transaction costs amounted to R13.2 million (2013: R13.3 million).

The charge relating to employees is recognised in profit and loss over the duration of the scheme.

	GROUP		COMPANY	
Rmillion	**2014**	2013	**2014**	2013
BBBEE transaction costs				
The SPAR BBBEE Retailer Employee Trust				
The SPAR BBBEE Employee Trust	**12.4**	12.4	**12.4**	12.4
Legal and other costs	**0.8**	0.9	**0.8**	0.9
	13.2	13.3	**13.2**	13.3

36. **BUSINESS COMBINATIONS**

36.1 **Subsidiaries acquired**

The SPAR Group Limited acquired a controlling shareholding of 80% in the BWG Group effective from 1 August 2014. The investment was made in TIL JV Limited, the new holding company for the BWG Group, via the acquisition of both ordinary and preference shares for a total consideration of R798.6 million. The full acquisition price was funded by way of bridge finance, which was settled before 30 September 2014. The SPAR Group Limited has agreed to acquire the remaining 20% shareholding from the minorities at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability at R548.9 million based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit. The principal business activity of TIL JV Limited, via its holding of the BWG Group, is that of wholesale and distribution of consumer goods. TIL JV Limited is incorporated in the Isle of Man, and the principal place of business of its subsidiaries is Ireland, the United Kingdom, Luxembourg and Holland.

36.2 During the course of the financial year the SPAR Group Limited acquired the assets of three retail stores. These acquisitions were funded from available cash resources. The assets acquired relate to Kalahari Mall SUPERSPAR and TOPS, Thornhill SUPERSPAR and TOPS, and Mafikeng SPAR acquired by the company (prior year Savoy SPAR and Kenworth SPAR). The principal activity of these acquisitions is that of retail trade and all its aspects.

Assets acquired and liabilities assumed at date of acquisition

			GROUP		COMPANY	
R'000	**TIL JV Limited**	**Retail stores**	**2014**	2013	**2014**	2013
Assets	3 903.6	25.0	**3 928.6**	5.9	**25.0**	5.9
Property, plant and equipment	1 063.6	19.7	**1 083.3**	5.9	**19.7**	5.9
Deferred taxation asset	3.8		**3.8**			
Non-current assets classified as held for sale	15.1		**15.1**			
Inventories	639.1	5.2	**644.3**		**5.2**	
Trade and other receivables	1 885.1		**1 885.1**			
Taxation receivable	0.9		**0.9**			
Cash and cash equivalents	296.0	0.1	**296.1**		**0.1**	
Liabilities	(5 258.0)	–	**(5 258.0)**	–	**–**	–
Retirement benefit fund	(266.5)		**(266.5)**			
Long-term borrowings	(1 962.6)		**(1 962.6)**			
Operating lease payables	(24.4)		**(24.4)**			
Trade and other payables	(2 767.6)		**(2 767.6)**			
Provisions	(78.2)		**(78.2)**			
Bank overdrafts	(158.7)		**(158.7)**			
Total identifiable net assets at fair value	(1 354.4)	25.0	**(1 329.4)**	5.9	**25.0**	5.9
Goodwill arising from acquisition	2 153.0	10.2	**2 163.2**	18.4	**10.2**	18.4
Investment in subsidiary					**798.6**	
Purchase consideration transferred	798.6	35.2	**833.8**	24.3	**833.8**	24.3
Cash and cash equivalents acquired	137.3	0.1	**137.4**		**0.1**	
Net cash outflow on acquisition	661.3	35.1	**696.4**	24.3	**833.7**	24.3

36.3 **Assets and liabilities at date of disposal**

The assets and liabilities disposed of relate to Stoneacres SUPERSPAR and TOPS and Philippi SUPERSPAR and TOPS.

	GROUP		COMPANY	
R'000	**2014**	2013	**2014**	2013
Non-current assets	**10.2**	5.0	**–**	–
Property, plant and equipment	**10.2**	5.0		
Non-current liabilities	**–**	(2.3)	**–**	–
Operating lease liability		(2.3)		
Goodwill		14.3		
Profit on disposal of business	**2.1**			
Proceeds	**12.3**	17.0	**–**	–

36. BUSINESS COMBINATIONS (CONTINUED)

36.4 Impact of subsidiaries on the results of the group

Since acquisition TIL JV Limited has contributed R2 795.5 million revenue and R65.5 million operating profit to the results of the group.

Had all the acquisitions been consolidated from 1 October 2013, they would have contributed additional revenue of R13 900.4 million, and an operating profit of R180.4 million. The group's total revenue would have increased to R68 916.3 million, and the group's operating profit would have increased to R2 047.8 million.

	GROUP		COMPANY	
Rmillion	**2014**	2013	**2014**	2013
37. OTHER INVESTMENTS				
Opening balance	**1.9**	20.9	**1.9**	1.9
Fair value adjustments	**1.0**		**1.0**	
Disposal of other investments		(19.0)		
Closing balance	**2.9**	1.9	**2.9**	1.9
Group Risk Holdings (Pty) Ltd	**2.9**	1.9	**2.9**	1.9
Closing balance	**2.9**	1.9	**2.9**	1.9

Group Risk Holdings (GRH) is an SA based holding company which wholly owns an offshore captive insurance company, being Group Risk Mutual (GRM) in the Isle of Man. GRH is owned by a number of shareholders in varying proportions. The shareholdings are recalculated on an annual basis based on premium contributions to GRM. There are no transactions which take place directly between GRH and GRM other than the share ownership and resulting dividend payments. The shareholders of the parent company, GRH, pay insurance premiums directly to the CFC and receive premium rebates therefrom.

As at the 2014 financial year-end, The SPAR Group Limited has an 8.9% (2013: 8.9%) shareholding in Group Risk Holdings (Pty) Ltd at a balance of R2 906 053 (2013: R1 922 717). Further to our shareholding, SPAR has loaned to them an amount of R546 563 (2013: R546 563) (refer to Note 13).

Our shareholding and loan is based on our proportionate market insurance premium contribution relative to other members of this captive insurance scheme. SPAR accounts for this shareholding balance as an investment held at fair value with any relevant fair value movement adjusted at year-end. The loan is accounted for at cost and is interest-free, unsecured and bears no fixed terms of repayment. Please see financial instruments accounting policy note.

	GROUP		COMPANY	
Rmillion	**2014**	2013	**2014**	2013
38. NON-CURRENT ASSETS HELD FOR SALE				
Freehold properties held for sale	**15.0**	–	**–**	–

The group intends to dispose of numerous freehold properties it no longer utilises in the next 12 months. A search is underway for buyers. No impairment loss was recognised on reclassification of the property as held for sale nor as at 30 September 2014 as the directors of the company expect that the fair value (estimated based on recent market prices of similar properties in similar locations and the average of recent rental returns yielded) less costs to sell is higher than its carrying amount.

These non-current assets held for sale are within the Ireland segment (refer note 33).

Rmillion	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
39. BORROWINGS				
Foreign				
Secured borrowings	1 951.4			
Less: Short-term portion of borrowings	(85.1)			
Long-term portion of borrowings	1 866.3	–	–	–
Total borrowings	1 866.3	–	–	–
Schedule of repayment of borrowings				
Year to September 2015	85.1			
Year to September 2016	139.1			
Year to September 2017	163.9			
Year to September 2018	163.9			
Year to September 2019	1 399.4			
Thereafter	–			
	1 951.4	–	–	–
Effective weighted average rate of interest on borrowings:	4.20%			

TIL JV (Pty) Ltd has undrawn committed facilities of R385 million as at 30 September 2014.

Terms and debt repayment schedule	Currency	Nominal interest rate %	Year of maturity	Carrying value Rmillion
Terms and conditions of outstanding loans were:				
Secured borrowings	EUR	4.20	2015–2019	1 951.4

The loan is secured by assets held by TIL JV Limited.

The expected maturity dates are not expected to differ from the contractual maturity dates.

Refer to note 31 for further disclosure.

40. FINANCIAL LIABILITY

The SPAR Group Limited acquired a controlling shareholding of 80% in the BWG Group, effective from 1 August 2014.

The SPAR Group Limited has agreed to acquire the remaining 20% shareholding from the minorities at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability at R548.9 million based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

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

The financial liability is calculated as the present value of the non-controlling interests' share of the expected redemption value and discounted from the expected exercise dates to the reporting date.

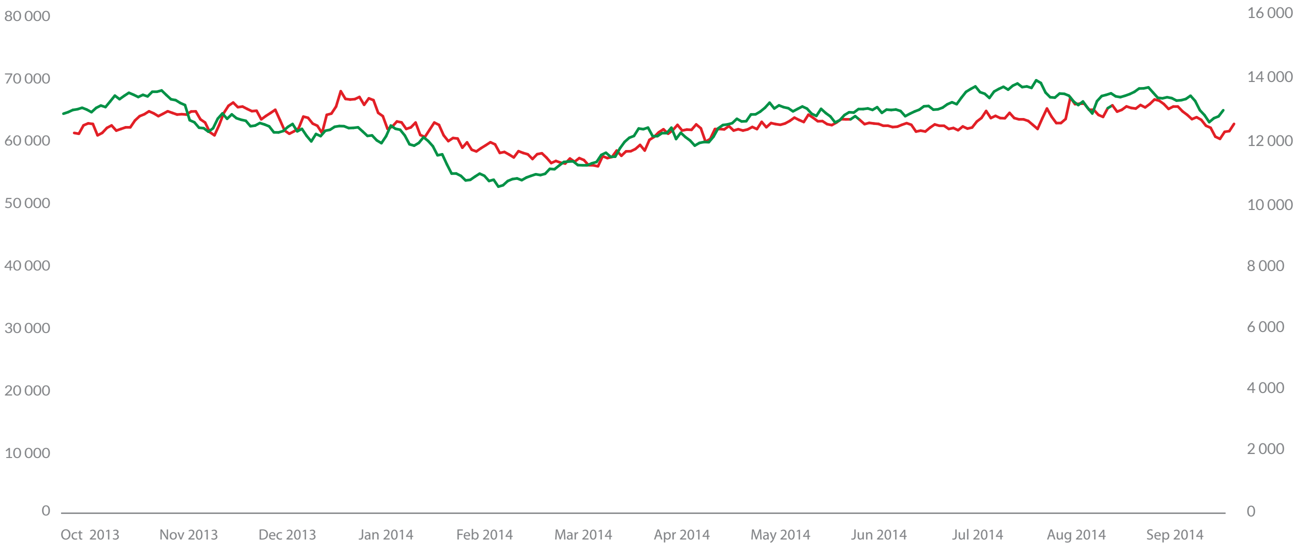
Rmillion	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Balance at the beginning of the year	–	–	–	–
Initial recognition in equity reserve	545.7		545.7	
Finance costs recognised in profit or loss	6.7		6.7	
Net exchange differences arising during the period	(3.5)		(3.5)	
Closing value of financial liability	548.9	–	548.9	–

SHARE OWNERSHIP ANALYSIS

Rmillion	Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholder spread as at 30 September 2014				
Public shareholders	13 882	99.96	172 770 755	99.73
Non-public shareholders	6	0.04	460 294	0.27
– shares held by directors	5	0.03	90 700	0.05
– shares held by The SPAR Group Limited Employee Share Trust (2004)	1	0.01	369 594	0.22
	13 888	100.00	173 231 049	100.00
Type of shareholders				
Pension funds	260	1.87	43 241 865	24.97
Mutual funds	241	1.74	34 738 921	20.05
Private investors	9 285	66.86	11 043 404	6.37
Insurance companies	113	0.81	6 214 199	3.59
Other	3 989	28.72	77 992 660	45.02
	13 888	100.00	173 231 049	100.00
Beneficial owners holding in excess of 5% of the company's equity				
GEPF Equity (PIC)			25 852 387	15.00
State Street Bank and Trust CC			12 894 168	7.48
Fund managers holding in excess of 5% of the company's equity				
PIC			33 617 900	19.50
State Street Bank and Trust CC			20 037 071	11.62
Stock exchange statistics				
Market price per share				
– at year-end			cents	12 558
– highest			cents	13 632
– lowest			cents	11 089
Number of share transactions				228 064
Number of shares traded			millions	104.5
Number of shares traded as a percentage of total issued shares			%	60.4
Value of shares traded			Rmillion	12 998.2
Earnings yield at year-end			%	6.2
Dividend yield at year-end			%	4.3
Price earnings ratio at year-end			multiple	16.1
Market capitalisation at year-end net of treasury shares			Rmillion	21 707.9
Market capitalisation to shareholders' equity at year-end			multiple	7.2

SHARE PRICE PERFORMANCE

SPAR (SPP) (SHARE PRICE) VERSUS GENERAL RETAIL INDEX



Source of data: I-net Bridge

SHAREHOLDERS' DIARY

Financial year-end	30 September
Annual general meeting	February
Reports and profit statements	
Interim report	May
Annual report	November
Annual financial statements issued	December
Interim dividend	
Declaration	May
Payable	June
Final dividend	
Declaration	November
Payable	December

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of The SPAR Group Limited **("the company")** will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Friday, 13 February 2015 at 09:00 for the purpose of conducting the following:

ANNUAL FINANCIAL STATEMENTS

To present the annual financial statements of the company for the year ended 30 September 2014, including the reports of the directors, the Audit Committee, the Social and Ethics Committee and the auditors, as required in terms of section 30(3)(d) of the Companies Act, No. 71 of 2008 **("the Companies Act")**.

A copy of the annual financial statements, including the reports of the directors, the Audit Committee, the Social and Ethics Committee and the auditors, appears in the integrated annual report of which this notice forms part.

ORDINARY BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

1. **Proposed ordinary resolution number 1 – Re-election of non-executive directors**

   To re-elect, as a director of the company:

   1.1 **Mrs P Mnganga** who retires in accordance with the Memorandum of Incorporation **("MOI")** of the company but, being eligible, offers herself for re-election; and

   1.2 **Mr CF Wells** who retires in accordance with the MOI of the company but, being eligible, offers himself for re-election.

   Brief *curricula vitae* of such directors can be found on pages 63 to 64 of the integrated annual report of which this notice forms part.

   The Remuneration and Nominations Committee of the company has conducted an assessment of the performance of each of the retiring candidates, and the board accepted the results of that assessment. Accordingly, the board recommends their re-election.

2. **Proposed ordinary resolution number 2 – Appointment of the independent registered auditor**

   To re-appoint Deloitte & Touche as auditors of the company and to re-appoint Mr B Botes as the designated auditor to hold office until the next annual general meeting, in terms of section 90(1) as read with section 61(8) (c) of the Companies Act.

3. **Proposed ordinary resolution number 3 – Appointment of the members of the Audit Committee**

   To appoint:

   3.1 **Mr CF Wells**, an independent non-executive director, as chairman of the company's Audit Committee;

   3.2 **Mr HK Mehta**, an independent non-executive director, as a member of the company's Audit Committee; and

   3.3 **Mr PK Hughes**, an independent non-executive director, as a member of the company's Audit Committee,

   in terms of section 94(2) of the Companies Act.

   Brief *curricula vitae* of such members can be found on pages 63 to 64 of the integrated annual report of which this notice forms part.

4. **Proposed ordinary resolution number 4 – Authority to issue shares for the purpose of share options**

   Pursuant to the granting of share options by The SPAR Group Limited Employee Share Trust (2004) **("the Trust")**, and in the event of any of the option holders exercising his/their rights thereto, authority is sought to place the issuing of the necessary shares under the control of the directors.

   "Resolved as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of satisfying the obligations of the Trust to option holders, be and are hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to allot and issue those shares in terms of the Trust deed."

   Reasons and effect

   The reason for, and the effect of, this resolution is to facilitate, in terms of the requirements of Article 2.2(2) of the MOI of the company, the issue of the requisite number of ordinary shares to the Trust so as to enable it to meet its obligations to holders of the relevant share options when such options are exercised.

   Note: The Trust scheme is closed for the issuing of further options.

5. **Proposed ordinary resolution number 5 – Authority to issue shares for the purpose of the CSP**

   "Resolved as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of The SPAR Group Limited Conditional Share Plan **("the CSP")** be, and are hereby, placed under the control of the directors, who are hereby, as a specific authority, authorised to allot and issue those shares in terms of the rules of the CSP."

   Reasons and effect

   The reason for, and the effect of, this resolution is to facilitate, in terms of the requirements of Article 2.2(2) of the MOI of the company, the issue of the requisite number of ordinary shares in terms of the rules of the CSP. The intended settlement method of the CSP is a market purchase of shares, which will result in no dilution to shareholders. The rules of the CSP, however, are flexible in order to allow for settlement by way of a market purchase of shares, the use of treasury shares or the issue of shares and this resolution, if passed, will facilitate an award under the CSP being made by an issue of shares if, for whatever reason, this least preferred settlement method is used.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders:

1. **Proposed special resolution number 1 – Financial assistance to related or inter-related companies**

   "Resolved that the directors, in terms of and subject to the provisions of section 45 of the Companies Act, are hereby authorised to cause the company to provide any financial assistance, whether by lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies, during the period of 1 March 2015 to 29 February 2016."

   Reason and effect

   This resolution is required in order to comply with the requirements of section 45 of the Companies Act. In terms of the said provisions, a company cannot render financial assistance to a related or inter-related company or corporation unless the board of the company is authorised thereto either in terms of an employee share scheme that satisfies the requirements of section 97 of the Companies Act, or pursuant to a special resolution of the shareholders. It is the intention that the company should be authorised to render financial assistance to its subsidiary companies or other related or inter-related companies from time to time and to facilitate this by way of a general authority, a special resolution is required.

2. **Proposed special resolution number 2 – Non-executive directors' fees**

   "Resolved that the directors' fees payable to the non-executive directors of the company, for the period 1 March 2015 to 29 February 2016, will be determined by reference to the following:

	Current R	Proposed R
Board		
Chairman (including his participation on all committees)	970 000	1 045 000
Member	275 000	296 000
Audit Committee		
Chairman	165 000	179 000
Member	80 000	86 000
Remuneration and Nomination Committee		
Chairman	97 000	104 000
Member	63 000	68 000
Social and Ethics Committee		
Chairman	97 000	104 000
Member	63 000	68 000
Risk Committee		
Chairman	97 000	104 000
Member	63 000	68 000

Reasons and effect

This resolution is required in order to comply with the requirements of the Companies Act. Section 65(11)(h) provides that a special resolution is required to authorise the basis for compensation to directors of a profit company, as required by section 66(9).

Section 66(9) provides that remuneration may be paid to directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

Section 66(9) applies only to the remuneration paid to directors for their services as such. Unlike the non-executive directors of the company, the executive directors do not receive any fees/remuneration for their services as directors; their remuneration is for their services as employees of the company.

The company's annual general meeting is held in February of each year and it is the intention that the basis of determining the remuneration payable to directors for their services as such shall be determined annually in advance for the then forthcoming period that commences at the beginning of March and ends at the end of the following February.

The effect of this special resolution, if passed, will be the authorisation of the abovementioned fees. The proposed fees have been determined pursuant to a benchmarking exercise undertaken by the Remuneration and Nominations Committee.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

NON-BINDING ADVISORY VOTE

1. "Resolved that the Remuneration Policy of the company, which can be found on pages 72 to 75 of the integrated annual report of which this notice forms part, be and is hereby approved."

Reason

This is a recommended practice in terms of the King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009 (together **"King III")** and in line with sound corporate governance.

RECORD DATE

The record date that has been set by the board for the purpose of determining which shareholders are entitled to participate in, and vote at, the meeting, is Friday, 30 January 2015. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the meeting is Friday, 23 January 2015.

VOTING AND PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder.

Proxy forms must be forwarded to reach the company's transfer secretaries, Link Market Services South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Wednesday, 11 February 2015. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with "own name" registration. A proxy form is attached.

Subject to the rights and other terms associated with any class of shares, on a poll every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

IDENTIFICATION

Section 63(1) of the Companies Act requires meeting participants to provide the person presiding the meeting with satisfactory identification.

ELECTRONIC COMMUNICATION

Shareholders may participate (but not vote) electronically in the annual general meeting. Shareholders wishing to participate in the meeting electronically should contact the Company Secretary at kevin.obrien@spar.co.za or +27 31 719 1811 not less than 5 (five) business days prior to the meeting. Access to the meeting by way of electronic participation will be at the shareholder's expense. Only persons physically present at the meeting or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the board

KJ O'Brien
Company Secretary

FORM OF PROXY

THE SPAR GROUP LIMITED
Registration number: 1967/001572/06
JSE code: SPP
ISIN: ZAE000058517
("SPAR")

Only for use by members who have not dematerialised their shares or members who have dematerialised their shares with "own name" registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the meeting.

For use by SPAR shareholders at the annual general meeting of the company to be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Friday, 13 February 2015 at 09:00.

I/We ____

of ____ (address)

being the holder/s of ______________________________ shares, appoint (see note 1)

1. ____ or failing him/her/it;

2. ____ or failing him/her/it;

3. the chairman of the annual general meeting
as, my/our proxy to act for me/us on my/our behalf at the annual general meeting which will be held for the purposes of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

ORDINARY BUSINESS		**For**	**Against**	**Abstain**
1.	Re-election of non-executive directors			
1.1	Mrs P Mnganga			
1.2	Mr CF Wells			
2.	Re-appointment of Deloitte & Touche as auditor and Mr B Botes as designated auditor			
3.	Appointment of members of the Audit Committee			
3.1	Mr CF Wells			
3.2	Mr HK Mehta			
3.3	Mr PK Hughes			
4.	Authority to issues shares for the purpose of share options			
5.	Authority to issues shares for the purpose of the CSP			
SPECIAL BUSINESS				
1.	Financial assistance to related or inter-related companies			
2.	Non-executive directors' fees			
NON-BINDING ADVISORY VOTE				
1.	Non-binding advisory vote on the Remuneration Policy			

Signed at ______________________ this __________ day of ______________________ 2015

Signature ____

Completed forms of proxy must be received at the office of the company's transfer secretaries, Link Market Services, South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Wednesday, 11 February 2015.

NOTES TO THE FORM OF PROXY

1. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the member wishes to vote.

CORPORATE INFORMATION

Company name
The SPAR Group Limited

Registration number
1967/001572/06

JSE code
SPP

ISIN
ZAE000058517

Company Secretary
KJ O'Brien
Appointed Company Secretary 2006

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Umhlanga Rocks
4320

Auditors
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Sponsor
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