THE SPAR GROUP LTD

ABRIDGED INTEGRATED
REPORT 2018

OUR REPORTING APPROACH

This is an abridged version of the full SPAR 2018 integrated report.

Our abridged 2018 report provides a summary of events, performance, group information and prospects based on the financial year from 1 October 2017 to 30 September 2018. It serves as a quick overview for stakeholders who still prefer reporting in print or PDF format. Our full reporting suite, with more detailed information about our operations in South Africa, Ireland, Switzerland, and our material relationships with stakeholders, is available as an online report at http://investor-relations.spar.co.za/ir2018.

Our digital reporting approach aims to increase access, usability and transparency for all our stakeholders. Our digital reporting platform enables us to address a variety of strategic and sustainability aspects that are important to different interest groups. We encourage you to view our full online report to gauge the prospects and future trajectory of SPAR's value creation abilities.

THE SCOPE AND BOUNDARY OF THIS REPORT

This report covers the activities of The SPAR Group Ltd (SPAR or the group) in South Africa and its major subsidiaries in Ireland and Switzerland.

It is important to distinguish between the JSE-listed company, SPAR – primarily a warehousing and distribution business – and the operations of our independent retailers, who own stores under SPAR brands and are governed by the SPAR and Build it guilds. Both guilds are non-profit companies. We explain SPAR International, the guilds and the voluntary trading model in our online report.

Please note that we acquired the S Buys pharmaceutical wholesale business with effect from 1 October 2017. The additional revenue and profit is therefore recognised for the first time in this period and affects the comparability of historical information in this report.

THE REPORTING FRAMEWORKS AND GUIDELINES THAT WE USED

We determined the content of this report by considering previous reports, as well as the following frameworks and regulations for financial and non-financial reporting:

- International Financial Reporting Standards (IFRS)
- The Companies Act, No. 71 of 2008, as amended
- JSE Listings Requirements
- King IV Report on Corporate Governance (King IV™)[1]
- Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice of the Department of Trade and Industry (dti)
- The International Integrated Reporting Council's (IIRC) <IR> Framework
- The Global Reporting Initiative's (GRI) Standards
- The Climate Disclosure Project (CDP)

HOW WE DETERMINED MATERIALITY

Since first establishing material matters for reporting purposes in 2014, our determination process has evolved and matured in appreciating the importance of relationships relating to SPAR's business model – and how these drive growth. We therefore report in detail about five material relationships: with suppliers, employees, retailers, consumers and communities. We tested the most material aspects and topics related to these relationships with South African stakeholders in a formal process in 2016. This year, we included more stakeholder-related feedback from our operations in Ireland and Switzerland in the operational reports available in our online report. We believe that our online report communicates the range of factors that materially affect SPAR's ability to create value over time.

SECTIONS WHERE WE PROVIDE MORE DETAIL IN OUR ONLINE REPORT

- We provide comparative data for each distribution centre in all territories. This includes for example surface area, cases despatched, and the number and format of stores serviced. We explain the differences between the store formats and give store numbers per region.
- A section dedicated to the SPAR voluntary trading model explains our relationship with SPAR International, the guild structure and how the voluntary trading model functions. We also provide detail on our country licences.
- The section on our material relationships addresses all facets of our interaction with each stakeholder group, describing why they are important to SPAR and what the relationship entails. Insights into some of the challenges, complexities and opportunities created by these relationships are provided, showing how these relate to our strategic risks in a responsive way.
- The section on our strategy elaborates on our value creation model, with detail on how the six capitals shape our inputs, business activities, outputs and outcomes. We also provide more detail on the strategy plans and execution in other territories. For readers interested in how we contribute to the Sustainable Development Goals we include a table with context, linked to our values.
- Our operational reports detail all aspects of our distribution networks in South Africa, Ireland and Switzerland. We provide data, specific areas of progress and focus on our employees and communities. Here you will also find commentary on our environmental efforts, with several case study examples to explain how we create value.

HOW WE APPROACH THE SIX CAPITALS

We use the <IR> Framework as a reporting guideline and agree with the use of the six capitals to ensure holistic, balanced reporting that considers more than just the creation of financial capital. We recognise that we use, transform, deplete, and renew these capitals in our business activities.

Although we have elected to not structure or report according to the definition of the six capitals explicitly, references to and detailed explanations of the resources and relationships that we affect – along with their interconnectedness and dependencies – are included in our online report.

KING IV™ REFERENCES

We explain how we apply the principles of King IV™ in three specific ways:

1. Our governance report addresses the principles in detail and contains the relevant disclosures as required by King IV™.
2. Our online King IV™ register contains references/links to the detail disclosures on the website and in the abridged report and a brief statement on how we apply each principle. This provides our readers with a quick overview in one document.
3. In our online report we use icons to inform readers that we provide evidence of our implementation or arrangements according to specific principles in that section. Icons indicate the number and definition of the relevant principle for ease of use.

FORWARD-LOOKING STATEMENTS

Certain statements in this abridged integrated report may constitute ‘forward-looking statements’. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the group to be materially different from the future results, performance or achievements expressed or implied by such statements.

SPAR undertakes no obligation to update publicly or release any revisions to these statements that reflect events or circumstances after the date of this report, or to reflect the occurrence of anticipated events.

ASSURANCE

Financial information contained in this report was independently audited by PricewaterhouseCoopers Inc. and external assurance was sought on non-financial data. This includes the group’s 2018 BBBEE verification, which was evaluated independently by mPowerRatings. In addition Scope 1 and 2, data submitted to the CDP (previously the Carbon Disclosure Project) was externally verified for the 2016/2017 financial year.

An integrated assurance framework is in development and will be rolled out in the 2019 financial year.

BOARD RESPONSIBILITY STATEMENT

The SPAR board applied its collective mind to the contents of the report and is satisfied that it provides a fair account of the business’s performance, risks, opportunities and prospects. The board confirms that the report was prepared according to the <IR> Framework and addresses the related reporting elements and principles. The board acknowledges its responsibility for the information contained in this report and has authorised it for release to stakeholders.

Mike Hankinson
Chairman

Graham O’Connor
Chief Executive Officer

13 November 2018

We appreciate feedback

Our online investor hub contains a survey that relates to our integrated report and investor communication. We encourage you to complete the survey, when convenient, and invite any further feedback or requests for information via the Company Secretary, Mandy Hogan, at mandy.hogan@spar.co.za.


SPAR

CONTENTS

WHO WE ARE

SPAR is a warehousing and distribution business listed on the JSE in the Food and Drug Retailers sector.

The group owns several country licences for the SPAR retail brand, which is used by a network of independent retailers who trade under our brand and are supplied on a voluntary basis through our distribution centres.

We are a member of SPAR International, which is present in 48 countries. It has over 242 distribution centres that serve approximately 13.5 million customers every day.

SPAR International granted the South African licence to SPAR in 1963. Today, we have similar SPAR operations in Ireland (including South West England) and Switzerland. We have an 80% share in the BWG Group (Ireland) and a 60% share in SPAR Holding AG (Switzerland). In 2016, we entered into a joint venture with Ceylon Biscuits Limited in Sri Lanka to establish SPAR SL. SPAR is a 50% shareholder in this joint venture company with one store in operation. We also acquired a 47.87% share in SPAR Zambia in 2016. The Zambian operation has eight corporate stores and is serviced by the North Rand distribution centre. In 2017 SPAR acquired pharmacy wholesaler, S Buys Group.

SPAR South Africa services independent retailers across eight formats in 10 countries from eight distribution centres every day.

We also own SPAR licences for Namibia, Botswana, Mozambique and Angola, which are serviced through the South African distribution centres.

DID YOU KNOW?

- Internationally, SPAR is the biggest independent supermarket retail network in the world with more than 12 800 stores. As part of a global brand, our retailers can leverage off international retail design and trends that have kept the SPAR brand at the forefront of food retailing in Southern Africa
- SPAR has the most stores in urban residential areas in South Africa
- Pharmacy at SPAR is a SPAR store format and service that is unique to South Africa, with the potential to be rolled out into Ireland and South West England
- BWG Group is the largest retailer in the Irish convenience retail market by market share
- SPAR Switzerland has a state-of-the-art distribution centre and efficient distribution logistics
- 31.9% of our turnover is generated in foreign currency

Turnover	Net asset value (NAV) per share	Annual dividend per share
+ 5.9% to	+ 8.4% to	+ 8.0% to
R101.0bn	3 692.2 cents	729.0 cents
2017: R95.4bn *Restated	**2017: 3 407.0 cents** *Restated	**2017: 675.0 cents**

Operating profit	Total carbon footprint (South Africa)	Kilometres travelled per accident (South Africa)
+ 7.9% to		
R2.8bn	81 271t	1.7 million
2017: R2.6bn *Restated	**2017: 75 858 t**	**2017: 3.1 million**

	Total number of retail stores	Cases despatched per annum	Number of employees
South Africa	2 236 **2017: 2 138**	231.7 million **2017: 224.5 million**	3 743 **2017: 3 415**
Ireland	1 371 **2017: 1 330**	33.6 million **2017: 32.4 million**	2 086 **2017: 1 877**
Switzerland	315 **2017: 300**	26.0 million **2017: 29.0 million**	1 375 **2017: 1 494**

OUR ORGANISATIONAL STRUCTURE

The material operations of the group are in three distinct geographical regions, with smaller interests in Sri Lanka and Zambia. The three main regions constitute our principal segments for financial reporting as these are aligned to the internal reporting used for management purposes, as well as the source and nature of business risks and opportunities. Our three online operational reports provide details on the dynamics of the different operating areas and our performance in the past year.

SPAR provides centralised services to the distribution centres in South Africa. Each region is further governed by a guild: read more about the guilds and the voluntary trading model in our online report. SPAR in Ireland and Switzerland operate as standalone businesses and report to the SPAR board.

THE SPAR GROUP LTD

Distribution centres	New business	Group services	Build it	Properties	S Buys
Find more information in our online report about where they are and how they perform	We continuously explore opportunities to expand into Africa and develop new formats or efficiencies through partnerships	This includes finance, human resources, logistics, IT, retail operations and merchandise	Read more about Build it in our online report.	This division manages distribution centre properties and leases	Read more about S Buys in our online report

THE BWG GROUP (80% OWNERSHIP)

SPAR SWITZERLAND (60% OWNERSHIP)

OUR OWNERSHIP PROFILE

SPAR has a broad shareholder base, with 1.83% of shareholders owning fewer than 1 000 shares and no single shareholder owning more than 16.06% of the total shares. At 30 September 2018, 42.51% of our shares were held by offshore investors.


SPAR
Natural


tops!
WHISKY


SUPERSPAR
tops!

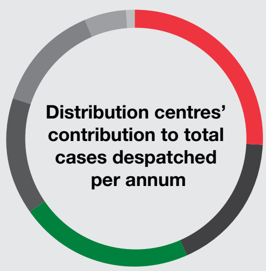
OUR GEOGRAPHICAL FOOTPRINT

DISTRIBUTION CENTRES

SOUTH AFRICA

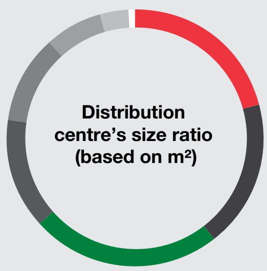
Our South African distribution centres serve their regions from a centralised location. These regional distribution centres usually consist of warehousing, cold storage, and packing stations. Of these, four deliver to neighbouring countries. The Imports (Build it) and S Buys distribution centres supply building materials and pharmaceutical products respectively, nationwide.

Distribution centre	Delivers to
Western Cape	Namibia, Angola
Eastern Cape	
Imports warehouse	
South Rand	Lesotho
North Rand	Botswana, Malawi, Zambia, Zimbabwe
KwaZulu-Natal	Seychelles
Lowveld	Mozambique, Swaziland
S Buys	



26.07%	South Rand
17.44%	North Rand
21.84%	KwaZulu-Natal
14.91%	Western Cape
13.50%	Eastern Cape
5.26%	Lowveld
0.98%	Imports
–*	S Buys

* *The nature of pharmaceutical deliveries is not comparable.*



21.09%	South Rand
18.43%	North Rand
23.90%	KwaZulu-Natal
13.97%	Western Cape
10.96%	Eastern Cape
7.40%	Lowveld
3.46%	Imports
0.79%	S Buys

We have 2 236 stores in the following formats in South Africa:

SPAR · SUPERSPAR · KWIKSPAR · SPAR express · Build it · SaveMor · SaveMor Liquors · Pharmacy at SPAR · tops! at SPAR

Our 12 distribution centres, servicing over 3 922 stores, allow us to offer our communities exactly what they need at just the right price.

Read more about our geographic footprint in our online report.

IRELAND AND SOUTH WEST ENGLAND

BWG Group

Appleby Westward Group Ltd

Two distribution centres and a depot serve retailers in Ireland and South West England. The national distribution centre in Kilcarbery outside Dublin provides chilled, ambient and alcohol products to EUROSPAR, SPAR, MACE, XL, Londis and Value Centres Cash and Carry stores in Ireland.

Appleby Westward is the SPAR retail distribution centre in Saltash, Cornwall. It services stores in Bournemouth, Southampton and Portsmouth in the East, Helston, Falmouth and Truro in the West and Bristol, and Bath in the North.

Appleby Westward also operates a multi-temperature depot in Cullompton, Devon.

Our Irish operations comprise one distribution centre in Ireland and two facilities in South West England, which serve 22 wholesale Value Centre Cash and Carry branches and 1 371 stores in the following formats:

SWITZERLAND

St. Gallen

The St Gallen distribution centre houses the central office function and handles the distribution of dry goods and perishables to our network of stores. Frozen goods warehousing and distribution are managed by a third party. Radio frequency, voice picking, and fleet management technology improve productivity and efficiency in our business. This is critical given the high average labour cost in Switzerland.

SPAR Switzerland supplies goods to 315 company-owned and independent retailer stores in the following formats:

OUR DISTRIBUTION CENTRES

SOUTH AFRICA

SPAR South Africa consists of six regional SPAR distribution centres, an Imports (Build it), and the S Buys distribution centre. These are supported by several satellite warehousing hubs, which reduce transport costs on certain routes.

Distribution centre summary	Size m^2	Cases despatched annually million	Divisional Managing director
South Rand	61 000	61.0	Brett Botten
North Rand	53 317	40.8	Desmond Borrageiro
KwaZulu-Natal	69 112	51.1	Max Oliva
Western Cape	40 405	34.9	Mario Santana
Eastern Cape	31 685	31.6	Conrad Isaac
Lowveld	21 416	12.3	Alison Zweers
Imports (Build it)	10 000	2.3	Wayne Hook
S Buys	2 295	–*	Jeremy Nicol

* *The nature of pharmaceutical deliveries is not comparable.*

IRELAND

The national distribution centre services BWG Group's retail and wholesale operations in Ireland; and the Appleby Westward facilities service a chain of SPAR stores in South West England.

Distribution centre	Size m^2	Cases despatched annually million	Managing director
BWG Foods	24 000	22.6	Leo Crawford
Appleby Westward Group Ltd	9 613	11.0	Mike Boardman

SWITZERLAND

The modern logistics centre in St Gallen handles the distribution to the SPAR Switzerland operations in German-speaking Switzerland.

Distribution centre	Size m^2	Cases despatched annually million	Managing director
St Gallen	33 000	26.0	Rob Philipson

OUR BRANDS AND STORE FORMATS

SOUTH AFRICA

Our retailers' stores are located where people live and are designed around community needs and convenience. They cater for all income groups and offer parking and access to public transport where possible.

In South Africa, we offer the following store formats:

- SUPERSPAR for competitively priced, one-stop bulk shopping
- SPAR for neighbourhood shopping
- KWIKSPAR for everyday convenience
- SPAR Express for forecourt convenience shopping
- TOPS at SPAR for liquor shopping
- SaveMor for rural and township markets
- Build it stores for home building requirements.
- Pharmacy at SPAR for prescription medication and other pharmaceutical purchases

IRELAND AND SOUTH WEST ENGLAND

In Ireland and South West England, our store format offering comprises mostly convenience stores, with EUROSPAR representing the supermarket format. Value Centre Cash and Carry provides a direct general wholesale supply service to the wider, independent retail grocery market. Wholesale brands include BWG Foodservice (servicing the Irish catering industry from three depots), and BWG Wines and Spirits (operating from BWG Group's national distribution centre).

SWITZERLAND

SPAR Switzerland comprises local neighbourhood stores with a wide product range, including the on-the-go convenience format, SPAR Express. TopCC provides a direct general wholesale supply service to the wider, independent, culinary-focused retail grocery market. Through the national distribution centre, SPAR Switzerland also services a range of independent retailers operating under the MAXI brand, as well as several other retailers.

WHY INVEST IN SPAR

OUR CORE FUNDAMENTALS

SPAR's unique voluntary trading model meets the needs of retailers who want independence but seek the benefits of economies of scale. The model is based on two main capabilities: managing an efficient, sustainable supply chain and maintaining sound relationships with five key stakeholder groups.

Over a period of 55 years in South Africa, we have developed specialist operational expertise in managing a wholesale supply chain: from sourcing, new product development and warehousing, to distribution logistics. We can manage the variables associated with anything from long-distance deliveries, to multiple daily, fresh, and slow-moving product orders.

The SPAR distribution centres carry the inventory and distribution burden. This ensures that retailers focus on running their stores, shaping demand and generating cash. Thus, large manufacturing groups and producers, on the supply side, do not have to manage complex, small-batch deliveries to a multitude of stores nationwide.

SPAR's position in the supply chain is therefore critical as a balancing force, as all players in the trading network must be successful for the long-term sustainability of the model.

Read more about our capability to create, maintain and build relationships in our online report.

OPPORTUNITIES FOR GROWTH

The formal food and grocery retail market in South Africa is highly competitive. There are four main players vying for the custom of cash-strapped consumers and available retail sites. The formal sector is mature, and new store openings run the risk of cannibalising existing stores. However, well managed inventory and stringent operating cost controls have enabled the business to deliver continued solid results, despite the challenging environment and top-line pressures. Food inflation remains low and signs of recovery are expected to be slow. Despite inflationary pressures to food retail, our South African business continues to benefit from strong growth in both its TOPS liquor and Build it brands. Furthermore, additional opportunities now present themselves for our Pharmacy at SPAR offering, given the acquisition of S Buys pharmaceutical wholesale business in 2018.

The informal food economy in South Africa also presents an opportunity for growth, albeit a slow and experimental one. This opportunity was an important consideration in our new supermarket strategy development process. We believe there are many pockets within the food system where SPAR can have a real and positive social impact, while driving inclusive growth.

New growth opportunities are available through investments in the SPAR model in other territories. Our intrinsic knowledge of the SPAR trading model allows us to apply our expertise to optimise similar financial and operational models in other countries. We can also apply their expertise in South Africa. This adds a new and diversified income stream for the business while creating even more efficiency. By growing our footprint within SPAR International, we gain opportunities to share knowledge, technology, and product and industry best practice to the long-term advantage of our South African business.

OUR INVESTMENT IN IRELAND – A SOLID PLATFORM FOR GROWTH

The opportunity in Ireland was straightforward: a business with good growth prospects was suffering from severe long-term property debt strain while SPAR South Africa had an ungeared balance sheet. We were attracted to the deal not only based on price, but also the opportunity to create value and drive growth in partnership with a strong management team.

Since August 2014, through the acquisition of an 80% stake in The BWG Group, who owns SPAR in Ireland and South West England, we have created value in the following ways:

- The number of stores operated by BWG increased from 1 100 to 1 371 and annual revenue increased over the period from €1.2 billion to €1.5 billion.
- We reduced warehouse costs by closing two Londis warehouses and fully integrating all retailers into the Kilcarbery distribution centre.
- We refinanced and restructured BWG's debt, which provided us with cash to continue following our path of acquisitions:

  2015: Londis, which, under BWG's ownership returned to growth for the first time in 8 years

  2016: Gilletts, which owns and operates 63 SPAR stores throughout Cornwall, Devon, Dorset, Somerset and Wiltshire

  2018: 4 Aces Wholesale, which gives BWG a supply line into the 220-strong Gala convenience group. After the year-end, BWG completed the acquisition of Corrib Foods.

The long-standing professional association between SPAR and the BWG Group created mutual trust. We had a shared commitment to grow the business over the five to eight years of the Irish shareholders' contracted management involvement. The business is well positioned for further growth, despite Brexit uncertainties, as we prepare for the first minority shareholders' exit in 2019.

OUR INVESTMENT IN SWITZERLAND – TURNOVER ON TRACK

The early signs of success following the entry into Ireland gave us confidence to explore further opportunities for growth and currency diversification in Europe.

The Swiss opportunity to invest was attractive, as it involved one of the last remaining large family-owned businesses in the Swiss grocery retail market. It is an established business which has been operating for 30 years, with a mere 2% market share – a strong base from which to grow in a stable market. It had been

QUICK VIEW INVESTMENT CASE

- → A diversified group in terms of product categories and currency earnings
- → A broad consumer market with unwavering demand
- → International growth potential through a replicated and familiar trade model
- → A differentiated food retail brand with growing house brand loyalty
- → A network of quality relationships supporting a sustainable food system
- → Strong operational expertise and optimised distribution infrastructure

running a much larger portion of company-owned stores compared to South Africa or Ireland. This turned out to be a weakness that we had to address in the period following the acquisition of 60% of the ordinary shares in SPAR Holdings AG in 2016.

We decided to appoint a South African managing director, to sell non-performing corporate stores and bring new energy to the business culture, which positioned this investment as a steady, low-risk base, with the potential for expansion and partnership in the rest of Europe. We have the option to acquire the balance of the ordinary shares in SPAR Holdings AG in 2021.

OUR INVESTMENT IN SRI LANKA

Sri Lanka has emerged as a new retail hotspot in Southeast Asia since multinationals started rapidly entering the supermarket segment in 2015. This was driven by rising consumer disposable income, increased urbanisation, growing tourism and the concomitant shift to a more formal food retail economy.

SPAR South Africa established a joint venture with Ceylon Biscuits Ltd, and was granted the licence for SPAR to operate in Sri Lanka in 2016. The first SPAR store was opened in Thalawathugoda, Colombo in April 2018. Through the joint venture we aim to open 45 new SPAR stores by 2023, primarily by developing independent retailers.

IN SUMMARY – POSITIONED FOR SCALE

Food retail is a solid business with unwavering demand. Through responsible and strategic investments, we mitigated the growth and currency risk associated with our South African business, and established scalable options in other territories through acquisitions. We are well diversified, with an offering in a spread of categories – from food and liquor, to building materials and pharmaceutical products. We supply independent retailers that serve all income groups through a variety of store formats that are located where people live.

Our core business is managing the supply chain, which differentiates us from other corporate-orientated food retailers. Corporate retailers are, by nature, more fragmented. This is due to factors that vary from property management to wholesale and retail challenges.

SPAR South Africa has the potential to scale up in future by continuing to apply learnings in any market, to create supply chain efficiencies and to build relationships wherever we go.

REPORT FROM OUR LEADERS

KEY INDICATORS

Turnover

+ 5.9%

Operating profit

+ 7.9%

Retail turnover in South Africa was under pressure, with growth limited to 4.2%.

Operating profit from the operations in Ireland and South West England increased by 13.0%.

Switzerland reported an increase in operating profit of 80.6%.

Stores opened

296

Stores closed

142

Stores refurbished

345

Cases despatched across the group

+ 1.9%

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive Officer

APPLYING 55 YEARS' EXPERIENCE IN 2018

SPAR has been entrenched in the South African retail landscape for 55 years. The typical local corner stores of the 1960s have since been replaced by world-class retail outlets, with shopping experiences that feature a range of products that would have been unimaginable at that time.

We are proud of what we have achieved as a group over 55 years in South Africa and beyond. Our international footprint, extensive and robust supply chains, and deep relationships, have all stood the test of time. We have learned to adapt and evolve through cycles of change.

The past year's challenges confirm the relevance of our vision: to be the first-choice brand in the communities we serve. The following list contains a few examples of events that affected us on a retail and wholesale level:

- The outbreak of listeriosis, highlighting vulnerabilities in food safety in South Africa, which directly impacted sales
- Dramatic increases in the price of fuel, *inter alia*, due to higher oil prices and a weak Rand, resulting in increased transport costs
- The first Value Added Tax (VAT) increase in 25 years, with the list of 19 basic foodstuffs that are zero-rated under review, affected consumers' disposable income

2018 SALIENT FEATURES

- We are actively committed to our values of entrepreneurship, family values and passion
- We had another good year in Ireland and South West England through organic and acquisitive growth
- We drove the turnaround in the Swiss business
- We opened our first store in Sri Lanka, with four more stores in the pipeline
- We developed a new South African supermarket strategy to drive our business forward
- The acquisition of S Buys positively contributed to our South African performance and prospects
- TOPS at SPAR produced excellent results with sales growth up 13.0% in tough market conditions
- Build it sales recovered strongly through loyalty gains and marketing interventions
- We continue to make capital investments in wholesale capacity and the retail offerings across three geographies

- The challenges experienced by many people who rely on grants from the South African Social Security Agency (SASSA) with changes in the payment system and pay points, which affected footfall at stores

A MACROECONOMIC OVERVIEW

SPAR delivered satisfying results considering the very different territories and supply chains we manage. The diversity of the group has proven to be our strength, and applies to people, offerings, formats and relationships.

In South Africa, the technical recession in combination with factors highlighted earlier, dampened consumer spending power. A downward trend in food inflation was offset by higher fuel prices and the VAT increase.

Ireland is predicted to deliver the highest GDP growth in the EU in 2018 – this despite continued uncertainty about the impact of Brexit. Following the refinancing of BWG Group's debt, we are in a strong position to exploit attractive opportunities in this market.

The weak domestic economy in Switzerland is gradually improving. Low unemployment and minimal economic and trade barriers between the European Union and Switzerland resulted in a highly competitive food retail sector, characterised by cross-border shopping and high wages.

GROWTH THROUGH ACQUISITIONS AND NEW INVESTMENTS

The details of our recent acquisitions are set out in the investment case and relate mostly to developments in Ireland.

BWG Group	In the past year BWG Group acquired 4 Aces, which expanded our supply capacity and reach in Ireland. In September, BWG announced the acquisition of Corrib Food Products, a supplier of fresh and frozen poultry and other frozen foods to customers in Ireland.
S Buys	Income from S Buys, the pharmaceutical wholesale business acquired in 2017, was included in our results for the first time. The strategic investment has provided momentum for growth in the Pharmacy at SPAR brand. S Buys achieved strong results despite lower-than-expected government-regulated price increases. More detail about the business and our long-term opportunity is provided in the online case study on S Buys.
Sri Lanka	The opening of our first SPAR supermarket in Colombo, Sri Lanka, in partnership with Ceylon Biscuits Ltd in April 2018 was successful. An additional store will open in January 2019 with a further three corporate stores set to open in 2019.

CONTINUOUS IMPROVEMENTS TO THE SPAR DISTRIBUTION NETWORKS

SOUTH AFRICA

Case volume performance	All of the South African distribution centres showed positive volume growth with double digit increases being reported by the North Rand and the Eastern Cape distribution centres.
Inland consolidation centre progress	Our inland consolidation project experienced some delays due to systems integration challenges. We are set to centralise about 5 500 slow-moving stock-keeping units into one warehouse that will serve the South Rand, North Rand and Lowveld distribution centres. This will free up space in the three distribution centres to introduce new lines and reduce their stock levels, enabling them to become more agile and efficient. In addition, North Rand will be able to increase the number of fast-moving full pallet lines over the short to medium term.
Cold chain management	Parallel to the inland consolidation project, we continue to improve our cold chain environments with sophisticated technology and the design of temperature-controlled zones. These include dehumidifier and smart reporting interface mechanisms to monitor refrigeration plant performance in real time.
Reducing the use of plastic	Our efforts to reduce the use of plastic, to transition to packaging that offers improved recycling options, and to save water, are discussed in detail in our online report. We are proud of the leadership role our distribution centres took in addressing some of South Africa's most pressing environmental challenges.
Our pipeline for expansion	Our plans to establish a distribution centre in the West Rand and expand our facilities in the Eastern Cape remain subject to improved demand levels and rising economic confidence.

IRELAND

Investing for the future	In Ireland we are investing in the Value Centre Cash and Carry network. BWG Foodservice remains one of the fastest-growing areas of the BWG business, and will benefit significantly from the Corrib Food acquisition. Corrib Foods will continue to operate as a stand-alone business for the next 12 months.
Londis performance	The Londis acquisition, completed in 2015, has proven to be a resounding success. The original projections that underpinned this acquisition were achieved and surpassed. Cost savings were delivered ahead of the planned milestone dates and each business case synergy was exceeded.
Efficiency and cost saving initiatives	Our investment in a chilled warehouse facility in the national distribution centre in Kilcarbery is delivering significant efficiency and service benefits. It provides a pick-to-zero operation for chilled foods and fresh produce throughout the year, and has a 98% service level to retailers.

SWITZERLAND

Financial performance	In Switzerland we have seen a steady increase in profitability over the past 18 months. Although our 2018 results are not yet at the desired level, the rapid improvements show good promise. Cash generation improved significantly, owing to improved profitability and reductions in inventory – where redundant stock and slow movers are in the process of being eliminated or reduced. Category management was critical as was a recent clean-up of our non-food goods offering in TopCC.
Regional expansion	Revenue is under pressure due to strategic store closures in 2017, but this was mitigated by expanding into the French-speaking area of Switzerland in May 2018. This is a new supply channel for our distribution centre in St Gallen, with 41 stores forming part of the agreement.

STORE PERFORMANCE IN SOUTH AFRICA

Our retailers are showing their resilience and remain upbeat about the prospects for retail going forward.

TOPS at SPAR has been a consistent winner when it comes to performance and growth for the past 16 years. In the past few years we have seen the benefits of a strong and differentiated brand with which consumers identify. TOPS achieved 13.0% sales growth bolstered by continued interest in the craft category.

We are satisfied with our progress in rolling out a further 15 SPAR Express stores in collaboration with Shell in the next financial year. We are eager to have 70 to 80 of these outlets by the end of 2020.

Pharmacy at SPAR also deserves recognition: 26 new stores were added to the portfolio and, backed by wholesaler S Buys, profitability increased significantly. The market is starting to recognise the convenient shopping experience offered by these additions to the SPAR precinct.

Build it had a good year with 7.5% sales growth. The passion of our management team and the Build it retailers continue to create momentum for the store format – which will roll out a new big store version in the next financial year. Our strategic loyalty projects and the piloting of some virtual services offered in SPAR stores, contributed to this success.

Our new business team is constantly engaging with landlords to source new and upcoming sites. We continue to engage with various financial institutions to assist us to fund new retailers.

GROWING AND INSPIRING OUR PEOPLE

In the past, our purpose as a group was focused only on our retailers. We have broadened our purpose – TO INSPIRE PEOPLE TO DO AND BE MORE. This is an important shift and was the outcome of a deeply involved internal and external process that included the national guild, our employees and our consumers. Each executive team member has an action plan to manage with deliverables at group and retail level.

We also shared this purpose with our retailers at the SPAR annual convention and it received tremendous support.

PLANNING FOR SUCCESSION

Succession planning remains a priority due to the expertise residing in our senior and executive management teams. We are making good progress in developing an effective talent succession pipeline. We are also targeting top-class black candidates to diversify our pool of internal candidates for succession.

The Nomination Committee oversees the succession plans for executive and board positions.

OUR BOARD PROVIDES GUIDANCE AND SUPPORT

We have a highly effective board with members who actively participate in leading the group. Our diversity in gender, race, age and experience means that we have balanced and robust conversations.

In the past year Andrew Waller joined the board, with his appointment ratified at the annual general meeting (AGM) in February 2018. At the AGM, all ordinary and special resolutions were approved by the requisite majority of shareholders.

THE MANY FACES OF TRANSFORMATION

The board is committed to transformation beyond legislative compliance. Through its oversight role, the Social and Ethics Committee encourages efforts to create social and environmental transformation. We are particularly proud of the sustainable and multiplying impact of the rural farmer hub businesses and the way these initiatives contribute to employment, food security, nutrition and empowerment. This kind of progress is what South Africa desperately needs.

The development of black retailers continues, but at a slower pace than what we want to see. We will continue to do our best to attract and integrate black entrepreneurs.

SPAR committed R20 million to the Youth Employment Service (YES) network launched by President Cyril Ramaphosa. We are also increasing our intake of learners and apprentices throughout the group and continue to support the Jumpstart programme to create a pool of skills for retailers.

We know that our efforts to support sustainability and bring about transformation contribute to the positive spirit of our retailers. They believe in the businesses, in the future of the country and the potential of the SPAR brand.

OUR OUTLOOK AND PRIORITIES

SOUTH AFRICA

We expect the trading environment in South Africa to improve in the medium term with all the positive political changes being made by government.

We believe that SPAR's independent retailers remain suitably positioned to address these challenges, supported by an extensive distribution capability and market-leading brands.

IRELAND

The BWG Group's outlook, despite Brexit uncertainties, remains positively cautious. Management's proactive response to market changes will continue to deliver results in line with expectations. The acquisition of 4 Aces and Corrib Foods will contribute positively to the Irish group's growth objectives.

SWITZERLAND

The Swiss business will maintain its focus on driving strategic initiatives to improve overall performance.

Our priority for the next year will be to drive the implementation of our new strategy in South Africa. We believe this can make a fundamental difference to our business through the commitment to put consumers at our heart. The GUEST retail service programme has an important role to play in permeating this approach into every SPAR store in South Africa.

Conditions in South Africa will remain tough for food retailing and consumers in general. Election years tend to create turmoil and unrest: this is likely to be the case in 2019. In Ireland, we stand by as Britain prepares to leave the EU on 29 March 2019, with much uncertainty remaining. We expect trading conditions in Switzerland to remain stable.

SPAR has been contributing to a better South Africa for 55 years – and will continue to do so far into the future. We believe that our role in our communities is to serve. We are committed to realise the value inherent in our purpose. SPAR's values of entrepreneurship, family values and passion, have created a strong culture for future success.

We also remain involved in SPAR International. It is exciting to be part of a global group that continues to create demand while rolling out the brand in new countries. The international group is showing great progress in countries such as China and Russia, thereby developing and supporting entrepreneurs worldwide.

A WORD OF APPRECIATION

The board and executive management team acknowledge and appreciate the hard work and commitment of our employees – our most valuable asset. We recognise the invaluable role played by the divisional managing directors of our distribution centres in overseeing the group's daily operations, while remaining committed to supporting social and environmental sustainability at a regional and national level. The same applies to the employees, management and leadership in Ireland and Switzerland, and our new store in Sri Lanka.

We encourage all our shareholders to attend the upcoming AGM of The SPAR Group Ltd, which is to be held in the company's boardroom at 22 Chancery Lane, Pinetown on 12 February 2019 at 09:00.

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive Officer

13 November 2018

FINANCIAL REVIEW

SALIENT FEATURES

Rmillion	2018	2017	Change (%)
Turnover	**101 018.0**	95 373.1*	+5.9
Operating profit	**2 779.3**	2 576.1*	+7.9
Earnings per share (cents)	**948.9**	945.5*	+0.4
Headline earnings per share (cents)	**965.7**	952.8*	+1.4
Normalised headline earnings per share# (cents)	**1 063.2**	976.0*	+8.9
Diluted headline earnings per share (cents)	**958.9**	946.6*	+1.3
Dividend per share (cents)	**729.0**	675.0	+8.0
Net asset value per share (cents)	**3 692.2**	3 407.0*	+8.4

* *The prior year figures have been restated. Please refer to Note 9. of the notes to the summarised consolidated financial statements for further details.*

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

OVERVIEW OF TRADING RESULTS

The SPAR Group (the group) reported a pleasing performance for the year under review, with turnover increasing by 5.9% to R101.0 billion, despite continued challenging trading conditions. The result has again been positively impacted by improving contributions from the European businesses and the group increased operating profit by 7.9% to R2.8 billion. Profit before taxation of R2.5 billion was adversely impacted by the fair value adjustments to, and foreign exchange losses on financial liabilities, together with increased interest expenditure resulting from cash outflows for acquisitions.

SPAR Southern Africa contributed growth in wholesale turnover of 6.7%. This includes turnover reported by the pharmaceutical business, S Buys, acquired during the year. Excluding S Buys, SPAR Southern Africa produced wholesale turnover growth of 5.3% and stable gross margins, in a tough market environment. The TOPS liquor brand delivered an impressive result with wholesale sales growth of 13.0%. Despite a generally weak building materials sector, Build it increased sales by 7.5% enabled by strategic marketing efforts and grew market share. The SPAR Southern Africa store network increased to 2 236 stores, with 145 new stores opened across all brands. The group completed 276 store refurbishments across all brands, compared to 259 refurbishments in the prior year.

The BWG Group (SPAR Ireland) has continued to deliver strong euro-denominated results. The BWG Foodservice business reported impressive double-digit turnover growth, while all retail brands enjoyed positive sales growth in local currency. The Kilcarbery distribution centre saw warehouse turnover increase by 6.9% as more product was directed through the facility. During May 2018, BWG completed the acquisition of 4 Aces Wholesale Limited which operates three cash-and-carry businesses in central Ireland. This business has been successfully integrated into the BWG Group's wholesale operations. SPAR Ireland's store network increased by a net 41 stores to finish the year at 1 371 stores.

SPAR Switzerland has made significant progress in addressing the overall business performance, despite the difficult Swiss retail environment. While the reported turnover growth has remained negative, this was largely due to the strategic closure and sale of corporate retail stores during the year. However, this had a marked positive impact on the profitability of the overall business. The core wholesale business continued to record improvements in profitability. SPAR Switzerland's store network grew by the addition of 46 new stores to a total of 315 stores.

The purpose of this review is to provide additional information on the trading performance and financial position of the group, and should be read in conjunction with the annual financial statements, together with the notes thereto.

FINANCIAL PERFORMANCE

Turnover of the SPAR Group increased by 5.9% to R101.0 billion (2017: R95.4 billion), with 31.9% (2017: 32.5%) of total turnover generated in foreign currency. The comparable Southern African business, with reported turnover growth of 5.3%, continued to be impacted by tough trading conditions. The turnover of the BWG Group increased by 4.2% in euro-currency terms. The continued depreciation of the rand against the euro over this period contributed to the 9.6% overall increase in reported turnover to R22.5 billion (2017: 20.5 billion). SPAR Switzerland contributed turnover of R9.8 billion (2017: R10.4 billion) with sales continuing to decline in an extremely difficult retail environment.

Gross margin on a restated basis increased to 10.7% but remained stable year-on-year at 10.1% on a pre-restated basis. SPAR Southern Africa increased its comparable gross margin slightly to 8.3%, despite the competitive market, as it continued to drive more product through its facilities – in particular, fresh and perishable categories. The BWG Group and SPAR Switzerland, which both operate in the higher margin convenience sector, reported comparable gross margins of 12.2% (2017: 12.1%) and 17.9% (2017: 18.0%) respectively.

Group operating expenses were well managed during the year, increasing by 5.6%, or 6.3% on a pre-restated basis, a noticeable improvement on the prior year. Excluding the S Buys business (acquired effective 1 October 2017), the group expenses increased by 4.7%. The expense movement was positively impacted by the reduction in costs in the Swiss business of 4.7% through management initiatives and the disposal, or closure, of corporate stores. In Southern Africa, comparable operating expenses were up 7.8%. This was again attributable to increased marketing and promotional expenditures, higher transport and distribution costs (impacted by fuel cost increases of 17.9%) and further investment in IT infrastructure. The BWG Group's expenses grew by a well-controlled 4.4% in euro terms and continued to be impacted by increased depreciation charges and higher staff costs.

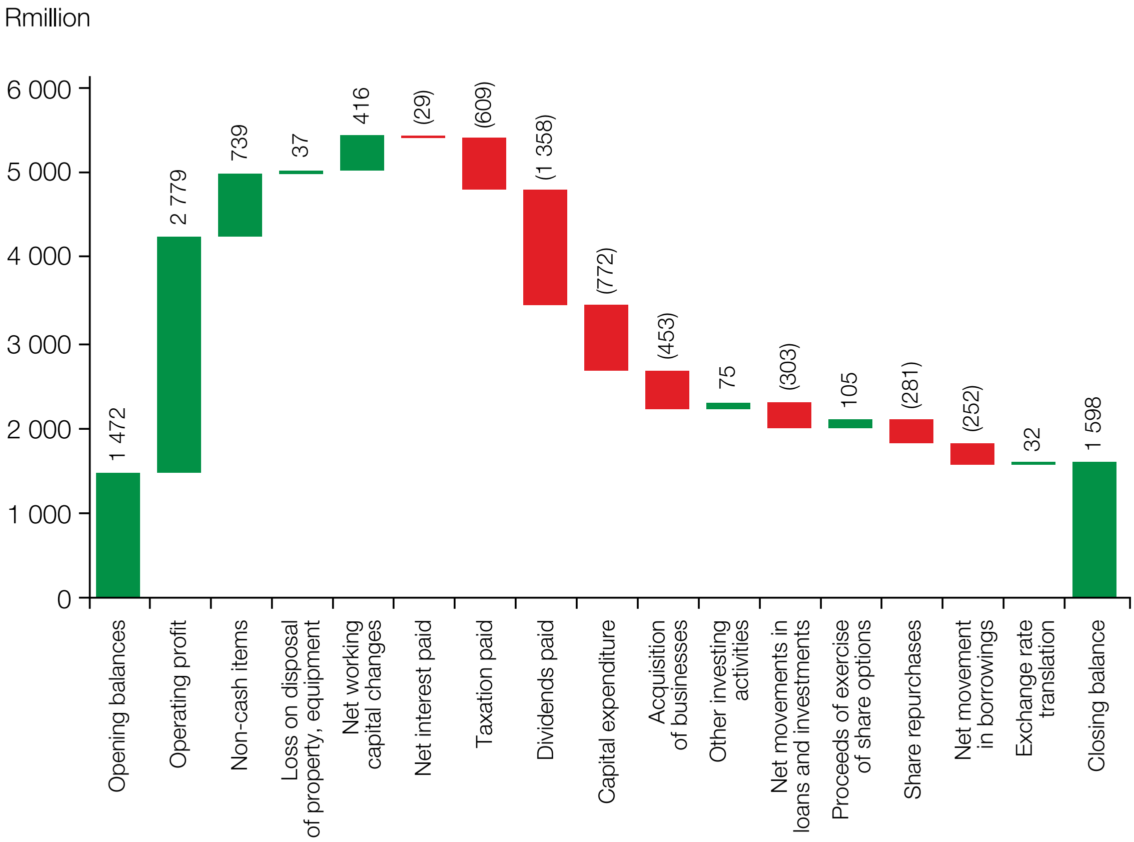
Profit before tax has remained flat year-on-year at R2.5 billion (2017: R2.5 billion), but was impacted by a net interest expense of R23.6 million, compared with net interest income of R17.1 million in the prior year. The negative interest effect was further compounded by a significant foreign exchange loss of R43.5 million recognised on the translation of the South African euro-denominated financial liability to purchase the Irish and Swiss minority interests. Based on an improved Irish profit projection, this liability was also increased by a fair value revaluation of R139.5 million which also impacted profits.

Profit after tax improved 0.4% to R1 827.2 million (2017: R1 820.6 million), due to a slightly lower effective tax rate in Ireland.

Headline earnings per share increased by 1.4% to 965.7 cents (2017: 952.8 cents). The board approved a final dividend of 729 cents per share (2017: 675 cents per share), an increase of 8.0% year-on-year.

Cash generated from operations totalled R4.0 billion (2017: R3.3 billion) and reflected a strong improvement over the prior year due to reduced working capital levels. This was largely attributed to increased levels of trade payables due to payment cut-offs. The SPAR Group's cash flow from investing activities showed an outflow of R1 453.3 million, including total net capital expenditure of R772.3 million (2017: R1 090.9 million). During this period the group concluded two major acquisitions in South Africa: a controlling interest in the S Buys pharmaceutical wholesaler for R74.4 million and the Knowles Shopping Centre for R165.7 million. The BWG Group finalised the acquisition of the 4 Aces Wholesale business for R90.9 million. Taking into account the impact of a net R252.0 million outflow to reduced borrowings and a further R281.1 million for share repurchases, the group still closed the year in a net cash position of R1 598.2 million (2017: 1 472.0 million).

FINANCIAL OVERVIEW: CASH FLOW



CAPITAL EXPENDITURE

In Southern African, the group's capital expenditure during the period included operational investments of R256.1 million. This comprised primarily transport and logistics requirements as well as additional investment in IT infrastructure upgrades and software development. The BWG Group's capital expenditure amounted to R365.9 million, the majority of which was warehouse equipment, but did also include additional investments in retail property and IT technology. Capital expenditure in the Swiss operations of R149.1 million was incurred, including further store refurbishments and ongoing technology upgrades to enhance the retail offering. The group made further investments of R107.7 million to acquire ten corporate stores, defending strategically located retail locations in South Africa, the United Kingdom and Ireland.

The budgeted capital expenditure for the year ahead in Southern Africa, amounting to R383.4 million (2017: R666.0 million) is expected to reduce to more normal operating levels, as no further property acquisitions are planned and construction plans for the previously announced distribution facilities have been placed on hold. In Ireland, budgeted capital spends of €32.0 million will continue to address a wide range of retail development commitments, while SPAR Switzerland has CHF25.0 million budgeted for further retail investments and additional improvements to own facilities and infrastructure. It is again anticipated that the foreign subsidiaries will fund all capital expenditure from their own cash flows.

GEOGRAPHICAL REVIEW

SOUTHERN AFRICA

The turnover of SPAR Southern Africa increased 6.7% to R68.8 billion (2017: R64.4 billion restated), but was positively influenced by the inclusion of the S Buys. Excluding S Buys, the comparable business increased turnover by 5.3% (2017: 4.5%), reflecting the continued tough retail market which remains underpinned by weak consumer spend. This result was positively boosted by strong liquor turnover growth of 13.0% and a very pleasing increase in the building materials business of 7.5%. The latter remains contrary to a weak building sector performance and reflected increased retailer loyalty and the results of strong marketing investments. Combined food and liquor wholesale turnover growth was recorded at 5.0% and needs to be viewed against internally calculated food inflation of 1.4%. This inflation measure has continued to decline from the 1.9% measured at half year and the 6.0% reported in 2017.

Case volumes handled through the seven distribution centres continued to reflect the constrained market and increased 3.2% to 231.7 million cases (2017: 224.5 million cases). This positive volume growth reversed the decline in cases delivered recorded in the comparative year.

The retail turnover of SPAR stores increased 4.2% to R79.7 billion (2017: R76.5 billion) and recorded like-for-like retail growth of 2.3%. The combined food and liquor retail sales, which allow for a better industry comparison, increased by 5.1% and should be viewed against the significant decrease in food price inflation over the year. Wholesale turnover grew 4.1% to R53.7 billion, continuing to reflect the independent retailers' support of the group's voluntary trading model. Impacted by the material deflation recorded in certain commodity categories, total house brand turnover increased by 4.3% to R10.7 billion. Demand for SPAR-branded products was stronger at 5.8% for the year, with sales reaching R8.5 billion. The SPAR-branded private-label products continued to offer real consumer value and quality and remain a shopping differentiator for our retailers.

The group maintained the strong organic growth focus of existing retailers to drive profitability. Total retail space recorded exceptional growth of 3.8% (2017: 1.7%) and was attributed to a number of large new stores. In addition, 170 SPAR stores were refurbished during the period to ensure they continued to provide retail offerings to exceed consumer demands. A net 34 stores were opened, bringing the total SPAR store numbers to 937 by 30 September 2018.

The retail turnover of TOPS at SPAR increased by an impressive 11.3% to R11.2 billion (2017: R10.0 billion), as strong marketing initiatives and a refresh of the brand image attracted consumer spend. Like-for-like turnover growth amounted to 7.5% for the period. Wholesale turnover tracked ahead of the retail performance and grew by 13.0% to R6.5 billion (2017: R5.8 billion). During the period, the TOPS at SPAR store network increased by 41 stores on a net basis to 774 stores, while 53 stores were refurbished. The total retail liquor space increased 6.7% during the year.

Build it's retail turnover growth increased by 9.7% for the year, significantly higher than the building sector's calculated inflation of 3.8%, and against the backdrop of a challenging trading environment. This performance was underpinned by strong product and brand marketing and an added focus on retail execution to differentiate the brand. Like-for-like store growth was 7.4%. The group's buying teams drove increased retailer loyalty through improved product pricing. The influence of cement, which is a significant component of Build it's overall sales, continued to impact the turnover, as the continued oversupply has resulted in low category inflation of 0.5% over the year. Retail activity in the neighbouring countries continued to report strong growth totalling 11.9% for the year, which was positively influenced by improvements in both the Namibian and Mozambican stores. At wholesale level, turnover increased 7.5% to R7.6 billion (2017: R7.1 billion), reflecting still further opportunities to grow retailer loyalty. Build it's house brand and imports showed solid growth of 11.0% for the year. At the year-end, Build it's store network totalled 376 stores, having opened a net eight stores during the year.

The S Buys pharmaceutical wholesale business was acquired with effect from 1 October 2017 and the revenue and profit were consolidated for the first time in this year. This strategic investment provides a full pharmaceutical wholesale service for the Pharmacy at SPAR retailers and management are actively working to convert their purchases to this wholesaler. S Buys reported turnover of

R929.0 million for the period, which amounted to a pleasing growth of 13.4%. This performance was driven by impressive increases of 17.1% in the Scriptwise business – catering for high-value speciality scripts – and 11.7% in wholesale sales, which were largely attributed to increased procurement by SPAR pharmacies. The profitability of the business was, however, impacted by a lower than expected government regulated price increase of 1.3% compared to the 7.0% in 2017.

The Pharmacy at SPAR business continued its growth trajectory adding 26 new stores and reporting an increase in retail turnover of 44.3% to R961 million. The retail organic growth was a healthy 17.2% and reflects the marketing and innovation benefits being enjoyed by these retailers. At the end of the period there were 101 Pharmacy at SPAR stores.

IRELAND

The BWG Group continued to deliver strong results for the year and reported euro-denominated turnover growth of 4.2% to €1.5 billion. This number was boosted by the inclusion of the 4 Aces business from May – if adjusted, the comparable group grew by 2.8%. Exchange rate weakness over the latter half of the year saw reported turnover grow 9.6% to R22.5 billion (2017: R20.5 billion). Price measures over the financial year indicate that the grocery food and non-alcoholic drinks category declined 2.2%, while alcohol and tobacco increased by 3.2%. (Source: Irish Central Statistics). Both the extreme weather conditions experienced in March and the above average warm summer brought significant sales benefits to the convenience sector as consumers bought larger quantities of food and beverages.

The hospitality sector remained strong and again boosted the sales of the BWG Foodservice and BWG Wines & Spirits divisions, which reported turnover growths of 14.7% and 5.5% respectively. Compared with last year, all retail brands recorded positive growth, with the Londis brand increasing turnover to 4.9%, MACE growing by 4.4% and XL reporting growth of 4.5%. It was just as pleasing to report that all retail brands reported positive like-for-like growth.

The group's distribution volumes continued to show strong increases and record case movements continued to be handled in the Kilcarbery distribution centre which reported a sales increase of 6.9%. A real highlight for this business during the year was the recognition received through a number of prestigious logistics and transport awards, including the Irish Logistics Company of the Year award.

In South West England, BWG Group's Appleby Westward business reported an increase of 2.7% in sterling-denominated turnover. The slight improvement of the sterling decreased the turnover result in reported euro terms to 1.2%. This business represents approximately 12.2% of the consolidated BWG Group.

BWG Group's euro-denominated margin remained stable at 12.2% in highly competitive market conditions. Operating profit grew 13.0% to R574.4 million (2017: R508.2 million) while profit before tax increased 15.5% to R537.9 million (2017: R465.8 million).

The total number of stores across BWG Group's store formats at 30 September 2018 was 1 371 with 105 new stores added during the year.

Subsequent to the reporting period, the BWG Group announced the completion of the acquisition of Corrib Food Products, a leading independent wholesaler with a significant presence in the chilled and frozen food sector in Ireland, along with being one of Ireland's leading suppliers of poultry products. The acquisition complements BWG's market-leading position in food distribution. It is also consistent with the group's strategy for growth and follows the successful acquisition of 4 Aces Wholesale earlier in the year.

SWITZERLAND

The region reported turnover of R9.8 billion for the year (2017: R10.4 billion). Operating profit increased 80.6% to R124.6 million (2017: R69.0 million), while profit after tax increased by 17.5% to R67.1 million from a previous year profit of R57.1 million. This result was adversely impacted by finance costs, including foreign exchange impacts, relating to the valuation of the financial liability for the minority purchase obligation of R17.2 million (2017: a net gain of R23.4 million).

The turnover performance of SPAR Switzerland continued to be negatively impacted by low economic growth in the retail market. While minor inflationary trends have been noted, with prices of food and non-alcoholic beverage products increasing by 1.5%, alcoholic beverages being 0.7% higher, and a slight appreciation of the Swiss franc against the euro, these have been insufficient to slow the attraction of cross-border shopping that exists in Switzerland. SPAR Switzerland reported a decline in local currency measured turnover of -5.1%. However, this result continued to be negatively influenced by the strategic decision to exit from unprofitable corporate retail stores. If the effect of these corporate stores was adjusted for, the local currency turnover decline would have been -0.8%. SPAR Switzerland launched 46 new stores during the year, including a large group of 41 stores in the west of the country that are now being supplied. At the end of the year there were 315 corporate and independent retailers serviced.

The cash-and-carry business, trading as TopCC, reported a disappointing decline in turnover for the year which was largely attributed to business closures in the Swiss restaurant and hospitality sectors. The group is investigating upgrade opportunities in the fresh offerings of these stores, as this area is offering growth which can be further maximised.

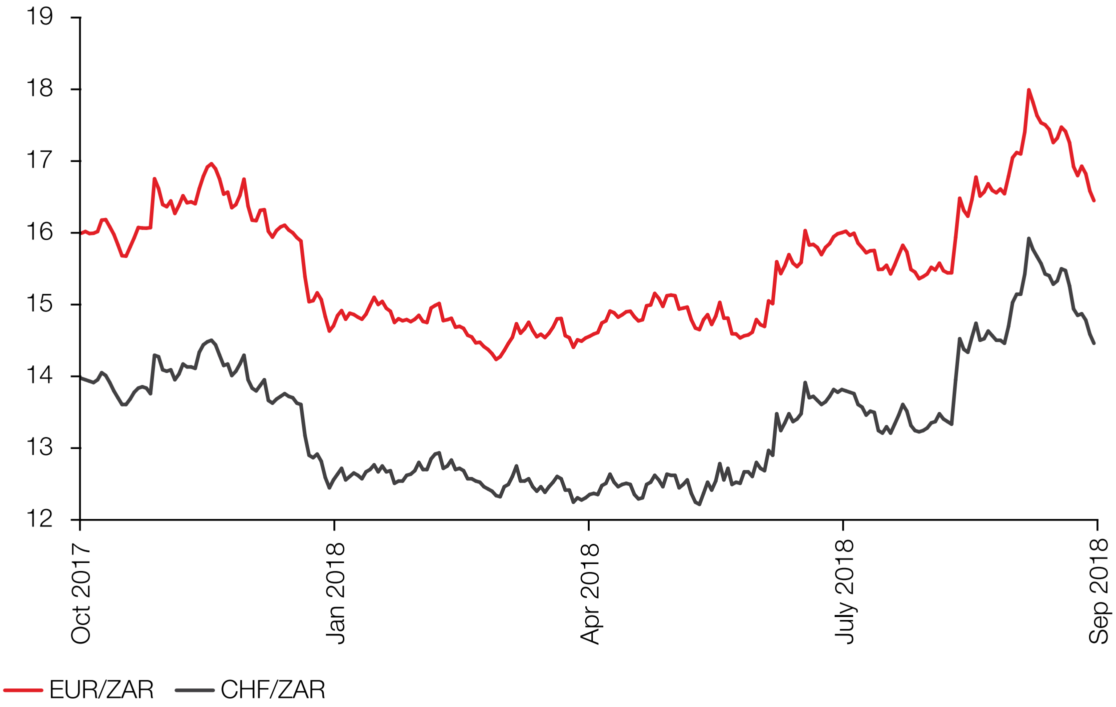
Warehouse turnover increased by a pleasing 1.5% for the year, reversing the declines previously reported, as SPAR retail activity was positively influenced by innovative marketing campaigns, including the launch of a consumer loyalty card. Store delivery frequency, fleet optimisation as well as store ordering initiatives were implemented during the year, which have resulted in significant improvements in logistics efficiencies, productivity and overall costs.

Despite the decline in overall turnover, the business succeeded in improving margins and reducing costs.

CURRENCY MOVEMENTS OVER THE COURSE OF THE REPORTING PERIOD

Euro/Swiss franc vs rand

September 2017 – September 2018



	Ireland (€)		Switzerland (CHF)	
	2018	2017	**2018**	2017
Year end rate	**16.46**	15.96	**14.44**	13.95
Average rate	**15.56**	14.81	**13.40**	13.59

BORROWINGS

At year-end the group had external banking facilities in South Africa totalling R3.6 billion of which Rnil (2017: Rnil) was drawn down. Committed facilities totalled R2.4 billion while the group had access to R1.2 billion of uncommitted facilities.

The BWG Group has access to €60.0 million of revolving credit and overdraft facilities.

SPAR Switzerland has confirmed credit lines and facilities of CHF62.2 million.

The decrease in net borrowings from the prior year was largely the result of improved working capital management by the foreign operations.

The net borrowing position at year-end:

Rmillion	2018	2017
Long-term borrowings	**3 976.5**	4 160.4
Current portion of long-term borrowings	**433.6**	364.4
Bank overdraft	**8.7**	268.5
Total borrowings	**4 418.8**	4 793.3
Less: cash and cash equivalents	**(1 377.6)**	(1 565.6)
Net borrowings	**3 041.2**	3 227.7
(Decrease)/increase in funding	**(186.5)**	(97.8)

CAPITAL EXPENDITURE AND COMMITMENTS

A summary of the group's capital expenditure and approved capital commitments as at 30 September 2018 is set out below:

	2018			2017		
Rmillion	Contracted	Approved not contracted	Total	Contracted	Approved not contracted	Total
South Africa	**80.4**	**93.4**	**173.8**	341.9	88.7	430.6
Ireland	**89.4**	**34.2**	**123.6**	143.6	6.1	149.7
Switzerland	**30.7**	**15.9**	**46.6**	64.3		64.3
Total	**200.5**	**143.5**	**344.0**	549.8	94.8	644.6

FINANCIAL RISK MANAGEMENT

The identification of sustainability and financial risks for the group forms part of the enterprise risk management process. During the course of the year this was again updated by management and these risks were reviewed by the internal audit team. The group is typically exposed to inflation, interest rate, liquidity and credit risks, the latter specifically impacting trade receivables. No additional risks were identified and management are satisfied that these risks are being continuously and proactively managed.

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, 71 of 2008, as amended. The group has considered and adopted all new standards, interpretations and amendments to existing standards that are effective as at the year-end.

The JSE's 2017 report on the proactive monitoring of Annual Financial Statements was also considered in preparing the 2018 integrated report.

The annual financial statements have been prepared using accounting policies that comply with IFRS that are consistent with those applied in 2017.

In preparation for the new IFRS 15 standard, the group assessed all income streams from suppliers. This evaluation revealed that certain rebates and income had been incorrectly accounted for. These amounts have been reclassified and the 2017 comparative corrected. Refer to note 9 to the summarized consolidated financial statements for more detail.

GOING CONCERN STATUS

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

Mark Godfrey
Group Financial Director

13 November 2018

FIVE-YEAR FINANCIAL REVIEW

Rmillion	2018	2017 Restated*	2016 Restated*	2015	2014
CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue	**103 008**	97 209	92 227	74 060	55 016
Operating profit	**2 779**	2 576	2 577	2 294	1 865
Other non-operating items	**(144)**	(55)	(25)	(131)	(1)
Interest income	**169**	194	99	29	34
Interest expense	**(193)**	(177)	(110)	(122)	(38)
Finance costs including foreign exchange gains and losses	**(137)**	(64)	(107)	(108)	(3)
Share of equity accounted associate (losses)/profit	**(10)**	(8)	5	(4)	(13)
Profit before taxation	**2 464**	2 466	2 439	1 958	1 844
Income tax expense	**(637)**	(645)	(624)	(537)	(499)
Profit for the year attributable to ordinary shareholders	**1 827**	1 821	1 815	1 421	1 345
Remeasurement of retirement funds net of tax	**131**	364	(190)	(12)	(21)
Remeasurement of post-retirement medical aid net of tax		8	(6)	(3)	(8)
Gain/(loss) on cash flow hedge net of tax	**1**	(4)	(28)		
Exchange differences from translation of foreign operations	**132**	42	(29)	21	16
Total comprehensive income	**2 091**	2 231	1 562	1 427	1 332
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**6 967**	6 554	6 160	3 221	2 878
Goodwill and intangible assets	**4 437**	4 162	4 008	3 281	2 726
Loans and investments	**1 454**	1 094	831	138	124
Operating lease receivables	**208**	125	101	97	85
Deferred taxation asset	**14**	21	37	34	41
Current assets	**18 166**	16 880	16 807	12 365	11 254
Assets classified as held for sale	**10**	141	161	194	15
Total assets	**31 256**	28 977	28 105	19 330	17 123
Equity and liabilities					
Capital and reserves	**7 110**	6 560	5 628	3 328	3 027
Deferred taxation liability	**413**	361	291	215	179
Post employment benefit obligations	**788**	940	1 392	447	415
Financial liability	**2 043**	1 700	1 568	730	549
Long-term borrowings	**4 531**	4 686	4 700	2 368	1 866
Long-term provisions	**29**	42	59		
Other non-current financial liabilities	**3**	5			
Operating lease payables	**231**	142	116	109	119
Current liabilities	**16 108**	14 541	14 351	12 133	10 968
Total equity and liabilities	**31 256**	28 977	28 105	19 330	17 123
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	**3 334**	2 663	2 700	2 281	1 348
Dividends paid	**(1 358)**	(1 252)	(1 153)	(1 012)	(867)
Cash flows from investing activities	**(1 453)**	(1 496)	(1 614)	(978)	(924)
Cash flows from financing activities	**(428)**	4	1 667	162	(101)
Net movement in cash and cash equivalents	**95**	(81)	1 600	453	(544)

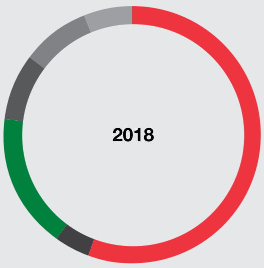
RATIOS AND STATISTICS

		2018	2017 Restated*	2016 Restated*	2015	2014
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	**192.5**	192.5	192.5	173.1	172.8
Headline earnings per share	cents	**965.7**	952.8	1 020.0	835.5	781.8
Normalised headline earnings per share	cents	**1 063.2**	976.0	1 033.0	940.0	779.8
Dividends per share	cents	**729.0**	675.0	665.0	632.0	540.0
Dividend cover	multiple	**1.32**	1.41	1.53	1.45	1.45
Net asset value per share	cents	**3 692.2**	3 407.0	3 131.7	1 922.6	1 751.1
COMPREHENSIVE INCOME INFORMATION						
Gross margin	%	**10.7**	10.7	9.3	8.7	8.3
Operating profit margin	%	**2.8**	2.7	2.8	3.1	3.4
Headline earnings	Rmillion	**1 859.6**	1 834.7	1 832.9	1 446.3	1 351.3
SOLVENCY AND LIQUIDITY						
Return on equity	%	**26.7**	29.9	40.5	44.7	43.4
Return on net assets	%	**39.1**	39.3	45.8	68.9	61.7
EMPLOYEE STATISTICS						
Number of corporate office and distribution centre employees at year-end		**7 204**	6 786	6 387	4 724	4 025
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	cents	**18 413**	16 708	19 222	18 500	12 558
– highest	cents	**22 700**	20 499	21 971	20 617	13 632
– lowest	cents	**16 553**	15 018	16 161	12 142	11 089
Number of share transactions		**559 330**	542 335	499 716	399 399	228 064
Number of shares traded	millions	**145.5**	203.8	178.2	132.7	104.5
Number of shares traded as a percentage of total issued shares	%	**75.5**	105.8	92.6	76.7	60.4
Value of shares traded	Rmillion	**28 198.2**	35 789.6	34 793.2	23 190.3	12 998.2
Earnings yield at year-end	%	**5.8**	5.8	5.4	5.1	6.2
Dividend yield at year-end	%	**4.0**	4.0	3.5	3.4	4.3
Price earnings ratio at year-end	multiple	**17.3**	17.1	18.6	19.7	16.1
Market capitalisation at year-end net of treasury shares	Rmillion	**35 454**	32 164	37 004	32 027	21 708
Market capitalisation to shareholders' equity at year-end	multiple	**5.0**	4.9	6.6	9.6	7.2

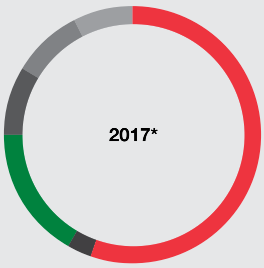
VALUE ADDED STATEMENT

	2018			2017		
	Rmillion	% of revenue	%	Restated* Rmillion	% of revenue	%
Revenue	**103 008**			97 209		
Less:						
Net cost of product and services	**95 263**			89 849		
Value added	**7 745**			7 360		
Add:						
Income from investments and associates	**158**			185		
Wealth created	**7 903**	**7.7**	**100.0**	7 545	7.8	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	**4 412**		**55.8**	4 180		55.4
Providers of capital	**1 687**		**21.4**	1 493		19.8
Interest on borrowings	**329**		**4.2**	241		3.2
Dividends to ordinary shareholders	**1 358**		**17.2**	1 252		16.6
Taxation	**637**		**8.1**	645		8.6
Replacement of assets	**698**		**8.8**	658		8.7
Retained in the group	**469**		**5.9**	569		7.5
Wealth distributed	**7 903**		**100.0**	7 545		100.0

* *Refer to restatement note 9.*



2018	2017*
55.8%	55.4%
4.2%	3.2%
17.2%	16.6%
8.1%	8.6%
8.8%	8.7%
5.9%	7.5%



* *Restated*

- Salaries, wages and other benefits
- Interest on borrowings
- Dividends to ordinary shareholders
- Taxation
- Replacement of assets
- Retained in the group

OUR MATERIAL RELATIONSHIPS

We are committed to understanding and responding to the interests and expectations of our stakeholders to create authentic shared value for all.

Managing relationships is one of our core competencies and our sustainability pledge explains our approach to this.

Relationships, especially with retailers, are entrenched in the voluntary trading model. Our relationships have, more recently, been guided and formalised through the reporting requirements of the <IR> Framework, the Global Reporting Initiative (GRI) and the King IV Report on Corporate Governance™ for South Africa, 2016, while also being addressed through our SPAR Code of Ethics.

Our stakeholders are those groups or individuals that can reasonably be expected to be significantly affected by our business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect SPAR's ability to create value over time.

The identification of our stakeholders evolved through our operations and relationships since the establishment of SPAR in South Africa in 1963. We revisit our set of stakeholders annually, as the core stakeholders remain stable, but we recognise that other relationships become material for shorter periods of time based on emerging issues.

Material stakeholders addressed in our online report:

- Suppliers
- Employees
- Retailers
- Consumers
- Communities

Other important stakeholders include our shareholders, government bodies and funders. We engage with them on a continuous basis through formal and informal channels, and on topics that are relevant at the time.

Stakeholder engagement is often project based, for example through the emerging farmer hubs or through efforts to reduce the use of plastic.

Our stakeholder universe further includes secondary relationships such as those with retailers' employees, the SPAR International structure and service providers such as product developers, researchers, consultants and auditors.

Stakeholder engagement is governed on a group level by the Social and Ethics Committee, which monitors the integration of a stakeholder-inclusive model throughout SPAR's governance structures and processes.

The new South African supermarket strategy, for example, creates stakeholder value by ensuring that:

- all SPAR stakeholders benefit from being part of the SPAR family;
- the interests of all stakeholders are well balanced for the entire system to be sustainable; and
- value refers to the broad range of benefits that SPAR delivers to stakeholders (including financial returns, and empowerment opportunities, among others).

In our online report we explain who our material stakeholders are, how we engage with them and how we create authentic shared value. We use examples of initiatives undertaken and events participated in during the 2018 financial year to illustrate how we address and interact with our material stakeholders regarding their legitimate and reasonable needs, interests and expectations. We highlight those strategic risks that relate to material stakeholders and provide references to the King IV™ principles where relevant.

CREATING A SCALABLE AND SUSTAINABLE FOOD SYSTEM

The concept of having rural farmers supply fresh produce to SPAR distribution centres started as an aspirational idea.

In theory, we knew that this would provide employment, grow rural economies, ensure food security and improve nutrition, reduce transport costs for SPAR, shorten lead times, and increase freshness and shelf life. Even as a concept, there were evident challenges such as financing, infrastructure and skills. Nevertheless, four years later, we have created a sustainable model that can be rolled out nationally.

According to the current model, each hub consists of a packhouse that works much like a mini distribution centre, to which local farmers bring their produce. The produce is then distributed to stores within a 200 km radius. SPAR committed to funding the capital and operational expenditure, as well as the associated logistics infrastructure required for the development of the three initial packhouses.

The success of the model requires the support of a range of stakeholders, including farmers, communities, government, food manufacturers and wholesalers, retailers, financial institutions, and funders.

The intention for the hubs is to have a 51% BBBEE ownership model.

The emerging farmer development programme is SPAR's flagship corporate citizenship initiative, aiming to establish sustainable and commercial rural food hubs. Two hubs are already in operation:

- The Mopani hub was established in June 2016 in Ofcolaco, Mopani, Limpopo. The packhouse was opened in August 2017. Hub farmers supply the packhouse with produce and are building up a basket of goods to sell to retailers. It had a turnover of R10.1 million for 2018 and is set to reach breakeven in year four. Funding was provided by the Dutch government and SPAR – the latter at no interest with 90% of the loaned funds paid back. Capital was invested in tractors, fridges ploughing equipment, delivery vehicles, packhouse equipment tables, etc. The SPAR distribution centre in the Lowveld provides financial management support.
- The Ikhwezi hub in Mpumalanga opened on 1 October 2017.

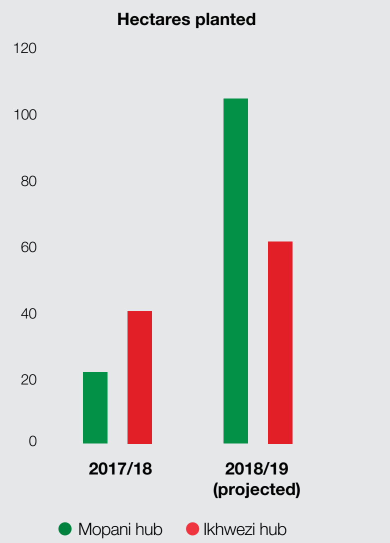
TRAINING AND TECHNICAL SUPPORT FOR A SUSTAINABLE HUB

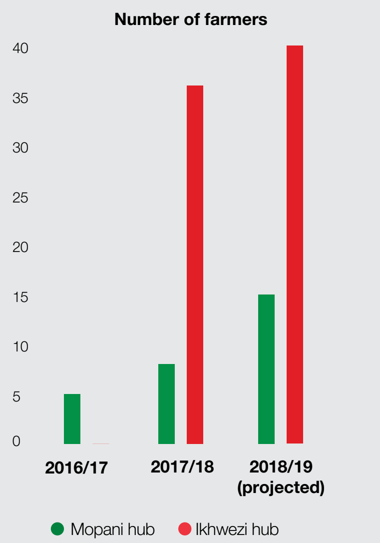
A non-profit organisation provides technical services and lends comprehensive, on-the-ground support to the smallholder farmers. Moreover, a commercial farmer mentor was appointed, thereby providing a critical link between the rural and commercial supply chains.

All hub farmers were trained in the following modules:

- Economics
- Land preparation
- Planting
- Legal
- Pest and disease
- Fertilization
- Irrigation
- Harvesting

All of the hub farmers will receive localg.a.p. training as a stepping stone to achieving GLOBALG.A.P. certification – an internationally recognised standard for





good agricultural practice (G.A.P.) and farm production that ensures safe and sustainable agriculture. All Ikhwezi hub farmers are receiving training including localg.a.p..

NUTRITION AND FOOD SECURITY FOR A SUSTAINABLE HUB

One of the aims of the emerging farmer development programme is to increase food security – particularly in the lower-income groups – by improving access to diverse, fresh and nutritious produce. Comprehensive nutrition diversity research was commissioned by SPAR to identify baseline nutrition intake in rural areas.

Based on the research, a nutritional campaign was developed according to five levers of change:

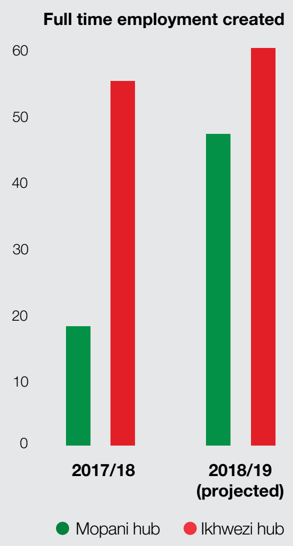
- Make it understood
- Make it easy
- Make it desirable
- Make it rewarding
- Make it a habit

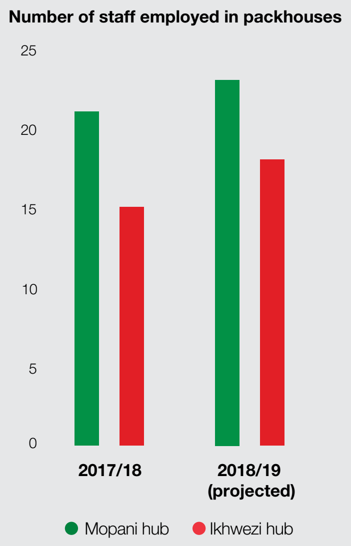
The nutritional campaign aims to increase awareness and provide education by using a variety of channels – from newspapers to radio and point-of-sale material. By providing consumers in targeted areas with messages, tips, and opportunities to learn about the benefits associated with certain fruit and vegetables, the campaign supports health and wellbeing in communities while driving demand for the rural hub produce.

OPPORTUNITIES TO EXPAND OUR CONCEPT SUSTAINABLY

In the past year, we launched the SPAR RASET alignment project: a collaboration with the KwaZulu-Natal provincial government to build an effective and secure agro food system for the province. The aim of the project is to ensure meaningful participation by previously disadvantaged farmers in the food value chain, and improve the distribution of fresh produce in KwaZulu-Natal. Potential sites were identified and discussions are underway with donors and financial institutions to generate funding for additional hubs and to create a fund for entrepreneurial development.

By taking a holistic approach to food system development and working with a network of partners the SPAR rural hub concept is gaining traction and creating a multiplier effect to the benefit of all stakeholders. We are creating a new future together.





OUR STRATEGY AND BUSINESS MODEL

OUR NEW SUPERMARKET STRATEGY FOR SOUTH AFRICA

The 2018 SPAR strategy development process started with the recognition that we needed to develop a strategy that focuses on SPAR supermarkets in South Africa. Since our previous in-depth strategy development process in 2012, SPAR has transformed in the following manner:

- We acquired new businesses in different territories
- We entered new categories, such as pharmaceuticals
- We had leadership changes
- Our markets evolved through heightened competition, economic and political challenges as well as consumer shifts – driven to a large extent by technological advancements.

Although the board reviewed the strategy annually since 2012, there was a need for a more comprehensive reflection, focusing on driving the retail and wholesale aspects of our business in South Africa. It was also key to involve retailers, particularly the national guild, in the strategy development process.

The strategy review process was underpinned by extensive background research that helped identify key trends, opportunities and challenges, and gave insight into where SPAR could make a real difference in the country.

As input into the strategy process, we initiated a stakeholder engagement project that encompassed focused interviews, workshops and team discussion, as well as trade intelligence. Our main interactions were with retailers, the guilds, employees, suppliers and consumers.

The strategy development process culminated in a board-approved supermarket strategy for South Africa – not a radical change from our previous strategy, but a refinement with a shift in emphasis towards our consumers.

THE SUPERMARKET STRATEGY AT A GLANCE

Purpose

To inspire people to do and be more

Our Vision

First choice brand in the communities we serve

Values

- Entrepreneurship
- Family values
- Passion

There was collective agreement that the SPAR vision should remain the same: it continues to highlight our focus on understanding our consumers and recognises that different communities need different things. It also implies a sense of belonging. The vision further confirms that we have a bigger role to play in communities than just selling and making money – it emphasises our culture of caring.

OUTCOMES

- **Sustainable stakeholder value**

This outcome assumes that all SPAR stakeholders benefit from being part of the family. We want to ensure that the interests of all stakeholders are well balanced to ensure that the entire system is sustainable in the long-term. Value refers to a broad range of benefits including financial returns, creation of opportunities, and empowerment.

- **Loved and respected as a brand**

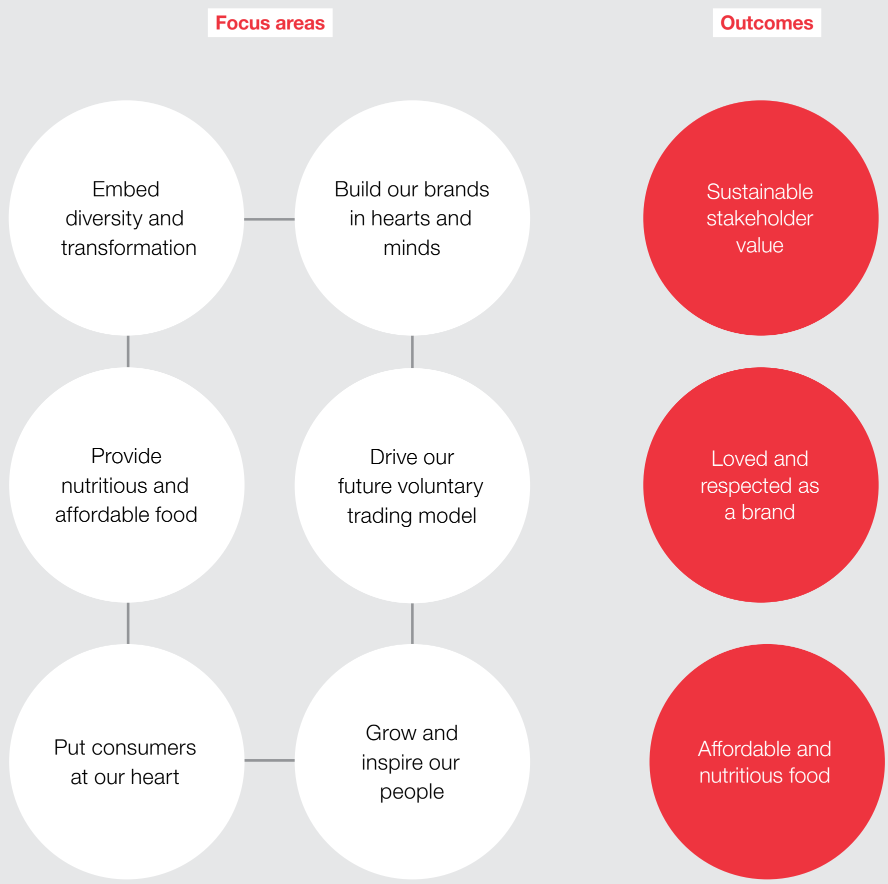
If we conduct ourselves according to our purpose, the SPAR brand will have a strong emotional connection with all stakeholders, who will respect us for the difference we make in South Africa and our communities. We would like to see SPAR respected for strong ethics, resulting in stakeholders enjoying being associated with SPAR.

- **Affordable and nutritious food**

Southern Africans will have improved access to affordable food if we manifest our purpose. It will lead to Southern Africans' nutritional needs being better met as a result of SPAR's work in this space. We want to make a positive impact on the health of Southern African consumers, especially regarding healthier eating habits.

The strategy development process highlighted that our previous set of outcomes were too inwardly focused and largely generic. The new set is more outwardly focused and considers the impact we want to have in South Africa.

The focus areas detail the key aspects we need to prioritise to deliver our outcomes. They are the foundation stones of the strategy and are closely linked to the vision and outcomes. By developing action plans and indicators according to the focus areas, we create structure around how to achieve our outcomes.



OUR SHORT TERM STRATEGIC PRIORITIES

Through the strategy development process, we identified the following key priorities for the next 12 months:

- Understand and segment our consumers and retailers based on their various needs
- Review our offerings to both consumers and retailers by segment
- Capture informal market opportunities
- Update voluntary trading model standards and rules to address key challenges that threaten the long-term sustainability of the model
- Actively drive our desired culture
- Design the organisation of the future and commence implementation
- Drive supply chain optimisation and efficiencies
- Drive cold chain management at distribution centre and retail level

Detailed action plans are being developed for each strategic focus area with appropriate key performance indicators and phasing.

OUR STRATEGIES IN OTHER TERRITORIES

An overarching group strategy will be developed as a next phase, serving to align the strategies in the different territories. Strategies for each format, such as Build it, Pharmacy at SPAR and TOPS at SPAR, will also be developed.

Read more about these plans and supporting activities for 2018 in the operational section of our online report.

IRELAND

Currently, BWG works according to a strategic plan 2016 to 2021 aimed at shareholder value creation through six specific plans addressing:

1. Distribution
2. Information technology
3. Acquisitions
4. People
5. Property
6. Retail

SWITZERLAND

SPAR Switzerland adopted a new strategy in February 2017 with the following actions plans shaping operations toward six outcomes:

1. The best employees
2. World-class supply chain
3. Customised range
4. Competitive pricing
5. Loved/trusted/believable brand
6. New business growth

THE LINK BETWEEN STRATEGY, GOVERNANCE AND RISK

The SPAR board believes there is an inextricable link between strategy, risk, sustainability, and performance management, which is effectively measured and controlled through the enterprise and risk management (ERM) process. The successful implementation of the strategy therefore relies on effective mitigation of strategic risks.

The board, supported by the Risk Committee, implements effective policies and plans to mitigate these risks and to support the company in being ethical and a good corporate citizen.

In developing the strategy and overseeing risk management, the board provides overall guidance and direction, including the relevant approvals and monitoring. The South African executive team and management provide structure for both processes and input into the discussions by considering past performance and a changing operating landscape. Progress against the strategic focus areas and an updated risk register forms part of the quarterly reporting to the board and the relevant committees.

The board's role in considering and approving strategy includes ethical leadership, which evaluates, for example, the trade-offs between different stakeholders which ensures progress is measured and monitored. To enable the latter, the board approves policies, frameworks and the plans that drive budget allocation.

The risks outlined below have been identified and ranked as the top 12 risks most likely to impact the business. The risk register links key risks to strategic imperatives and identifies key risk indicators that are tracked to determine likelihood and impact. These risks are monitored and managed at board level. To strengthen accountability and mitigate the key risks identified, detailed action plans have been developed, with clearly defined roles and timelines.


BEANTREE


SPAR
SP35

The summary below tracks strategic risks, identifies mitigation plans and shows the trend movement against a 2016 baseline:

RISK TITLE	DESCRIPTION	MITIGATING PLANS
Macroeconomic factors may cause a decline in business	Factors include global and macro-economic conditions such as inflation, currency depreciation and unemployment.	Medium- to long-term mitigation strategies include forward cover and stockpiling fuel. We track and report trends according to indicators and set thresholds, for example, for the Rand exchange rate and the oil price.
Political instability in SPAR markets may hinder business	National or international political events can cause fundamental shifts in the economic system of the country.	We receive regular political insights from knowledgeable commentators that assist in creating scenarios to determine the potential impact on our future business.
Poor individual retailer performance may negatively impact the group	This can have a wide spectrum of impacts, including reputational and financial through subpar stores, price perceptions, store viability, group profitability and efficiency. Further drivers are increasing working capital constraints at retail because of poor financial management by individual retailers. Poor performance includes retailers not involved in the communities they serve in a meaningful and sustainable way, thereby not living the SPAR vision.	We drive increased financial disclosure and benchmarking for retailers while offering training and support. We actively manage the list of poor-performing retailers per region and identify appropriate and specific action plans to address performance. We have also increased the audit of core retailer (business) processes.
New and existing competition may take market share	This takes the form of aggressive competition including foreign or local new entrants, with expanded domestic competition by current retailers – for example, competing on range, price, and hygiene factors.	We developed plans for all strategic stores and identified market share gaps. We have also developed a clear emerging market strategy for each region.
Loss of retailers and retail stores to competitors	Competitors target SPAR retailers to buy stores, even with unrealistic or extravagant offers.	We identified unique actions to improve our relationship with each retailer, based on an analysis of each retailer's specialist support needs. Vulnerable stores are indexed and tracked.
Poor adherence to and implementation of group initiatives by retailers	Resistance and lack of buy-in and discipline by some retailers may result in an inability to market our offerings on a national basis, resulting in financial and reputational damage.	We conduct and document robust pilots for all new concepts to act as reference in the rollout to retailers. Regional committees list mandatory initiatives, conduct audits, and report on retail compliance with documented remedial actions for non-compliant retailers.
The inability to develop new sites may stunt growth	Acquiring new sites is fundamental to our growth strategy. Barriers include guild approvals, objections by other retailers, and other majors/competitors owning property.	To drive new business, we identified new business champions per region with action plans. We developed a group developer engagement and funding strategy. We also identified retailers per region who have the desire and capacity to own multiple stores.

RISK TITLE	DESCRIPTION	MITIGATING PLANS
Major customer groups may negatively influence the sustainability of the business	Large groups may have a proportionally large influence on the profitability, reputation, relationships, and standards of specific distribution centres. This might lead to the potential loss of a significant percentage of business.	We identified key risks per major customer group and documented an action plan to address these.
Disruption of operations may occur due to labour disputes and/or industrial and mass action	Labour unrest may be caused by a spill over from related industries such as transport, or the unsatisfactory resolution of central bargaining and outsourcing issues or retail strikes with empathy from SPAR employees.	We have identified unique actions to improve relationships with unions and employees, including improving the capacity of shop stewards. We have strike contingency plans detailing responsibilities and expectations. We conduct an annual comprehensive climate survey at all sites.
Poor data quality and analysis capabilities may prevent effective business intelligence	The lack of quality data across the group may limit opportunities to optimise business processes, the supply chain and forecasting. It may result in an inability to accommodate business requirements. This is detrimental to performance management.	We conducted an information needs analysis for each function and the development of business intelligence components was prioritised. We continue to drive, through training and other means, the proper use of systems at retail and corporate systems. We implemented of a groupwide data governance programme that introduces governed master data and data quality management.
The financial model may fail to ensure retailer profitability, thereby jeopardising SPAR's sustainability	Retailers may not able to make sustainable and acceptable profits, which threatens the wholesale model. Retail margins are under pressure.	We identified key actions to reduce cost or enhance revenue within retail in the regions. We determine the true cost and profitability for SPAR and retailers across the value chain for a selected basket of goods. We identified key drivers impacting the wholesale/retail model, including the impact of cross-subsidisation and shared costing for retailers and SPAR.
Transformation issues across all areas may impact the business negatively	Multiple issues around transformation regarding employees, management, ownership, supply chain, enterprise development and retailers, and training and development must be monitored. There are challenges in hiring for skill vs immediate BBBEE requirements.	We updated our transformation plan based on the new BBBEE Codes and are executing accordingly. We educate retailers on new requirements, such as liquor licensing.

High inherent risk

Medium inherent risk

Unchanged movement in rank compared to 2016

OUR VALUE CREATION CONTRIBUTION

SPAR creates value on a global scale through our voluntary trading model and convenient delivery of fresh food and groceries to stores located where people live. The group creates significant value for our independent retailers, who benefit from the economies of scale gained by our buying efficiencies, and the cost savings through operational efficiency and a wide scope of products offered and distributed through our distribution centres.

Our business model relies on relationships in all aspects of value creation. Our material relationships provide input into our business activities and help us mitigate the risks, including wastage and resource depletion, associated with distribution and wholesale businesses.

Retailers further benefit from the value created by the merchandising expertise, support services and benchmarking offered by SPAR, which enable them to offer a range of products at competitive prices. Voluntary trading further equips retailers with the ability to customise their product and service offering to be responsive to their local, niche consumer segment's needs and expectations. This unlocks value for retailers and consumers.

We strive to manage our use of resources and the six capitals of value creation through environmentally and socially sustainable business practices.

Our sustainability pledge is to create authentic shared value, though the following outcomes:

- Contribution to societal change
- Contribution to responsible living
- Opportunity creation
- Resource stewardship

READ MORE IN OUR ONLINE REPORT

In our online report we explain the inputs required to create value and our subsequent interaction with the six capitals. We also elaborate on our business activities that collectively ensure good supply chain management which streamlines processes and result in resource savings.

We identified three main outcomes for the business as part of the strategy development process. These outcomes consider impacts that are internal or external to SPAR and its material stakeholders throughout the value chain. The outcomes are also subject to deliberate trade-offs where the interests of one stakeholder are weighed against another over a given period.

READ MORE ABOUT OUR OPERATIONS IN SOUTH AFRICA, IRELAND AND SWITZERLAND

In our online report we provide more detail on our operations in South Africa, Ireland and Switzerland. We explain the context and environments in which these businesses operate and list awards received during the year. We address material topics such as the impact of fuel price increases, cost saving initiates and provide detail on store performance. We provide some insight into the challenges that retailers experienced and show how these were mitigated through new product development and support initiatives. We also include an overview of our community investments and focus areas for 2019.

The following case studies included in our online report offer perspectives on salient events or achievements for the year:

- Developing a national SPAR plan for water
- S Buys and SPAR align for pharmacy success
- Reducing our plastic footprint
- Taking action for a new future through the SPAR VUCA project
- Closing the recycle loop for packaging
- Recycling innovation through vending machines
- SPAR's commitment to sustainable seafood
- Shoplink: our bespoke, best-in-class retail solution (Ireland)

OUR GOVERNANCE STRUCTURES, COMPOSITION AND FUNCTIONING

Our governance structures provide oversight of the activities of SPAR and its subsidiaries in Southern Africa, Ireland, South West England, Switzerland and Sri Lanka.

These structures adhere to the requirements of the following:

- Companies Act, 71 of 2008, as amended
- JSE Listings Requirements
- King IV Report on Corporate Governance™ (King IV™)

KING IV™ INTRODUCTION

We continue reviewing our governance structures to ensure alignment with King IV™. Our disclosures in terms of King IV™ are fully integrated with our reporting elements – we believe this to be the intent of the code – while also being aligned to the following clusters:

PRINCIPLE CLUSTER	MORE DETAIL	PAGE
Leadership, ethics and corporate citizenship	Leadership report (including our reflection on the King IV™ outcomes)	**14**
Strategy, performance and reporting	Leadership report and Our strategy, business model and sustainability	**14, 32**
Governing structures and delegation	Our governance structures, composition and functioning	**39**
Governance functional areas	Committee reports	**47, 69**
Stakeholder relationships	Our material relationships	**29**

In addition to the information contained in this report, a King IV™ register is available online, summarising the principles and providing stakeholders with links and references in support of the principles in one place.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Michael John Hankinson (69)

BCom, CA(SA)

Independent non-executive Chairman
- *Chairman of the Nomination Committee*
- *Member of the Remuneration Committee*

Appointed to the board: September 2004

Executive Chairman of Grindrod Ltd.

Mziwakhe Phinda Madi (54)

BProc (Unizul), EDP (HEC – Paris), EDP (Northwestern – Chicago, USA)

Independent non-executive director
- *Member of the Risk Committee*

Appointed to the board: October 2004

Qualified attorney. Chairman and founder of 20-year-old diversified investments company and venture capital fund, Madi Investments. Non-executive director of Nampak Ltd and the Automobile Association of South Africa (AA). A founding member and commissioner of South Africa's Black Economic Empowerment Commission. Author of four business books and Professor of Management Practices, University of Johannesburg, School of Management.

Marang Mashologu (42)

BCom, CFA Charter

Independent non-executive director
- *Member of the Audit Committee*

Appointed to the board: December 2015

A director and shareholder at Sphere Holdings (Pty) Ltd. Independent non-executive director and Audit Committee Chairperson of Chubb Insurance South Africa Ltd, the South African subsidiary of Chubb Ltd. Member of the board of trustees of the African Leadership Network. Fellow of the inaugural class of the Finance Leaders Fellowship Program and a member of the Aspen Global Leadership Network.

Harish Kantilal Mehta (68)

BSc (USA), MBA (USA)

Independent non-executive director
- *Chairman of the Remuneration Committee*
- *Member of the Audit Committee*
- *Member of the Nomination Committee*
- *Member of the Risk Committee*

Appointed to the board: October 2004

Non-executive director of Tiso Blackstar Group, non-executive Chairman of Averda SA (Pty) Ltd, member of the Provincial Board of FNB, non-executive director of Redefine Properties and non-executive Chairman of Cibapac (Pty) Ltd.

Phumla Mnganga (50)

BA, BEd, MBL, PhD

Independent non-executive director
- *Chairperson of the Social and Ethics Committee*
- *Member of the Remuneration Committee*
- *Member of the Nomination Committee*

Appointed to the board: January 2006

Managing director of Lehumo Women's Investment Holdings, Chairperson of the Tolcon Group of companies and Gold Circle Horseracing and Betting. Non-executive director of Crookes Brothers Ltd.

Andrew Waller (56)

CA(SA)

Independent non-executive director
- *Member of the Risk Committee*

Appointed to the board: February 2018

CEO of Grindrod Ltd and non-executive director of Senwes Ltd. Previously partner of Deloitte & Touche.

Christopher Frank Wells (69)

BCom, CA(SA)

Independent non-executive director
- *Chairman of the Audit Committee*
- *Chairman of the Risk Committee*
- *Member of the Social and Ethics Committee*

Appointed to the board: April 2011

Non-executive director of African Oxygen Ltd, director of IFS Mauritius Ltd and CEO of International Facilities Services South Africa (Pty) Ltd.

EXECUTIVE DIRECTORS

Graham Owen O'Connor (62)

BCom, CA(SA)

Group Chief Executive Officer

- *Member of the Risk Committee*
- *Member of The SPAR Guild of Southern Africa*

Appointed to the board: February 2014

Joined the group in 1986

Served as group accountant in 1986 and became the Managing Director of the SPAR KwaZulu-Natal (KZN) 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 CEO.

Mark Wayne Godfrey (53)

BCom, CA(SA)

Group Financial Director

- *Member of the Risk Committee*

Appointed to the board: October 2010

Joined the group in 1996

Served in financial management positions in various group operations and was appointed Group Financial Director in 2010.

Wayne Allan Hook (62)

BCom, CA(SA)

Managing Director Build it Division

- *Chairman of The Build it Guild of Southern Africa*
- *Chairman of The SPAR Guild of Southern Africa's Social and Ethics Committee*
- *Member of The SPAR Guild of Southern Africa*
- *Member of the Social and Ethics Committee*

Appointed to the board: October 2006

Joined the group in 1984

Former CEO of the Group. Served in financial, information technology and logistics management positions before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997. Assumed the position of New Business and Support Services Director in 2014 and Build it Managing Director in 2017.

Roelf Venter (61)

BCom (Hons), MBA

Group Retail Operations Director

- *Chairman of The SPAR Guild of Southern Africa*
- *Member of The SPAR Guild of Southern Africa's Social and Ethics Committee*

Appointed to the board: February 2007

Joined the group 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 assumed the position of Retail Operations Director in 2007.

COMPANY SECRETARY

Mandy Jane Hogan (46)

Chartered Secretary ACIS

Appointed company secretary: June 2016

Joined the group in 2013

Served in various company secretarial and corporate governance positions at three JSE-listed companies over the past 15 years. Mandy served as the Assistant Company Secretary from 2013 to 2016 and assumed the position of Company Secretary full-time in 2016.

EXECUTIVE MANAGEMENT

South Africa

GRAHAM OWEN O'CONNOR (62)

BCom, CA(SA)

Group Chief Executive Officer
- *Member of the Risk Committee*
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1986

Graham served as group accountant in 1986 and became the Managing Director 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 CEO.

MARK WAYNE GODFREY (53)

BCom, CA(SA)

Group Financial Director
- *Member of the Risk Committee*

Joined the group in 1996

Appointed to the board: October 2010

Mark served in financial management positions in various group operations and was appointed Group Financial Director in 2010.

LAURENCE BALCOMB (47)

BCom, CA(SA)

Finance Executive

Joined the group in 2018

Laurence was the Managing Director of Clientèle General Insurance Ltd and Divisional Director at Liberty Group, responsible for cost and efficiency improvement initiatives across the South African retail business. He has spent over 16 years in financial services in various senior roles including sales and marketing, finance, operations and strategy.

DESMOND BORRAGEIRO (44)

Managing Director SPAR North Rand division
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1996

Des served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR South Rand division. Appointed Managing Director of SPAR North Rand division in 2012.

BRETT WALKER BOTTEN (54)

BCom, CA(SA)

Managing Director SPAR South Rand division
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1994

Brett has served as Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions. Appointed Managing Director of SPAR South Rand division in 2010.

TREVOR DUNCAN CURRIE (63)

Group Logistics Executive

Joined the group in 1985

Trevor served in logistics management positions in various group operations before becoming the Logistics Director at SPAR Western Cape and SPAR Eastern Cape divisions. Appointed Group Logistics Executive in 1999.

WAYNE ALLAN HOOK (62)

BCom, CA(SA)

Managing Director Build it Division
- *Chairman of The Build it Guild of Southern Africa*
- *Chairman of The SPAR Guild of Southern Africa's Social and Ethics Committee*
- *Member of The SPAR Guild of Southern Africa*
- *Member of the Social and Ethics Committee*

Joined the group in 1984

Wayne is the former CEO of the Group. He served in financial, information technology and logistics management positions before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997. He assumed the position of New Business and Support Services Director in 2014 and Build it Managing Director in 2017.

CONRAD LUKE ISAAC (57)

Managing Director SPAR Eastern Cape division
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1982

Conrad is the previous Human Resources Director of SPAR Eastern Cape division and was appointed Managing Director of SPAR Eastern Cape division in 2006.

KEVIN JAMES O'BRIEN (56)

BA, LLB, BSocSc (Hons), MSt (Cantab)

Risk and Sustainability Executive

Joined the group in 1993

Kevin served in personnel, human resources and property management positions in various group operations and was the former general manager of Capper and Company – a SPAR distribution operation in the United Kingdom. Kevin served as the Group Company Secretary from 2006 to 2016 and assumed the position of Risk and Sustainability Executive full-time in 2016.

MAX JAVIER OLIVA (42)

BTech, MBA

Managing Director SPAR KwaZulu-Natal division
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1995

Max joined the group as a management trainee where he served in various logistics roles across three divisions. He served as the Logistics Director in both the South Rand and KwaZulu-Natal divisions over a period of 10 years before being seconded to BWG Foods in 2015 to head up the supply chain function for SPAR in Ireland and South West England. Max was appointed as Managing Director of SPAR KwaZulu-Natal division in 2017.

MIKE GRANT PRENTICE (50)

BCom, LLB

Group Marketing Executive
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1991

Mike served in marketing management positions in various group operations before being appointed Marketing Director of SPAR North Rand division. Appointed Group Marketing Executive in 2007.

MARIO MENEZES SANTANA (45)

Managing Director SPAR Western Cape division and Namibia
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 1995

Mario served in retail operations positions in various group operations before being appointed Managing Director of SPAR North Rand division. Appointed Managing Director of SPAR Western Cape division in 2012.

ENNO PAUL STELMA (57)

BCom

Group IT Executive

Joined the group in 1989

Enno has served in IT management positions in various group operations. Appointed Group IT Executive in 1999.

THULISILE TABUDI (50)

PhD

Human Resources Executive

Joined the group in 1999

Thuli is the previous Human Resources Director of SPAR South Rand division. Appointed Human Resources Executive in 2007.

ROELF VENTER (61)

BCom (Hons), MBA

Group Retail Operations Director
- *Chairman of The SPAR Guild of Southern Africa*
- *Member of The SPAR Guild of Southern Africa's Social and Ethics Committee*

Joined the group in 1983

Roelf served in various marketing and buying management positions before being appointed Managing Director of SPAR West Rand and, subsequently, SPAR South Rand. He was appointed Group Marketing Director in October 1999 and assumed the position of Retail Operations Director in 2007.

ALISON ZWEERS (48)

BA (Hons)

Managing Director SPAR Lowveld division
- *Member of The SPAR Guild of Southern Africa*

Joined the group in 2005

Alison held the position of HR Director in the Lowveld Division for seven years prior to being appointed to the dual portfolio of Human Resources Director for South Rand and Lowveld Divisions. She was appointed Managing Director of SPAR Lowveld in 2016.

S Buys

JEREMY COLIN HOWARD NICOL (58)

MBBCh (Wits), MPhil Sports Medicine (UCT)

Chief Executive Officer

Jeremy practised as a general practitioner and sports physician, before moving into commerce in 1999. Working for the Virgin Group from 2001 to 2007, he played a key role in setting up Virgin Healthmiles in the US (now Virgin Pulse). Returning to SA, he joined IMS Health in 2008 (now IQVIA) to run their South African business and immerse himself in the pharmaceutical industry. He has served as CEO of the S Buys Group from 2010, with particular focus on business development across the wholesaler and specialised pharmacy divisions.

SPAR Ireland

LEO CRAWFORD (59)

Group Chief Executive

Chairman: SPAR Ireland and Group Chief Executive: BWG Group

Leo joined BWG Foods in 1996 as Managing Director and was appointed Chief Executive of BWG Group in 1999. He was appointed to the SPAR International Board in 2001 and was elected President of SPAR International in 2005 – the first ever Irish person to be elected President of SPAR International.

From June 2010 to June 2011 Leo served as President of IBEC (Irish Business and Employers Confederation).

JOHN CLOHISEY (66)

Group Property Director

John is Group Property Director of the BWG Group and Managing Director of Triode Newhill Management Services, which operates over 100 company-owned stores. John is a member of the InterSPAR Executive Committee of SPAR International. John, an accountant, has been in the retail trade for over 30 years.

JOHN O'DONNELL (64)

Group Finance Director

John joined BWG as Group Finance Director in September 2002. Previously John worked for Larry Goodman's meat processing business for 19 years. He was initially involved with acquisitions in Ireland, the UK and overseas and was closely involved with the formation of Food Industries Plc. which was floated on the Irish Stock Exchange in 1998. John was appointed Group Finance Director to Irish Food Processors Ltd, a position he had held since 1991.

SPAR Switzerland

ROBERT GRANT PHILIPSON (50)

Chief Executive Officer SPAR Switzerland and Chairman SPAR Sri Lanka

Joined the group in 1996

Rob served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR KwaZulu-Natal division. Appointed Managing Director of SPAR KwaZulu-Natal in 2006 and as Chief Executive Officer of SPAR Switzerland and Chairman of SPAR Sri Lanka in 2017.

OUR GOVERNANCE ECOSYSTEM

The board is the custodian of corporate governance and plays a prominent role in the strategic development, risk management and sustainability processes of the group.

SPAR's governance ecosystem extends beyond the listed entity to include areas of influence that are material to the sustainability of the group.

The group is a member of SPAR International, which grants licences to countries to use the SPAR Brand. Our CEO, Graham O'Connor, was elected as president of SPAR International in 2016. As a licence holder for 10 countries, SPAR is an active participant in the international network's governance structures, which are built on a guild system of retailers and wholesalers working in partnership on a regional, national and international level.

Not all SPAR countries use the guild model. In South Africa, The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa are both non-profit companies governing the mutual interests of SPAR and its retailers. Each has a Social and Ethics Committee as part of its governance structure. Read more about the guilds in our online report.

Multiple cross-memberships of executives and directors between the guilds, the board and its committees ensure information flow to support effective control and sustainable performance.

BOARD COMPOSITION

The board is constituted in a way that balances the requirement for effective meetings with active participation from each board member – against the need for balanced committee membership, skills, diversity and independence.

The Nomination Committee is ultimately responsible for providing direction in this regard and for ensuring that the board has access to the appropriate leadership talent.

See a summary of our diversity aspects on the next page and read the board member profiles on page 40.

Read more about the process governing board and committee composition in the Nomination Committee report on pages 47 to 48.

EFFECTIVE MEETINGS

We value independent judgement and require that each board member prepare, participate and contribute at each meeting, in addition to informal discussions and interaction with the Chairman related to the SPAR business. The board meets formally four times a year.

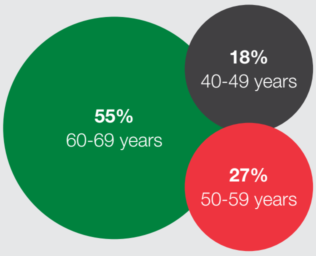
To further improve non-executive directors' understanding of the company's operating divisions, a board meeting is held at least once a year at a distribution centre. The meeting held on 7 August 2018 took place at the KwaZulu-Natal distribution centre.

Member	Status	14 Nov 2017	7 Feb 2018	29 May 2018	7 Aug 2018
Mike Hankinson (Chairman)	Independent non-executive	✓	✓	✓	✓
Graham O'Connor	Chief Executive Officer	✓	✓	✓	✓
Mark Godfrey	Group Financial Director	✓	✓	✓	✓
Wayne Hook	Managing Director Build it Division	✓	✓	✓	✓
Phinda Madi	Independent non-executive	✓	A	✓	✓
Marang Mashologu	Independent non-executive	✓	✓	✓	✓
Phumla Mnganga	Independent non-executive	✓	✓	✓	✓
Harish Mehta	Independent non-executive	✓	✓	✓	✓
Roelf Venter	Group Retail Operations Director	✓	✓	✓	A
Andrew Waller	Independent non-executive	n/a	✓	✓	✓
Chris Wells	Independent non-executive	✓	✓	✓	✓

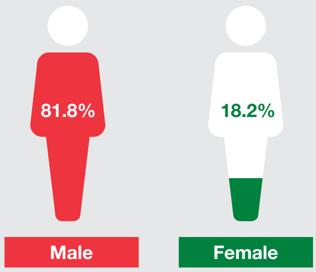
A – Apology

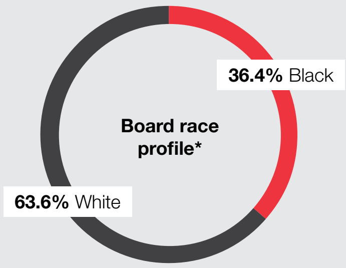
SPAR BOARD PROFILE

Board age profile



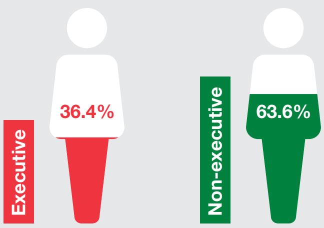
Board gender profile

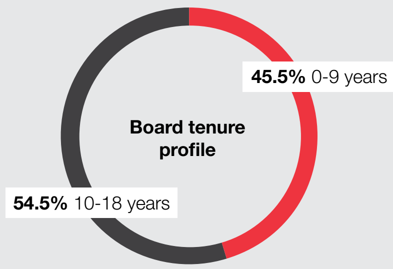




Board nationality profile

Executive vs non-executive profile





* *Black as defined by the Black Economic Empowerment Act of 2003.*

ROLES AND RESPONSIBILITIES

The board has mandated its four committees with very specific functions and responsibilities, which are set out in each committee report. The three executive committees have the following responsibilities:

- The SPAR Executive Committee is responsible for implementing the company's strategy and managing the operational activities of the group. The committee holds at least seven meetings annually and is chaired by the CEO. During the 2018 financial year the committee reviewed, among other things, the risk management plan, strategy action plan, transformation plan, succession plan, IT projects and capex, budget and finances.
- The BWG Group Executive Committee is responsible for implementing its strategy and managing its operational activities. The committee holds at least 12 meetings annually and is chaired by the CEO, Leo Crawford.
- The SPAR Switzerland Executive Committee is responsible for the implementation of the company's strategy in Switzerland and management of operational activities. The committee holds at least four meetings annually and is chaired by Rob Philipson.

The membership, qualifications and experience of the Executive Committee members are provided on page 42.

The different governance bodies are all governed by a delegation of authority framework, which is reviewed annually and sets out the matters reserved for determination by shareholders, the board, and those matters delegated to management and the Executive Committees.

The general powers of the board are conferred in the company's Memorandum of Incorporation (MOI) and board charter. The board 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 board charter is reviewed annually and is aligned with the King IV™ recommendations. It was approved by the board on 7 August 2018. We are satisfied that the board complied with its responsibilities for the year ended 30 September 2018.

We are further satisfied that the governance structures are appropriate, and that the authority framework provides clarity and contributes to effective control and performance.

THE CEO OF THE GROUP

The CEO is accountable to the board for the daily management of the company and co-ordinates the implementation of board policy and strategy through the Executive Committees. The CEO's responsibilities include, among other things, ensuring that the company conducts its affairs within the rule of law and abides by SPAR's Code of Ethics, and keeps the board informed of all its major business proposals and developments by way of specific reports, within limits set by the board.

THE SECRETARY FOR THE GROUP

Our Company Secretary is a competent and suitably qualified and experienced employee who is able to provide the board with the requisite support for its efficient functioning and the discharge of its duties. Read the Company Secretary's profile on page 41. She contracts with the necessary service providers to provide specialist input or guidance on board matters, including, for example, PwC, EOH Legal Services, the Chartered Secretaries South Africa, Garlicke & Bousfield, the Ethics Institute, the Institute of Directors Southern Africa and the company's JSE sponsors. We believe these arrangements are effective and appropriate for the efficient functioning of the board.

Further disclosures on the King IV™ principles are available online.

SUMMARY OF DISCLOSURE STATEMENTS

SPAR made no contributions to political parties in any of the territories in which it operates. The group has made a commitment to contribute R10 million to the SA SME Fund (the South African CEO Initiative).

NOMINATION COMMITTEE REPORT

The Nomination Committee (the committee) presents the following report for the 2018 financial year.

COMMITTEE GOVERNANCE

COMPOSITION

The members of the committee for the 2018 financial year were independent non-executive directors, Mike Hankinson (Chairman), Harish Mehta and Phumla Mnganga. Their qualifications and experience are available on page 40.

MEETINGS

The CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

The committee met six times during the 2018 financial year. Members' attendance at meetings was as follows:

Member	Status	Attendance					
		14 Nov 2017	6 Feb 2018	7 Aug 2018	7 Sep 2018	8 Oct 2018	1 Nov 2018
Mike Hankinson (Chairman)	Independent non-executive	✓	✓	✓	✓	✓	✓
Harish Mehta	Independent non-executive	✓	✓	✓	✓	✓	✓
Phumla Mnganga	Independent non-executive	✓	✓	✓	✓	✓	✓

Members' attendance was 100%.

TERMS OF REFERENCE

The committee executes its responsibilities in accordance with a formal terms of reference, which is reviewed annually and is aligned with the King IV™ recommendations. No changes were made to the terms of reference since its last review in 2017.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference. A copy of the committee's terms of reference and work plan can be found online.

ROLE AND RESPONSIBILITIES

The board has allocated the oversight of the process for nominating and electing members of the board, succession planning in respect of board members and the evaluation of the performance of the board, its committees and individual members to the committee.

The committee oversees:

- the composition of the board and its committees by setting criteria for board positions, identifying candidates and making recommendations to the board on appointments – in doing so taking into consideration the board's structure, size, diversity, demographics and balance between executive and non-executive directors;
- succession planning for the Chairman, board members and the CEO, which includes the identification, mentorship and development of future candidates;
- the induction of new directors and the ongoing training and professional development of board members, as and when required;
- the effectiveness and ultimately the performance of the board, its committees and individual members; and
- the evaluation of independence process.

Details of the committee's duties are contained in its terms of reference.

The effectiveness of the committee is assessed by way of self-evaluation review every two years and will be performed again in 2019.

KEY FOCUS AREAS

In addition to the key focus areas detailed below, the committee received feedback on the following matters during the 2018 financial year:

- the succession of non-executive directors, executive directors and executive management; and
- King IV™ and its recommendations.

BOARD AND COMMITTEE COMPOSITION

A board appointment policy is in place, was amended in line with King IV™ and approved by the board on 14 November 2017. The policy sets out the formal, rigorous and transparent procedure for the appointment of new members to the board and its committees. In addition, the role and responsibilities of the Chairman, the induction of new directors and the appointment letter for new non-executive directors were aligned with King IV™ and approved by the board on 14 November 2017.

The committee proposed changes to the Risk Committee and Social and Ethics Committee members, in line with King IV™, to only comprise executive and non-executive directors (as the case may be).

DIVERSITY

The committee amended the company's gender diversity policy to include a policy on race diversity and renamed it the board diversity policy. The voluntary targets in terms of this policy are a minimum of three black people (as defined by the Black Economic Empowerment Act of 2003) and two females. At the date of this report, the board comprised four black people, two of whom are female. The amended policy was approved by the board on 7 August 2018.

A copy of the board diversity policy is available online.

The board believes in gender diversity on boards and joined the 30% Club Southern Africa in September 2018. The 30% Club is an international campaign launched in the United Kingdom in 2010 and extended to South Africa in 2013. Its aim is to develop a diverse pool of talent for all businesses through the efforts of respective Chairman and CEO members and runs a number of very specific and targeted initiatives that look to broaden the pipeline of women at all levels, from "schoolroom to boardroom".

ROTATION OF NON-EXECUTIVE DIRECTORS

Mike Hankinson, Phinda Madi and Marang Mashologu retire in accordance with the company's MOI. Being eligible, Mike Hankinson and Marang Mashologu offer themselves for re-election. Phinda Madi has informed the board that he would not offer himself for re-election and will accordingly retire as a director of the company at the 2019 annual general meeting (AGM).

In terms of the company's board appointment policy, the mandatory age limit for non-executive directors is 70 years and, accordingly, Mike Hankinson will be turning 70 in the 2019 financial year and will retire before the 2020 AGM.

The independence and performance of Mike Hankinson and Marang Mashologu were assessed and, based on the results of the assessment which was accepted by the board, the board recommends to shareholders that Marang Mashologu and Mike Hankinson be re-elected as independent non-executive directors of the board. The independence assessment is based on whether the director has no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in the decision-making in the best interest of the company.

ASSESSMENT OF THE INDEPENDENCE OF DIRECTORS WHO HAVE SERVED ON THE BOARD FOR MORE THAN NINE YEARS

The board agreed that the internally facilitated independence assessments would be conducted annually by the committee for each non-executive director who has served on the board beyond nine years, and that an externally facilitated, independent assessment would be conducted every three years.

An internally facilitated independence assessment of Phumla Mnganga, Mike Hankinson, Harish Mehta and Phinda Madi was undertaken during the 2018 financial year and there was nothing to indicate that the named directors were not independent, despite their tenure on the company's board.

The last externally facilitated independence assessment was conducted in 2017 and will again be conducted in 2020.

SUCCESSION PLANNING

The average age of the board is 58, therefore succession planning was a key focus area for the board during the 2018 financial year and will continue to be a focus area into the 2019 financial year to ensure that key skills are retained following the retirement of the said directors. The board seeks to balance fresh perspectives from newer directors with the experience and knowledge of those directors with longer tenures. The average tenure of the board is 11 years.

PERFORMANCE EVALUATIONS

The board agreed that the performance evaluation process will not be externally facilitated and that internal evaluation questionnaires will be completed biannually in respect of the following areas:

- the effectiveness of the board's composition, governance processes and procedures;
- the effectiveness of the board's committees in discharging their respective mandates;
- the effectiveness of the executive directors; and
- the effectiveness and contributions of each of the directors.

The last evaluation in respect of the above areas was conducted in 2017 and, accordingly, the next performance evaluation process will be undertaken in 2019.

The committee assessed the performance of the CEO against agreed performance measures and targets and was satisfied with his performance.

Thank you to the members of the committee for their dedicated and constructive contributions to the functioning of the committee.

Mike Hankinson
Chairman of the Nomination Committee

13 November 2018

REMUNERATION COMMITTEE REPORT

The Remuneration Committee (the committee) presents the following report for the 2018 financial year.

This report sets out the committee's governance and the company's remuneration policy, which is divided into four sections.

Section 1 – Committee governance

Section 2 – Background statement

Section 3 – 2018 Remuneration policy

Section 4 – Implementation report

SECTION 1 – COMMITTEE GOVERNANCE

COMPOSITION

The members of the committee for the 2018 financial year were independent non-executive directors Harish Mehta (Chairman), Mike Hankinson and Phumla Mnganga, all of whom are independent non-executive directors. Their qualifications and experience are available on page 40.

MEETINGS

The CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

The committee met three times during the 2018 financial year. Members' attendance at meetings was as follows:

		Attendance		
Member	**Status**	**14 Nov 2017**	**6 Feb 2018**	**7 Aug 2018**
Harish Mehta (Chairman)	Independent non-executive	✓	✓	✓
Mike Hankinson	Independent non-executive	✓	✓	✓
Phumla Mnganga	Independent non-executive	✓	✓	✓

Members' attendance was 100%.

TERMS OF REFERENCE

The committee executes its responsibilities in accordance with a formal terms of reference and work plan, which is reviewed annually and aligned with the King IV™ recommendations. No changes were made to the terms of reference since its last review in 2017.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

A copy of the committee's terms of reference can be found online.

SECTION 2 – BACKGROUND STATEMENT

Dear shareholders,

As members of the committee, our focus is to ensure that the company remunerates fairly, responsibly and transparently and in doing so annually reviews the company remuneration policy to ensure that it promotes the achievement of strategic objectives and encourages individual performance.

This report outlines the background, philosophy, policy and implementation details of the remuneration of non-executive directors, executive directors and all employees of the company.

The committee makes annual use of PricewaterhouseCoopers' (PwC) executive and non-executive remuneration reports to provide insight into current remuneration practices and trends. This year the committee consulted with PwC to assist them with a benchmarking exercise of salaries, including looking at short-term and long-term incentives in order to ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration.

Following the engagement with PwC:

- the committee remained satisfied that the current short-term and long-term incentive schemes were appropriate; and
- the benchmarking exercise revealed that executive guaranteed salary packages were approximately 20% below the market average.

The committee was satisfied that PwC was independent and objective with their advice.

During the 2018 financial year, the committee:

- reviewed the company's remuneration policy and implementation report for approval by the board, which will be put to a non-binding vote by shareholders at the 2019 annual general meeting (AGM). In the event that the remuneration policy and/or the implementation report is voted against by 25% or more of the voting rights exercised, management will engage with those shareholders to get an understanding of the reasons why and amend the remuneration policy and/or the implementation report to address any shortcomings, if necessary;
- reviewed and approved the executive directors' and executive committee members' remuneration, performance and incentives bonuses;
- approved the annual award of shares in terms of the group's long-term conditional share plan, details of which are on page 58;
- approved the salary mandate to be implemented for the group's employees;
- considered the fees payable to non-executive directors for approval by shareholders, details of which are on page 93; and
- reviewed the King IV™ recommendations.

Executive management formally engaged with a number of the company's top shareholders regarding the company's remuneration policy before its 2018 AGM and were pleased with the 95.66% (2017: 94.49%) vote in favour of the remuneration policy and the 89.97% vote in favour of the implementation report.

No changes were made to the remuneration policy during the year under review. The committee is satisfied that remuneration in all forms accruing to employees at all levels is market-related and equitably awarded. In addition, the committee believes that the remuneration policy encompasses the objectives set out in the company's remuneration philosophy.

Thank you to the members of the committee for their dedication and constructive contributions to the functioning of the committee.

Harish Mehta
Chairman of the Remuneration Committee

13 November 2018

SECTION 3 – 2018 REMUNERATION POLICY

REMUNERATION PHILOSOPHY

SPAR's employees are pivotal in meeting its strategic objectives in that SPAR is committed to paying fair, competitive and market-related remuneration to ensure that the company is able to attract and retain top-quality and talented employees. Our remuneration policy therefore seeks to:

- position the remuneration levels appropriately and competitively in comparison with the labour market; and
- acknowledge the contribution of individual employees by rewarding them for the successful achievement of company goals and objectives.

Apart from fixed remuneration, an element of variable remuneration that is aligned to value creation in the form of short and longer-term incentive schemes is also catered for and linked to the achievement and performance of specified targets and objectives, with payment being made from increased returns. This also assists in attracting and retaining key employees.

PROCESS TO DETERMINE REMUNERATION

SPAR 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 also ensures that there is a positive correlation between individual and team performance and remuneration earned. Management is responsible for managing remuneration and thus supporting the long-term sustainability of the company.

The committee is responsible for approving salary increases for executive directors and the executive committee. The CEO, together with the executive committee, is responsible for all employees below EU grade. The overall percentage increase for employees below EU grade is authorised by the committee. Salary increases are implemented:

- on 1 January each year for all employees graded DU band and below who are not members of the bargaining unit;
- on 1 October each year for employees graded EL band and above; and
- as per collective agreements with the union(s) for employees in the bargaining unit.

REMUNERATION STRUCTURE

SPAR's remuneration structure consists of both guaranteed and variable remuneration. SPAR uses the Paterson grading methodology, which works as follows:

F	Chief Executive Officer
EL and EU	Executives
DU	High-level specialists/ middle to high management
D	Management
CU	Lower-middle management
C	High-level skilled/clerical/ supervisory
B	Clerical
A	Low-level skilled

GUARANTEED REMUNERATION AND BENEFITS

Non-management (A to C band) and management employees (D to EL band) remuneration

Salary and subsidised benefits (retirement and medical) form the guaranteed component of employees' remuneration. 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.
- From date of engagement, permanent employees at all levels become members of one of the available retirement funds, namely:
  - The Old Mutual SuperFund Pension Fund: The SPAR Group Ltd Defined Contribution Pension Fund,
  - The Old Mutual SuperFund Provident Fund: The SPAR Group Ltd Staff Provident Fund, and
  - The Old Mutual SuperFund Provident Fund: The SPAR Group Management Provident Fund.
- Membership of a medical aid scheme is not compulsory, but those who wish to become members can choose from several medical aid schemes available. The Tiger Brands Medical Scheme is a group scheme, while a number of other low-cost medical aids have been negotiated at distribution centre level.
- Other variable remuneration, such as allowances, is paid, where applicable, and in accordance with the legislation and collective agreements entered into with the union(s) or workers' committees.
- Non-financial benefits include subsidised canteen meals, access to a clinic, uniforms and training and development.

Executive remuneration (EU to F band)

The executive directors are full-time employees of the company and, as such, each has an employment agreement, in accordance with the company's standard conditions of service, but with a notice period of two months (versus one month for other employees) and more comprehensive confidentiality undertakings. The CEO has a notice period of three months.

Executive directors receive a monthly salary and benefits based on the role of each executive and his or her performance and contribution to the group's overall results, including other pensionable remuneration applicable to band EU and above, such as car allowance, vehicle insurance and fuel, which is paid by the company.

Details of the executive directors' remuneration are available on page 56.

Non-executive directors' remuneration

Non-executive directors are not full-time employees of the company and, as such, each has a contract for services and not a contract of employment.

Non-executive directors' remuneration consists of a guaranteed basic fee and is not linked to the financial performance of the group, nor do they receive share options or bonuses.

Management recommends non-executive directors' fees, based on industry benchmarks, to the committee for onward recommendation to and approval by the board who in turn recommends the fees to shareholders for approval in accordance with the Companies Act. Non-executive remuneration increases are implemented on 1 March each year and their proposed fees for the period 1 March 2019 to 29 February 2020 are available on page 93.

VARIABLE PAY

Short-term incentives

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

The main purpose of this incentive scheme is to support a performance culture and to reward employees for achieving good annual financial results when compared with predetermined targets. Performance bonuses are based on the achievement of financial, individual and transformation objectives approved by the committee.

Non-management employees (A to C band)

Non-management employees are entitled to a performance bonus of up to 50% of a month's salary or part thereof, based on the achievement of set targets. The targets are based on key issues in the business plan and are mainly financial targets.

Management employees (D band and above)

The maximum incentive bonus that 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 incentive 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 that include corporate objectives (for example, transformation) and individual objectives, which are specific to a manager's sphere of influence. The attainment of these targets contributes to the achievement of the company's strategic objectives, which are aligned to the delivery of sustained shareholder value. The principle of paying for performance is a key factor underpinning the short-term incentive, and any variable payments are directly aligned to performance outcomes. Achieving these objectives will result in a bonus payout subject to the achievement of a minimum profit level of no less than the profit level achieved in the previous year.

The short-term incentive bonus is capped at 100% of annual salary for executive directors and senior general management.

For the executive directors, the breakdown of the targets, relative bonus caps as a percentage of annual salary and the average payout for the 2018 financial year, were as follows:

	Bonus cap (% of annual salary)	Executive directors' average performance achievement %
Group financial results	**75**	**75.0**
Transformation targets	**10**	**55.2**
Key performance objectives	**15**	**82.1**
Total	**100**	**68.5**

Long-term incentives

Share Option Plan (SOP) (2004)

The last options were allocated on 7 February 2014 and remaining participants have 10 years from date of issue to exercise their option rights. No further share option allocations can be made in this scheme. There are no performance criteria in this scheme and as the scheme is now closed, none can be introduced.

Options previously granted to executive directors, options exercised during the year under review and unexercised options as at 30 September 2018 are provided in the implementation report on page 56.

Conditional Share Plan (CSP)

The CSP provides a mechanism that enables the company to provide key 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 through an award of shares that 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.

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 the issue of shares, the CSP is intended to be settled by a market purchase of shares and will, therefore, not cause dilution to shareholders.

Salient features of the CSP are as follows:

DETAILS	CONDITIONAL SHARE PLAN
Description	Under the CSP, participants receive a conditional right to receive a share in the company on the vesting date if certain conditions are met. Participants will only become shareholders to the extent that vesting occurs on the vesting date and will have no shareholder rights prior to this date.
Company limit	The cumulative aggregate number of shares that 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 that 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, new allocation levels that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are approximately: • 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.

The performance conditions applicable to an award of shares are set annually by the committee, in broad consultation with shareholders. The performance conditions will be measured over a performance period of three years, which is aligned with the financial years of the company.

The table below shows the three performance conditions along with their definitions and the proportion of the total number of shares awarded to which the performance conditions relate. In addition, the table shows the Threshold, On-target and Stretch target conditions which represent the levels of achievement required for certain portions of the performance shares related to that particular performance condition to vest.

PERFORMANCE CONDITION	DEFINED AS	DETAIL	WEIGHTING	THRESHOLD	ON-TARGET	STRETCH
Return on net assets (RONA)	Operating profit expressed as a percentage of the net closing asset value at the relevant year-end.	The average RONA over the performance period will be compared to the targets set out herewith.	30%	80% of the on-target	Average RONA as per the operating budgets approved by the board.	120% of the on-target
Growth in headline earnings per share (HEPS)	Headline earnings divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the relevant financial year. Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.	Growth in HEPS will be calculated as the growth between the base year and the last year in the performance period.	50%	CPI growth over the performance period	Growth between HEPS as per the operating budget approved by the board for the last year in the performance period and the base year HEPS.	Target plus 9% over the performance period
Total shareholder return (TSR) relative to a peer group	The TSR will be measured as the compound annual growth rate (CAGR) in the TSR index for the company and the peer companies over the performance period after holding the shares and reinvesting the dividends over the performance period.	To remove vagaries in the market, the CAGR in TSR calculation is to be smoothed by using the average TSR index for the 20 business days up to and including the start of the performance period and 20 business days up to and including the end of the performance period. The peer group will constitute suitably constructed and appropriate peer companies.	20%	80% of on-target	Weighted average TSR of peer group	120% of the on-target

Threshold performance will act as a 'gatekeeper' and will represent the minimum performance that is required before performance shares vest. On-target performance relates to good, but sufficiently stretching performance, and stretch performance relates to exceptional performance in the context of the prevailing business environment. The portion of the performance shares that will vest at each target will be as follows:

	VESTING PERCENTAGE
Threshold	30% of the award of performance shares will vest for performance at threshold. None of the performance shares will vest for performance below threshold.
On-target	65% of the award of performance shares will vest for performance on-target.
Stretch	100% of the award of performance shares will vest for performance at stretch.

Linear vesting will apply for performance between threshold and on-target or between on-target and stretch performance. The conditions of the CSP will continue to be reviewed in line with best practice.

The remuneration committee supports shareholding by its top executives and believes this re-enforces shareholder alignment post the vesting of long-term incentives. To this end, senior executives can elect to subject CSP shares that are coming up for vesting for a further agreed holding period during which time such shares cannot be disposed of. The remuneration committee is in the process of approving a formal minimum shareholding requirement policy that will contain targeted shareholding to be achieved by senior executives.

PERFORMANCE CONDITIONS, TARGETS, INFORMATION AND ALLOCATIONS

The interim measures against the targets for the unvested awards issued in 2015, 2016 and 2017 are summarised in the table below. The HEPS growth and average annual RONA projections over the appropriate performance periods for each applicable grant has been calculated using historical and forecast HEPS values.

Description	**2015 Grant**	**2016 Grant**	**2017 Grant**
Vesting date	09.02.2019	07.02.2020	**07.02.2021**
Performance period	01.10.2015 to 30.09.2018	01.10.2016 to 30.09.2019	**01.10.2017 to 30.09.2020**
Total number of awards remaining	304 600	228 100	**307 100**
Projected HEPS growth over performance period	22.3%	23.9%	**40.3%**
HEPS target	30.0%	30.0%	**27.5%**
Vesting percentage	44.6%	50.3%	**100.0%**
Projected average annual RONA over performance period	41.7%	40.4%	**41.7%**
RONA target	45.0%	40.0%	**40.0%**
Vesting percentage	52.1%	66.9%	**72.3%**

The measure of TSR will be the TSR of SPAR relative to the weighted average TSR of the six selected peer group companies.

On 7 February 2018, the committee awarded 307 100 performance shares (2017 grant) and 101 100 restricted (retention shares) (2017 grant) to executives and senior managers. This was the first award of restricted shares to key, selected employees. The vesting date of the performance shares award is 7 February 2021 and the vesting dates of the retention shares are 7 February 2021, 7 February 2022 and 7 February 2023. Details of CSP awards to executive directors are provided in the implementation report on page 56.

On 17 February 2018 the first tranche of CSP awards issued in November 2014 vested. The final performance conditions for the grant were measured and externally verified by Deloitte. The results of the calculation of the actual vesting percentage were as follows:

HEPS growth	51.1%
RONA growth	53.2%
ITSR	100.0%
Final vesting	61.5%

Of the total number of awards remaining at the measurement date, 297 791 vested. These awards were settled by a market purchase of shares.

SECTION 4 – IMPLEMENTATION REPORT

The implementation report contains the detailed information and figures pertaining to the application of the remuneration policy in relation to executive and non-executive directors.

DIRECTORS' REMUNERATION AND INTEREST REPORT

R'000	Salary	Performance related bonus[2]	Retirement funding contributions	Travel allowance and other benefits[1]	Share option gains	Total
Emoluments						
2018						
Executive directors						
GO O'Connor	**5 850**	**4 374**	**687**	**468**		**11 379**
WA Hook	**3 407**	**1 747**	**425**	**474**	**14 037**	**20 090**
MW Godfrey	**4 042**	**3 022**	**481**	**476**	**1 589**	**9 610**
R Venter	**3 063**	**2 236**	**384**	**1 360**	**2 694**	**9 737**
Total emoluments	**16 362**	**11 379**	**1 977**	**2 778**	**18 320**	**50 816**
2017						
Executive directors						
GO O'Connor	5 053	1 582	599	429		7 663
WA Hook	3 407	1 296	423	463	22 620	28 209
MW Godfrey	3 302	1 001	397	437	3 735	8 871
R Venter	2 889	847	362	466		4 564
Total emoluments	14 651	4 725	1 781	1 795	26 355	49 307

[1] *Other benefits include medical aid contributions and a long service award.*

[2] *The performance related bonuses relate to amounts earned in current year.*

In addition to an annual inflation adjustment, the committee recommended and the board approved additional salary increases for GO O'Connor and MW Godfrey following the market benchmarking exercise to ensure their guaranteed earnings remained appropriately aligned with industry norms.

R'000	GROUP 2018	GROUP 2017
Fees for services as non-executive directors		
MJ Hankinson (Chairman)[bc]	**1 319**	1 210
MP Madi[c]	**498**	456
M Mashologu[a]	**515**	475
HK Mehta[abc]	**805**	715
P Mnganga[bd]	**704**	563
CF Wells[acd]	**952**	775
AG Waller[c]	**358**	
Total fees	**5 151**	4 194

[a] *Member of Audit Committee.*

[b] *Member of Remuneration and Nominations Committee.*

[c] *Member of Risk Committee.*

[d] *Member of Social and Ethics Committee.*

Number of shares	2018	2017
Directors' interests in the share capital of the company		
Executive directors		
GO O'Connor – direct beneficial holding	**22 986**	300
WA Hook – direct beneficial holding	**74 110**	25 500
MW Godfrey – direct beneficial holding	**13 530**	
R Venter – director beneficial holding	**13 530**	
Non-executive directors		
MJ Hankinson – held by associates	**2 800**	2 800
HK Mehta – direct beneficial holding	**2 000**	2 000
HK Mehta – indirect beneficial holding	**10 000**	10 000
CF Wells – direct beneficial	**1 100**	1 100
AG Waller – direct beneficial	**3 200**	

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

DECLARATION OF DISCLOSURE

Other than that, disclosed above and below, 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 2018.

DIRECTORS' SHARE SCHEME INTERESTS

The group's option scheme (SOP) 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 vests after three years, with a further third vesting on the expiry of years four and five respectively. Option holders have 10 years from the date of issue to exercise their option rights.

OPTIONS HELD OVER SHARES IN THE SPAR GROUP LTD

			Number of options held	
Executive directors	**Date of option issue**	**Option price Rand**	**2018**	**2017**
GO O'Connor	07/02/2014	124.22	**50 000**	50 000
Total			**50 000**	50 000
WA Hook	11/11/2008	50.23		100 000
	10/11/2009	66.42	**50 000**	50 000
	08/12/2010	99.91	**50 000**	50 000
	08/11/2011	96.46	**55 000**	55 000
	13/11/2012	122.81	**60 000**	60 000
Total			**215 000**	315 000
R Venter	08/12/2010	99.91		23 200
	08/11/2011	96.46	**11 800**	11 800
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**71 800**	95 000
MW Godfrey	11/11/2008	50.23		12 000
	10/11/2009	66.42	**12 000**	12 000
	08/12/2010	99.91	**25 000**	25 000
	08/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**132 000**	144 000
Total directors share scheme interests			**468 800**	604 000

Options exercised	Date of options exercised	Number of options exercised	Rand	Market price on exercise	Gain R'000
WA Hook	20/09/2018	60 000	50.23	190.60	8 422
WA Hook	25/09/2018	40 000	50.23	190.60	5 615
R Venter	16/02/2018	23 200	99.91	216.01	2 694
MW Godfrey	28/09/2018	12 000	50.23	182.60	1 589

SHARES HELD BY PARTICIPANTS IN TERMS OF THE CSP

In terms of the CSP, the group has granted shares to executives, senior management and key talent specifically identified in the form of performance share awards. These shares vest over a period of three years subject to performance conditions at year-end. No exercise price is allocated to these awards.

AWARDS TO PARTICIPANTS IN TERMS OF THE CSP ARE AS FOLLOWS:

			Number of shares	
	Award date	Share price on date of grant Rand	2018	2017
Executive Directors				
GO O'Connor	17/02/2015	R133.61		36 665
GO O'Connor	09/02/2016	R195.38	**20 000**	20 000
GO O'Connor	07/02/2017	R175.10	**14 600**	14 600
GO O'Connor	07/02/2018	R170.70	**30 700**	
WA Hook	17/02/2015	R133.61		14 000
WA Hook	09/02/2016	R195.38	**7 500**	7 500
WA Hook	07/02/2017	R175.10	**7 500**	7 500
WA Hook	07/02/2018	R170.70	**13 000**	
R Venter	17/02/2015	R133.61		22 000
R Venter	09/02/2016	R195.38	**9 600**	9 600
R Venter	07/02/2017	R175.10	**7 500**	7 500
R Venter	07/02/2018	R170.70	**15 000**	
MW Godfrey	17/02/2015	R133.61		22 000
MW Godfrey	09/02/2016	R195.38	**11 000**	11 000
MW Godfrey	07/02/2017	R175.10	**9 000**	9 000
MW Godfrey	07/02/2018	R170.70	**17 500**	
			162 900	181 365

In line with the remuneration committee's view that senior executives should be exposed to the share price post the vesting of their long-term incentives, the following executives have elected to subject their CSP shares to a further agreed upon holding of 3 years.

CSP AWARDS VESTED

	Award date	Total number granted	% vested	Total vested
Executive Directors				
GO O'Connor	17/02/2015	36 665	61.5	**22 548**
WA Hook	17/02/2015	14 000	61.5	**8 610**
R Venter	17/02/2015	22 000	61.5	**13 530**
MW Godfrey	17/02/2015	22 000	61.5	**13 530**
		94 665		**58 218**

RISK COMMITTEE REPORT

The Risk Committee (the committee) presents the following report for the 2018 financial year.

COMMITTEE GOVERNANCE

COMPOSITION

The members of the committee for the 2018 financial year were independent non-executive directors, Chris Wells (Chairman), Phinda Madi, Harish Mehta and Andrew Waller and executive directors Graham O'Connor and Mark Godfrey. Their qualifications and experience are available on pages 40 to 41.

Andrew Waller was appointed to the committee on the recommendation of the Nomination Committee on 7 February 2018.

MEETINGS

Permanent invitees at committee meetings are the Group Risk and Sustainability Executive, the Group Logistics Executive, the Group IT Executive, the Group Internal Audit Manager, the external auditor and the Company Secretary (who acts as the secretary of the committee).

The committee met twice during the 2018 financial year. Members' attendance was as follows:

		Attendance	
Member	**Status**	**6 Feb 2018**	**6 Aug 2018**
Chris Wells (Chairman)	Independent non-executive	✓	✓
Mark Godfrey	Group Financial Director	✓	✓
Phinda Madi	Independent non-executive	✓^	✓
Harish Mehta	Independent non-executive	✓	✓
Graham O'Connor	Group Chief Executive Officer	✓	✓
Andrew Waller	Independent non-executive	n/a	✓

Members' attendance was 100%.

^ via teleconference

TERMS OF REFERENCE

The committee executes its responsibilities in accordance with a formal terms of reference, which is reviewed annually and is aligned with the King IV™ recommendations. No changes were made to the terms of reference since its last review in 2017.

The committee received assurance on all relevant matters in its terms of reference from the following committees during the 2018 financial year:

- Audit Committee
- Social and Ethics Committee

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

A copy of the committee's terms of reference and work plan can be found online.

ROLE AND RESPONSIBILITIES

The board has allocated the oversight of risk governance, technology and information governance and compliance governance to the committee.

The committee oversees the company's risk management, IT and compliance processes to ensure that management identifies potential risks in these areas which may affect the company or its operations. It implements effective policies and plans to mitigate any risks, enhance the company's ability to achieve its strategic objectives, and support the company in being ethical and a good corporate citizen.

Details of the committee's duties are contained in its terms of reference.

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and will be performed again in 2019.

KEY FOCUS AREAS

In addition to the key activities detailed below, the committee received feedback from management on the group's insurance, operational risk matters (logistic risks, human resource risks, food safety risks, climate change risks and financial risks) and the risk management process undertaken in SPAR Ireland and SPAR Switzerland.

RISK GOVERNANCE

Kevin O'Brien is the Group Risk and Sustainability Executive and is responsible, together with executive management, for the implementation and execution of the risk management process. An Enterprise Risk Management (ERM) policy and framework is in place and was reviewed during the 2018 financial year. In keeping with the King IV™ recommendation of providing a combined assurance policy and framework, the committee considered such a policy and framework and approved same at its August 2018 meeting.

Internal audit provides the committee assurance as to whether risk management processes within the group are adequate and effective, and makes recommendations on areas where the SPAR risk management processes could be improved.

FOCUS AREAS FOR THE 2019 FINANCIAL YEAR WILL BE TO:

- constitute a Combined Assurance Forum to monitor the implementation of the combined assurance policy and framework and report on its progress at Risk Committee meetings; and
- monitor managements progress on the identification of any new strategic and operational risks identified in terms of the implementation of SPAR South Africa's reviewed strategic plan.

IT GOVERNANCE

Enno Stelma is the Group IT Executive and is responsible, together with executive management, for the implementation and execution of effective technology and information management. An IT strategy and governance framework is in place and was reviewed during the 2018 financial year.

The second phase of the SAP programme is well underway. This phase completes the finance area with the introduction of accounts payable and accounts receivable. Roll-out of this phase will start in 2019. Preparation for the third and last phase has started. This phase will cover merchandising, replenishment and logistics.

Significant investment was made in advanced firewall technology to keep abreast with developments in the cybercrime area.

Downtime reports were carefully considered at every committee meeting and nothing of significance occurred during the 2018 financial year.

The IT audit report compiled by PwC was reviewed by the committee during the 2018 financial year with no major issues identified.

COMPLIANCE GOVERNANCE

Mandy Hogan is the Company Secretary and is responsible, together with executive management, for the implementation and execution of effective compliance management. A compliance policy is in place and will be expanded on during the 2019 financial year to include a formal system to help the company maintain compliance in all areas of its operation. The system will focus on upholding polices and procedures that prevent the company and employees from breaking laws and regulations.

Thank you to the members of the committee for their dedicated and constructive contributions to its functioning.

Chris Wells
Chairman of the Risk Committee

13 November 2018

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics committee (the committee) presents the following report to shareholders for the 2018 financial year, in accordance with the requirements of the Companies Act, 71 of 2008, as amended (Companies Act).

COMMITTEE GOVERNANCE

COMPOSITION

The members of the committee for the 2018 financial year were independent non-executive directors Phumla Mnganga (Chairperson) and Chris Wells, and executive director Wayne Hook.

Their qualifications and experience are available on pages 40 and 41.

MEETINGS

Permanent invitees at committee meetings are the Chairman of the board, the CEO, the Group Risk and Sustainability Executive, the Group Human Resources Executive and the Company Secretary (who acts as the secretary of the committee).

The committee met twice during the 2018 financial year. Members' attendance at meeting was as follows:

		Attendance	
Member	**Status**	**13 Nov 2017**	**28 May 2018**
Phumla Mnganga (Chairperson)	Independent non-executive	✓	✓
Wayne Hook	Managing Director Build it Division	✓	✓
Chris Wells	Independent non-executive	✓	✓

Members' attendance was 100%.

TERMS OF REFERENCE

The committee executes its responsibilities in accordance with a formal terms of reference, which is reviewed annually and is aligned with the King IV™ recommendations. No changes were made to the terms of reference since its last review in 2017.

The committee received assurance on all relevant matters in its terms of reference from the following committees during the 2018 financial year:

- Audit Committee
- Risk Committee
- The SPAR Guild of Southern Africa Social and Ethics Committee
- The Build it Guild of Southern Africa Social and Ethics Committee

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and has performed its statutory duties, as set out in the Companies Regulations.

A copy of the committee's terms of reference is available online.

ROLE AND RESPONSIBILITIES

The board has allocated the oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships to the committee.

The committee oversees the company's social and organisational activities relating to the environment and its stakeholders. It monitors the company's sustainability performance to ensure that the company's ethics support its culture, it is seen as a responsible citizen, and that there is a balance between the company and the needs, interests and expectations of all stakeholders.

Details of the committee's duties are contained in its terms of reference.

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and will be performed again in 2019.

KEY FOCUS AREAS

ORGANISATIONAL ETHICS

Ethics within the company is addressed through SPAR's Code of Ethics. The code applies to all the company's employees and directors. Ethics at SPAR is simply 'the way we do things here' and are defined as: 'Doing the right thing in the best long-term interest of all stakeholders, even when no one is watching.'

The company encourages employees and other stakeholders to disclose serious impropriety or improper conduct. SPAR subscribes to Deloitte's Tip-offs Anonymous, which is an independent hotline that enables employees to report illegal actions and ethical misconduct confidentially. During the 2018 financial year, 12 reports (2017: three) were received, all of which were investigated and addressed satisfactory by internal audit and management. Disciplinary action was taken where employees were found to have transgressed and corrective actions have been implemented where necessary to improve controls and prevent recurrence of the incidents. Of the twelve reports received none were found to be of material substance.

A SPAR Code of Ethics template for all offshore subsidiaries was circulated to the management of those subsidiaries, to be used as the basis for drafting their respective Code of Ethics policies.

An Ethics Culture Assessment was undertaken at the end of the 2018 financial year by the Ethics Institute and the outcome of the assessment will be disclosed in the 2019 integrated report.

During the 2018 financial year:

- SPAR's anti-bribery and corruption policy was adopted and implemented within the South African divisions. This policy expresses SPAR's stance against all forms of bribery, corruption, unethical or unlawful conduct, or any other business activities that violate the values or spirit of human rights and good governance and is applicable to all employees and directors.
- SPAR's whistle-blowing policy was adopted and implemented within the South African divisions. This policy encourages employees and other stakeholders to disclose serious impropriety or improper conduct, and to assist in establishing a culture of disclosure, within which all stakeholders can responsibly and confidentially disclose information about serious impropriety or improper conduct.

CORPORATE CITIZENSHIP

During the 2018 financial year, the committee received feedback from management on the following matters:

- the sustainable development goals and the National Development Plan;
- the climate disclosure report results for 2017, as well as internal carbon pricing;
- recyclable plastic bags, paper bags and plastic alternatives;
- Transparency in Action and the sustainable procurement of eggs;
- SPAR's emerging farmer development programme and its rural hub businesses;
- the RASET alignment initiative, in conjunction with the KwaZulu-Natal Provincial Government;
- SPAR's participation in sustainability week, which was held at the CSIR International Convention Centre during June 2018;
- SPAR's water security assessment;
- various community awareness initiatives such as the Vuka Khumluma Programme, SPAR's partnership with Unilever and the Department of Basic Education;
- compliance with the International Codes of Best Practice;
- SPAR's BBBEE scorecard rating;
- SPAR's R20 million contribution to support Government's Youth Employment Services (YES) programme;
- wage negotiations; and
- challenges faced in 2018 in the human resources area.

Detailed feedback on a number of the above-mentioned matters can be found in our online report.

The Sustainable Seafood Procurement policy was reviewed and approved by the board during the 2018 financial year. This policy outlines SPAR's requirements on sustainable sourcing, product criteria, product quality and food safety, traceability, communication by retailers and suppliers to consumers, labelling, training and education.

STAKEHOLDER RELATIONSHIPS

During the 2018 financial year, a comprehensive review of the company's South African strategy was conducted. This review resulted in a refocus on the content of the discussions undertaken with the various stakeholders. The Joint Business Planning forums continue to function well, and a start has been made to consider more strategic alignments with suppliers in these forums. Collaboration with Government in value chain activities have also commenced with a view to consider the way in which a greater impact can be made through these value chains by collaboration between stakeholders.

FOCUS AREAS FOR THE 2019 FINANCIAL YEAR WILL BE:

ORGANISATIONAL ETHICS

- Expand the Anti-bribery and Corruption policy and make it applicable to all our suppliers, service providers, consultants, agents and any third party authorised to act on our behalf.
- A review of the following policies:
  - SPAR's Code of Conduct
  - Suppliers Code
  - Employment Equity Policy

CORPORATE CITIZENSHIP

- A review of the following policies:
  - Social Media Policies
  - Safety, Health and Environmental Policy
  - Sustainability Policy

STAKEHOLDER ENGAGEMENT

- A review of the Stakeholder Relationship Policy and Framework

Thank you to the members of the committee for their commitment, passion and constructive contributions to the functioning of the committee.

P Mnganga

Phumla Mnganga
Chairperson of the Social and Ethics Committee

13 November 2018


SPAR
Spar Western Cape

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Please visit http://investor-relations.spar.co.za for the full 2018 SPAR annual financial statements.

Directors' approval of the summary consolidated financial statements

The directors of the company accept responsibility for the integrity, objectivity and reliability of the group and company financial statements of The SPAR Group Ltd. Adequate accounting records have been maintained. The directors endorse the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the financial statements has been delegated to management.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of The SPAR Group Ltd and its subsidiaries.

The directors have confirmed that adequate internal financial control systems are being maintained. There were no breakdowns in the functioning of the internal control systems during the year that had a material impact on the financial results. The directors are satisfied that the summary consolidated financial statements fairly present the financial position, the results of the operations and cash flows in accordance with IAS 34 *Interim financial reporting*.

The directors are of the opinion that The SPAR Group Ltd is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were authorised for issue and publication by the directors on 13 November 2018 and signed on their behalf by:

MJ Hankinson
Chairman

GO O'Connor
Chief Executive Officer

13 November 2018

Certificate by the company secretary

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended (the Companies Act), I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, in respect of the year ended 30 September 2018, and that all such returns are true, correct and up to date.

MJ Hogan
Company Secretary

13 November 2018

Preparation and presentation of summary consolidated financial statements

The preparation of the Summary Consolidated Financial Statements was supervised by the Group Financial Director of The SPAR Group Ltd, Mark Godfrey. The full set of annual financial statements are published on our website, or can be requested from our company secretary.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

Directors' statutory report

The board of directors of The SPAR Group Ltd (SPAR, the company or the group) have the pleasure in submitting their report on the summarised consolidated financial statements of the company for the year ended 30 September 2018.

NATURE OF BUSINESS

SPAR is a warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the food and drug retailers sector. The group owns several country licences for the SPAR retail brand, which is used by a network of independent retailers who trade under our brand and are supplied on a voluntary basis through our distribution centres.

There were no material changes to the nature of the group's business for the 2018 financial year.

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed in the online integrated report. Andrew Waller was appointed as a director of the company at the 2018 annual general meeting. There were no further changes to the directorate for the 2018 financial year.

At 30 September 2018, the directors beneficially held 140 456 (2017: 38 900) shares in the company and unexercised options to acquire a total of 468 800 (2017: 604 000) ordinary shares in the company.

Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out in notes 36 and 37 of the annual financial statements, which are available online.

FINANCIAL RESULTS

The net profit attributable to ordinary shareholders for the year ended 30 September 2018 amounted to R1 827.2 million (2017: R1 820.6 million). This translates into headline earnings per share of 965.7 cents (2017: 952.8 cents) and normalised headline earnings per share of 1 063.2 cents (2017: 976.0 cents), based on the weighted average number of shares (net of treasury shares) in issue during the year. Normalised headline earnings represent headline earnings excluding business-defined exceptional items.

STATED CAPITAL

Details of the authorised and issued stated capital of the company are set out in note 25 of the annual financial statements, which are available online.

GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company.

TREASURY SHARES

During the year, The SPAR Group Ltd Employee Share Trust (2004) purchased 1 115 227 (2017: 710 086) shares in the company for R221.4 million (2017: R128.4 million). A total of 1 158 500 (2017: 708 034) shares were reissued to option holders who exercised their option rights. At year-end, 53 200 (2017: 96 473) shares in the company were held by the trust. At the 2018 annual general meeting, 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.

DIVIDENDS

A final dividend of 435.0 cents in respect of 2017 was declared on 14 November 2017 and paid on 11 December 2017. An interim dividend of 270.0 cents per share was declared on 30 May 2018 and paid on 25 June 2018. A final dividend of 459.0 per share was declared on 13 November 2018. The salient dates for the payment of the final dividend are:

Last day to trade cum-dividend	Tuesday, 4 December 2018
Shares to commence trading ex-dividend	Wednesday, 5 December 2018
Record date	Friday, 7 December 2018
Payment of dividend	Monday, 10 December 2018

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 5 December 2018 and Friday, 7 December 2018, both days inclusive.

SHARE SCHEME

Particulars relating to the company's share-based payments are set out in note 38 of the annual financial statements, which are available online.

SUBSIDIARIES

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R523.5 million (2017: profit of R418.4 million). Details of the company's principal subsidiaries are set out in note 14 of the annual financial statements, which are available online.

CORPORATE GOVERNANCE

The directors subscribe to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) as disclosed in the King IV™ register contained in our online report.

The committee reports are disclosed as follows:

- Nomination committee report is set out on pages 47 to 48.
- Remuneration committee report is set out on pages 49 to 58.
- Risk committee report is set out on pages 59 to 60.
- Social and ethics committee report is set out on pages 61 to 63.
- Audit committee report is set out on pages 69 to 71.

The directors reviewed various corporate governance reports, policies and procedures during the 2018 financial year with no issues identified.

The directors are not aware of any material non-compliance with statutory or regulatory requirements.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on Tuesday, 7 February 2018:

- special resolution number 1 – financial assistance to related or inter-related companies; and
- special resolution number 2 – non-executive directors' fees

LITIGATION STATEMENT

The company becomes involved from time to time in various claims and litigation proceedings incidental to the ordinary course of business. The directors are not aware of any existing, pending or threatened litigation proceedings which may have a material effect on the financial position of the company.

In respect of the Competition Commission's Grocery Retail Sector Market Inquiry, SPAR has made a presentation on an informal basis and submitted written submissions to the Commission, particularly dealing with the issue of exclusivity and suppliers. It has been gazetted that the report into the inquiry will be provided in September 2019.

EVENTS AFTER THE REPORTING DATE

Matters or circumstances arising since the end of the 2018 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 43 of the annual financial statements, which are available online.

Audit committee report

The Audit Committee (the committee) presents the following report pursuant to the requirements of section 94(7)(f) of the Companies Act, 71 of 2008, as amended (the Companies Act) to shareholders for the 2018 financial year.

COMMITTEE GOVERNANCE

The committee has specific statutory responsibilities to the shareholders of the company in terms of the Companies Act and assists the board by advising and making recommendations on financial reporting, internal financial controls, internal and external audit functions and regulatory compliance.

COMPOSITION

Members are appointed by shareholders on the recommendation of the Nomination Committee and the board. Shareholders will again be requested to approve the appointment of the committee members for the 2019 financial year at the company's AGM to be held on Tuesday, 12 February 2019.

The members of the committee for the 2018 financial year were independent non-executive directors, Chris Wells (Chairman), Marang Mashologu and Harish Mehta. Andrew Waller who was appointed to the Board on 7 February 2018 attended meetings by invitation in his capacity as an independent non-executive director.

The Nomination Committee and the board have nominated for re-election at the 2019 AGM, Chris Wells (Chairman), Marang Mashologu and Harish Mehta and for election Andrew Waller as members of the committee. Their qualifications and experience are available on page 40.

MEETINGS

Permanent invitees at committee meetings are the CEO, the Group Financial Director, the Group Internal Audit Manager, the external auditors and the Company Secretary (who acts as the secretary of the committee).

The committee met three times during the 2018 financial year. Members' attendance at meetings was as follows:

		Attendance		
Member	**Status**	**13 Nov 2017**	**28 May 2018**	**6 Aug 2018**
Chris Wells (Chairman)	Independent non-executive	✓	✓	✓
Harish Mehta	Independent non-executive	✓	✓	✓
Marang Mashologu	Independent non-executive	✓	✓	✓

Members' attendance was 100%.

TERMS OF REFERENCE

The committee executes its responsibilities in accordance with a formal terms of reference, which is reviewed annually and is aligned with the King IV™ recommendations. No changes were made to the terms of reference since its last review in 2017.

A copy of the committee's terms of reference and work plan is available online.

The committee received assurance on all relevant matters within its terms of reference from the following committees during the 2018 financial year:

- Risk Committee
- Social and Ethics Committee

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

ROLE AND RESPONSIBILITIES

The committee has an independent role with accountability to both the board and shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, requirements of the JSE Listings requirements, activities recommended by King IV™, as well as responsibilities assigned to it by the board.

Details of the committee's duties are contained in its terms of reference.

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and will be performed again in 2019.

KEY FOCUS AREAS

In addition to the key areas of focus detailed below, the committee, during the 2018 financial year, reviewed the:

- unaudited interim results report and associated reports and announcements;
- summarised information issued to shareholders;
- appropriateness of the accounting policies, disclosure policies and the effectiveness of internal controls;
- disclosure of sustainability issues to ensure that they were reliable and did not conflict with the financial information;
- changes to the JSE Listings Requirements which pertain to the committee's responsibilities;
- JSE proactive monitoring of financial statements report;
- company's banking facilities;
- 2019 budget guidelines and assumptions;
- King IV™ recommendations;
- property lease arrangements entered into by the company;
- policies which fall under the committee's control and oversight. The group's delegation of authority policy, fraud prevention policy and whistle-blowing policy were reviewed and recommended to the board for approval. In line with King IV™ requirements, management is in the process of drafting a tax policy, which will be presented to the board for approval;
- external auditor's audit report and key audit matters;
- internal auditor's report and key audit matters and findings; and
- whistle-blowing complaints.

Significant matters

Key audit matters identified by the external auditors are included in the report on pages 4 and 5 of the annual financial statements, which are available online. These matters have been discussed and agreed with management and were presented to the committee.

Annual Financial Statements

The committee reviewed the annual financial statements for the year ended 30 September 2018 and is of the view that in all material aspects, they comply with the relevant provision of IFRS and the Companies Act. The committee also reviewed the integrity of the 2018 Integrated Annual Report and recommended both to the board for approval. The board subsequently approved the annual financial statements and 2018 Integrated Annual Report, which will be open for discussion at the 2019 annual general meeting.

Going Concern Status

The committee reviewed the solvency and liquidity assessment as part of the going concern status of the company and based on this detailed review, recommended to the board that the company adopt the going concern concept in preparation of the financial statements.

EXTERNAL AUDIT

The committee has primary responsibility for overseeing the relationship with, and the performance of, the external auditor, including making recommendations on their re-appointment and assessing their independence, as set out in section 94(8) of the Companies Act.

As a result of the proposed implementation of an audit firm rotation process and following an extensive tender process undertaken by the committee in 2017, PwC was appointed by shareholders as the company's external auditor at the 2018 AGM in place of Deloitte & Touche.

In the execution of its statutory duties and based on the processes followed and assurances received, the committee:

- has assessed the suitability for appointment of the external auditor and designated audit partner in accordance with the appropriate audit quality indicators and their independence against the criteria specified by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants and international regulatory bodies and JSE Listings Requirements;
- has no concerns regarding the external auditor's performance or independence and accordingly recommended to the board, the re-election of PwC as external auditor and Sharalene Randelhoff as the designated audit partner for the 2019 financial year. PwC has been the company's external auditor for one year and is required to rotate the designated audit partner every five years. Accordingly, Sharalene Randelhoff will be required to rotate as the designated audit partner in 2023.
- determined the terms of engagement and fees paid to PwC as disclosed in note 3 on page 28 of the annual financial statements; and
- determined the nature and extent of the non-audit services that PwC provide to the company as disclosed in note 3 on page 28 of the annual financial statements.

The Chairman met with the external auditor without management present to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum, with no concerns raised.

Non-audit services policy

External auditors may only be considered as a supplier of such services where there is no alternative supplier for these services, there is no other commercially viable alternative or the non-audit services are related to and would add value to the external audit.

INTERNAL AUDIT

The company has an internal audit department consisting of three permanent employees. The internal audit function is independent and has the necessary standing and authority to enable it to discharge its duties. The Group Internal Audit Manager, Samesh Naidoo, and the Chairman of the committee meet on a regular basis to discuss internal audit's performance and any concerns.

During the 2018 financial year, the committee:

- approved the internal audit plan and any variations thereof;
- reviewed and recommended to the board for approval the internal audit charter. No changes were made to the internal audit charter since its last review in 2017;
- satisfied itself that the Group Internal Audit Manager is competent and possesses the appropriate expertise and experience to act in this capacity;
- confirmed that the company's internal audit function met its objectives and that adequate procedures were in place to ensure that the company complies with its legal, regulatory and other responsibilities; and
- ensured that appropriate financial reporting procedures exist and were working.

The committee is of the opinion that the company's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. This opinion is based on the results of the formal documented review of the company's system of internal controls and risk management – including the design, implementation and effectiveness of internal financial controls conducted by the internal audit function during the 2018 financial year – and considering information and explanations given by management and discussions with the external auditor on the results of the external audit, assessed by the committee. The committee's opinion is supported by the board.

GROUP FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee is satisfied that Mark Godfrey has the appropriate expertise and experience to meet the responsibilities of his appointed position as the Group Financial Director. His qualifications and experience are available on page 41.

The committee considered the appropriateness of the expertise and adequacy of resources of the finance function and was satisfied with the experience of the senior members of management responsible for the group function.

During the 2018 financial year, the company appointed Laurence Balcomb as the Finance Executive responsible for overseeing the financial management of the South African business.

RISK MANAGEMENT

The board has allocated the oversight of risk governance, technology and information governance and compliance governance to the Risk Committee. Chris Wells, the chairman of this committee, is also the Chairman of the Risk Committee and ensures that information relevant to the Risk Committee is transferred and shared regularly with this committee.

The committee accordingly fulfils an overview role regarding financial reporting risks, internal financial controls, taxation risks, compliance and regulatory risks, risk appetite and tolerance, fraud risk (as it relates to financial reporting) and information technology risk (as it relates to financial reporting), and based on the processes and assurances obtained, the committee is satisfied that these areas have been appropriately addressed.

COMBINED ASSURANCE

The integrated assurance policy and framework was reviewed and approved by the board on 7 August 2018 and is in the process of being implemented. The implementation of the framework will help support corporate governance guidelines to provide appropriate assurance and, in addition, evidence of integrated/combined assurance.

Thank you to the members of the committee, internal audit and external audit for their dedicated and constructive contributions to the functioning of the committee.

Chris Wells
Chairman of the Audit Committee

13 November 2018

Summarised consolidated statement of profit or loss and other comprehensive income

Rmillion		% Change	YEAR ENDED SEPTEMBER 2018	2017 Restated*
Revenue		6.0	**103 007.5**	97 209.3
Turnover		5.9	**101 018.0**	95 373.1
Cost of sales			**(90 225.0)**	(85 163.3)
Gross profit			**10 793.0**	10 209.8
Other income			**1 989.5**	1 836.2
Net operating expenses		5.6	**(10 001.8)**	(9 469.0)
Trading profit			**2 780.7**	2 577.0
BBBEE transactions			**(1.4)**	(0.9)
Operating profit		7.9	**2 779.3**	2 576.1
Other non-operating items			**(144.2)**	(54.6)
Interest income			**169.3**	193.7
Interest expense			**(192.9)**	(176.6)
Finance costs including foreign exchange gains and losses			**(136.5)**	(64.4)
Share of equity-accounted associate (losses)/income			**(10.9)**	(8.8)
Profit before taxation		(0.1)	**2 464.1**	2 465.4
Income tax expense			**(636.9)**	(644.8)
Profit for the year attributable to ordinary shareholders		0.4	**1 827.2**	1 820.6
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-retirement medical aid			**(0.3)**	11.4
Deferred tax relating to remeasurement of post-retirement medical aid			**0.1**	(3.2)
Remeasurement of retirement funds			**157.9**	432.1
Deferred tax relating to remeasurement of retirement funds			**(26.8)**	(67.9)
Items that may be reclassified subsequently to profit or loss:				
Gain/(loss) on cash flow hedge			**1.6**	(4.6)
Tax relating to gain/(loss) on cash flow hedge			**(0.2)**	0.6
Exchange differences from translation of foreign operations			**131.9**	42.0
Total comprehensive income		(6.3)	**2 091.4**	2 231.0
EARNINGS PER SHARE				
Basic earnings per share	(cents)	0.4	**948.9**	945.5
Diluted earnings per share	(cents)	0.3	**942.2**	939.4

* *Refer to restatement note 9.*

Summarised consolidated statement of financial position

Rmillion	Notes	YEAR ENDED SEPTEMBER 2018	2017 Restated*	2016 Restated*
ASSETS				
Non-current assets		**13 079.6**	11 956.3	11 137.8
Property, plant and equipment		**6 966.9**	6 553.9	6 160.3
Goodwill and intangible assets		**4 436.6**	4 162.2	4 008.3
Investment in associates and joint ventures		**156.7**	117.3	38.4
Other investments		**57.9**	57.7	54.2
Operating lease receivables		**208.3**	125.4	100.5
Loans		**696.4**	406.2	217.8
Block discounting loan receivable	10	**542.4**	512.2	521.5
Deferred taxation asset		**14.4**	21.4	36.8
Current assets		**18 166.3**	16 879.5	16 806.9
Inventories		**3 933.1**	3 816.4	3 810.9
Trade and other receivables		**12 134.4**	10 814.3	10 544.0
Prepayments		**109.8**	78.1	75.4
Operating lease receivables		**50.4**	60.7	63.4
Loans		**97.9**	116.9	46.8
Current portion of block discounting loan receivable	10	**225.8**	248.3	222.2
Income tax recoverable		**7.7**	4.1	4.2
Other current financial assets		**0.3**	0.2	
Cash and cash equivalents – SPAR		**1 377.6**	1 565.6	1 611.8
Cash and cash equivalents – Guilds and trusts		**229.3**	174.9	428.2
Assets held for sale		**9.6**	141.0	160.7
Total assets		**31 255.5**	28 976.8	28 105.4
EQUITY AND LIABILITIES				
Capital and reserves		**7 109.8**	6 560.4	5 627.8
Stated capital		**2 231.5**	2 231.5	2 231.5
Treasury shares		**(10.0)**	(16.1)	(18.7)
Currency translation reserve		**181.8**	49.9	7.9
Share-based payment reserve		**274.8**	293.0	261.1
Equity reserve		**(749.1)**	(717.0)	(713.0)
Hedging reserve		**(30.8)**	(32.2)	(28.2)
Retained earnings		**5 211.6**	4 751.3	3 887.2
Non-current liabilities		**8 037.3**	7 875.2	8 126.5
Deferred taxation liability		**413.1**	361.2	290.7
Post-employment benefit obligations		**787.6**	940.2	1 392.2
Financial liabilities	5	**2 042.9**	1 700.1	1 568.0
Long-term borrowings		**3 976.5**	4 160.4	4 164.3
Block discounting loan payable	10	**553.6**	525.1	536.4
Operating lease payables		**231.0**	141.4	116.0
Other non-current financial liabilities		**3.3**	4.9	
Long-term provisions		**29.3**	41.9	58.9
Current liabilities		**16 108.4**	14 541.2	14 351.1
Trade and other payables		**15 236.0**	13 452.7	13 162.5
Current portion of long-term borrowings		**433.6**	364.4	265.9
Current portion of block discounting loan payable	10	**232.3**	255.7	228.3
Operating lease payables		**51.5**	62.8	65.6
Provisions		**43.2**	45.3	38.0
Income tax liability		**103.1**	91.8	83.7
Bank overdrafts		**8.7**	268.5	507.1
Total equity and liabilities		**31 255.5**	28 976.8	28 105.4

* *Refer to restatement note 9.*

Summarised consolidated statement of changes in equity

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
Capital and reserves at 30 September 2016	2 231.5	(18.7)	7.9	261.1	3 902.3	(713.0)	(28.2)	–	5 642.9
Effect of restatement					(15.1)				(15.1)
Restated capital and reserves at 30 September 2016*	2 231.5	(18.7)	7.9	261.1	3 887.2	(713.0)	(28.2)	–	5 627.8
Profit for the year attributable to ordinary shareholders					1 820.6				1 820.6
Loss on cash flow hedge							(4.0)		(4.0)
Remeasurement of post-retirement medical aid					8.2				8.2
Remeasurement of retirement funds					364.2				364.2
Recognition of share-based payments				33.3					33.3
Take-up of share options		131.0		(77.2)					53.8
Transfer arising from take-up of share options				77.2	(77.2)				–
Settlement of share-based payments		1.4		(1.4)					–
Share repurchases		(129.8)							(129.8)
Dividends paid					(1 251.7)				(1 251.7)
Exchange rate translation			42.0			(4.0)			38.0
Restated capital and reserves at 30 September 2017*	**2 231.5**	**(16.1)**	**49.9**	**293.0**	**4 751.3**	**(717.0)**	**(32.2)**	**–**	**6 560.4**
Profit for the year attributable to ordinary shareholders					**1 827.2**				**1 827.2**
Gain on cash flow hedge							**1.4**		**1.4**
Remeasurement of post-retirement medical aid					**(0.2)**				**(0.2)**
Remeasurement of retirement funds					**131.1**				**131.1**
Recognition of share-based payments				**23.9**					**23.9**
Take-up of share options		**227.5**		**(122.4)**					**105.1**
Transfer arising from take-up of share options				**122.4**	**(122.4)**				**–**
Settlement of share-based payments		**59.7**		**(42.1)**	**(17.6)**				**–**
Share repurchases		**(281.1)**							**(281.1)**
Dividends paid					**(1 357.8)**				**(1 357.8)**
Non-controlling interest arising on business acquisition								**27.6**	**27.6**
Purchase obligation of non-controlling interest						**(26.8)**		**(27.6)**	**(54.4)**
Exchange rate translation			**131.9**			**(5.3)**			**126.6**
Capital and reserves at 30 September 2018	**2 231.5**	**(10.0)**	**181.8**	**274.8**	**5 211.6**	**(749.1)**	**(30.8)**	**–**	**7 109.8**

* *Refer to restatement note 9.*

Summarised consolidated statement of cash flows

Rmillion	Notes	YEAR ENDED SEPTEMBER 2018	2017 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		**1 975.8**	1 411.2
Operating profit before:		**2 779.3**	2 576.1
Non-cash items		**738.9**	680.9
Net loss on disposal of property, plant and equipment		**37.2**	15.7
Net working capital changes		**416.3**	13.0
– Decrease/(increase) in inventories		**94.7**	(23.7)
– Increase in trade and other receivables		**(1 094.0)**	(221.7)
– Increase in trade payables and provisions		**1 415.6**	258.4
Cash generated from operations		**3 971.7**	3 285.7
Interest received		**94.0**	109.9
Interest paid		**(123.3)**	(106.1)
Taxation paid		**(608.8)**	(626.6)
Dividends paid		**(1 357.8)**	(1 251.7)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 453.3)**	(1 496.0)
Acquisition of businesses/subsidiaries	4.4	**(453.2)**	(142.7)
Proceeds from disposal of businesses	4.2	**47.7**	48.0
Proceeds on disposal of assets held for sale		**27.5**	25.9
Investment to expand operations		**(456.1)**	(842.1)
Investment to maintain operations		**(316.2)**	(248.8)
– Replacement of property, plant and equipment		**(352.9)**	(330.0)
– Proceeds on disposal of property, plant and equipment		**36.7**	81.2
Proceeds on loans and investments#		**398.8**	450.9
Repayments of loans and investments#		**(701.8)**	(787.2)
CASH FLOWS FROM FINANCING ACTIVITIES		**(428.0)**	3.4
Proceeds from exercise of share options		**105.1**	53.8
Proceeds from borrowings#			156.2
Repayments of borrowings#		**(252.0)**	(76.8)
Share repurchases		**(281.1)**	(129.8)
Net movement in cash and cash equivalents		**94.5**	(81.4)
Net cash balances at beginning of year		**1 472.0**	1 532.9
Exchange rate translation		**31.7**	20.5
Net cash balances at end of year		**1 598.2**	1 472.0

* Refer to restatement note 9.
\# Restatement of presentation of investing and financing activities.

The presentation of cash flows relating to loans and investments and borrowings have been re-presented to reflect the gross movements in line with IAS 7 (para 21). The restatement of the presentation did not result in a change to the net cash flows from investing and financing activities respectively.

Notes to the summarised consolidated financial statements

1. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

2. SALIENT STATISTICS AND HEADLINE EARNINGS

Rmillion		% Change	YEAR ENDED SEPTEMBER 2018	YEAR ENDED SEPTEMBER 2017 Restated*
SALIENT STATISTICS				
Headline earnings per share	(cents)	1.4	**965.7**	952.8
Diluted headline earnings per share	(cents)	1.3	**958.9**	946.6
Dividend per share	(cents)	8.0	**729**	675.0
Net asset value per share	(cents)	8.4	**3 692.2**	3 407.0
Operating profit margin	(%)		**2.8**	2.7
Return on equity	(%)		**26.7**	29.9
HEADLINE EARNINGS RECONCILIATION				
Profit for the year attributable to ordinary shareholders			**1 827.2**	1 820.6
Adjusted for:				
Loss on disposal of property, plant and equipment			**34.2**	13.9
– Gross			**37.2**	15.7
– Tax effect			**(3.0)**	(1.8)
Profit on disposal of assets held for sale			**(4.4)**	(7.5)
Fair value adjustment to assets held for sale				1.2
Impairment of goodwill			**12.3**	9.3
Profit on disposal of businesses			**(9.7)**	(2.8)
Headline earnings			**1 859.6**	1 834.7

* *Refer to restatement note 9.*

3. SEGMENTAL REPORTING

Segment accounting policies applied in the summarised consolidated financial statements are consistent with those adopted for the preparation of the consolidated financial statements.

The principal segments of the group have been identified on a primary basis by geographical segment, which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns. These geographical segments also represent operating segments as they meet the quantitative thresholds.

The Chief Executive Officer (the Chief Operating Decision Maker) (CODM) 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 and Switzerland operations are not considered to be similar to those within Southern Africa or each other.

As a result, the geographical segments of the group have been identified as Southern Africa, Ireland and Switzerland. All segment revenue and expenses are directly attributable to the segments. Segment assets and liabilities include all operating assets and liabilities used by a segment, with the exception of inter-segment assets and liabilities, and IFRS adjustments made by segments to their management report for the purposes of IFRS compliance. These assets and liabilities are all directly attributable to the segments.

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

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

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Switzerland IAS 19 adjustment	Consoli-dated total
2018					
Statement of profit or loss					
Total revenue	**69 453.2**	**22 951.6**	**10 602.7**		**103 007.5**
Operating profit	**2 080.3**	**574.4**	**122.5**	**2.1**	**2 779.3**
Profit before tax	**1 841.6**	**537.9**	**82.5**	**2.1**	**2 464.1**
Interest income	**155.1**	**11.0**	**3.2**		**169.3**
Interest expense	**124.0**	**42.9**	**26.0**		**192.9**
Depreciation	**216.8**	**236.3**	**245.0**		**698.1**
Statement of financial position					
Total assets	**16 436.1**	**9 777.5**	**5 041.9**		**31 255.5**
Total liabilities	**12 718.1**	**7 263.5**	**3 857.3**	**306.8**	**24 145.7**
2017 Restated*					
Statement of profit or loss					
Total revenue	65 068.1	20 939.8	11 201.4		97 209.3
Operating profit	1 998.9	508.2	95.2	(26.2)	2 576.1
Profit before tax	1 933.7	465.8	92.1	(26.2)	2 465.4
Interest income	180.2	11.1	2.4		193.7
Interest expense	97.2	50.5	28.9		176.6
Depreciation	194.2	203.2	260.3		657.7
Statement of financial position					
Total assets	14 843.0	9 272.3	4 861.5		28 976.8
Total liabilities	10 851.6	7 364.7	3 791.7	408.4	22 416.4

Material non-cash items, relating to the movement in the group's financial liabilities, are presented in note 6.

* *Refer to restatement note 9. The comparative segment information has been restated, as the CODM considers these operations based on IFRS financial information.*

4. BUSINESS COMBINATIONS

4.1 Acquisition of S Buys pharmaceutical wholesaler

The group purchased a 60% shareholding in Fifth Season Investments 126 (Pty) Ltd which trades as S Buys, a pharmaceutical wholesaler, effective 1 October 2017. The final consideration paid for these shares was R74.9 million. This purchase was made in order to grow the Pharmacy at SPAR business. The group will purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding is recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. At acquisition, the non-controlling interest was recognised at the proportionate share of the net assets of the business. The non-controlling interest's share of profits or losses are not recognised in equity, but as the movement in the fair value of the discounted financial liability to purchase the remaining shareholding. None of the goodwill recognised on acquisition is expected to be deductible for tax purposes. The initial accounting for the acquisition of S Buys was provisional for the value of intangible assets acquired, as the valuation of these assets had not yet been completed. This process has now been finalised with no resulting changes to the values disclosed for the business combination.

Purchase of commercial property

The group purchased a commercial property for R165.0 million, which is a shopping centre in Pinetown, KwaZulu-Natal, adjacent to the SPAR head office. This shopping centre houses a range of tenants, including certain group functions, from which the company derives rental income. The property was purchased by a wholly owned subsidiary of The SPAR Group Ltd, Knowles Shopping Centre Investments (Pty) Ltd. This acquisition was funded from available cash resources. The initial accounting for the acquisition of the commercial property was provisional for the value of deferred tax. This is now finalised with no resulting change to the values disclosed for the business combination.

Retail stores acquired

During the course of the financial year the group acquired the assets of seven (2017: seven) retail stores in South Africa. GCL 2016 Ltd (Gilletts), a subsidiary of The BWG Group, acquired the assets of two (2017: four) retail stores in the United Kingdom (UK) as well as one store in Ireland (2017: nil). The principal activity of these acquisitions is that of retail trade and all its aspects. These stores were purchased in order to protect strategic sites, and the goodwill arising on the business combinations is an indication of future turnover expected to be made by the group as a result of these acquisitions. These acquisitions were funded from available cash resources.

Acquisition of 4 Aces Wholesale Limited (4 Aces)

The BWG Group acquired the entire issued share capital of 4 Aces Wholesale Limited, a leading independent wholesaler supplying the grocery retail, licensed and foodservice trades in Ireland. Formal approval and clearance was received from the regulating authority in early May, and the acquisition completed on the 11th of May 2018.

Assets acquired and liabilities assumed at date of acquisition

	2018						2017		
Rmillion	Fifth Season Invest-ments 126 (Pty) Ltd	Knowles Shop-ping Centre Invest-ments (Pty) Ltd	UK retail stores	4 Aces Whole-sale	SA retail stores	Total	UK retail stores	SA retail stores	Total
Assets	**196.8**	**165.0**	**58.5**	**234.7**	**32.7**	**687.7**	2.1	15.1	17.2
Property, plant and equipment	**2.8**	**165.0**	**32.7**		**31.1**	**231.6**		15.1	15.1
Goodwill	**30.0**					**30.0**			–
Deferred tax asset	**4.9**					**4.9**			–
Inventories	**73.2**		**6.7**	**63.7**	**1.5**	**145.1**	1.7		1.7
Other financial assets	**0.4**					**0.4**			–
Current tax receivable	**0.1**			**0.5**		**0.6**			–
Trade and other receivables (net of provision)	**84.1**		**2.0**	**110.1**		**196.2**	0.4		0.4
Cash and cash equivalents	**1.3**		**17.1**	**60.4**	**0.1**	**78.9**			–
Liabilities	**(127.8)**	**–**	**(14.0)**	**(134.8)**	**(1.6)**	**(278.2)**	–	–	–
Finance lease liability	**(0.4)**					**(0.4)**			–
Trade and other payables	**(126.5)**		**(13.9)**	**(134.8)**	**(1.6)**	**(276.8)**			–
Income tax liability	**(0.1)**		**(0.1)**			**(0.2)**			–
Bank overdraft	**(0.8)**					**(0.8)**			–
Total identifiable net assets at fair value	**69.0**	**165.0**	**44.5**	**99.9**	**31.1**	**409.5**	2.1	15.1	17.2
Goodwill arising from acquisition	**33.5**		**7.1**	**81.5**	**52.4**	**174.5**	15.2	107.3	122.5
Non-controlling interest	**(27.6)**					**(27.6)**			–
Purchase consideration transferred	**74.9**	**165.0**	**51.6**	**181.4**	**83.5**	**556.4**	17.3	122.4	139.7
Paid in cash	**74.9**	**165.0**	**41.4**	**150.2**	**83.5**	**515.0**	17.3	122.4	139.7
Contingent consideration			**10.2**	**31.2**		**41.4**			–
Cash and cash equivalents acquired	**(0.5)**		**(17.1)**	**(60.4)**	**(0.1)**	**(78.1)**			–
Business acquisition costs		**0.7**		**1.1**		**1.8**	3.0		3.0
Contingent consideration			**(10.2)**	**(31.2)**		**(41.4)**			–
Net cash outflow on acquisition	**74.4**	**165.7**	**24.3**	**90.9**	**83.4**	**438.7**	20.3	122.4	142.7

4.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to previously disclosed as non-current assets held-for-sale relating to ADM Londis in the United Kingdom and four South African retail stores (2017: three retail stores).

	2018			2017
Rmillion	**ADM Londis**	**SA retail stores**	**Total**	**SA retail stores**
Non-current assets	**101.7**	**45.2**	**146.9**	45.2
Property, plant and equipment		**11.5**	**11.5**	6.4
Non-current assets held for sale	**101.7**		**101.7**	
Goodwill		**33.7**	**33.7**	38.8
Current liabilities	**(108.9)**	**–**	**(108.9)**	–
Trade and other payables	**(7.4)**		**(7.4)**	
Deferred consideration payable for ADM Londis	**(101.5)**		**(101.5)**	
Profit on disposal of businesses	**7.2**	**2.5**	**9.7**	2.8
Proceeds	**–**	**47.7**	**47.7**	48.0

4.3 Impact of subsidiaries on the results of the group

Contribution to results for the year

	2018						2017		
Rmillion	**Fifth Season Investments 126 (Pty) Ltd**	**Knowles Shopping Centre Investments (Pty) Ltd**	**SA retail stores**	**4 Aces Wholesale**	**UK retail stores**	**Total**	**UK retail stores**	**SA retail stores**	**Total**
Revenue	**952.7**	**17.5**	**328.6**	**319.0**	**17.2**	**1 635.0**	4.6	468.3	472.9
Trading profit/(losses) before acquisition costs	**17.9**	**8.3**	**(22.9)**	**5.5**	**0.2**	**9.0**	(0.5)	(42.0)	(42.5)

4.4 Cash flow on acquisition of business/subsidiaries

The cash flow on acquisition of business/subsidiaries is noted as being the amount disclosed in note 4.1 and other similar business acquisition costs incurred relating to prospective business acquisitions.

Rmillion	**2018**	**2017**
Net cash outflow (Note 4.1)	**438.7**	142.7
Other business acquisition costs	**14.5**	–
Total net cash outflow relating to acquisitions	**453.2**	142.7

5. FINANCIAL LIABILITIES

5.1 The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 August 2014. The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The financial liability is calculated as the present value of the non-controlling interests share of the expected purchase value and discounted from the expected exercise dates to the reporting date. As at 30 September 2018, the financial liability was valued at R1 216.2 million (2017: R963.8 million) based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

Repayments will commence in December 2019 and continue in 2020 and 2022.

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

In both 2018 and 2017 a fair value adjustment was made to the TIL JV Limited financial liability relating to changes in forecast profits.

5.2 The SPAR Group Ltd acquired a controlling shareholding of 60% in SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 April 2016. Part of the purchase price of this 60% shareholding is a deferred consideration of CHF 16.0 million, which will be paid between December 2020 and February 2021 with the purchase of the remaining 40% of SPAR Holding AG. The purchase of the remaining 40% shareholding is at a set price of CHF 40.3 million. The total obligation of CHF 56.3 million was accounted for as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding.

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

5.3 The SPAR Group Ltd acquired a 60% shareholding in Fifth Season Investments 126 (Pty) Ltd which trades as S Buys, effective 1 October 2017. The SPAR Group Ltd agreed to purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding will be recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. As at 30 September 2018, the financial liability was valued at R49.2 million based on management's expectation of future profit performance.

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

6. FINANCIAL RISK MANAGEMENT

Rmillion	2018	2017 Restated*
Financial instruments classification		
Net bank balances	**1 598.2**	1 472.0
Loans[(1)]	**794.3**	523.1
Block discounting loan receivable[(1)]	**768.2**	760.5
Block discounting loan payable[(2)]	**(785.9)**	(780.8)
Other equity investments[(3)]	**57.9**	57.7
Trade and other receivables[(1)]	**12 134.4**	10 814.3
Trade and other payables[(2)]	**(15 236.0)**	(13 452.7)
FEC liability[(4)]	**(3.3)**	(4.9)
FEC asset[(3)]	**0.3**	0.2
Borrowings[(2)]	**(4 410.1)**	(4 524.8)
Financial liabilities[(3)]	**(2 042.9)**	(1 700.1)

[(1)] *Classified under IAS 39 as loans and receivables.*

[(2)] *Classified under IAS 39 as financial liabilities measured at amortised cost.*

[(3)] *Classified under IAS 39 as financial assets or liabilities at fair value through profit or loss.*

[(4)] *Designated as a hedging instrument.*

* *Refer to restatement note 9.*

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.

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 are carried at fair value and are further categorised into the appropriate fair value hierarchy:

Financial instruments

		Fair value		
Rmillion	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
2018				
Other equity investments	**56.9**		**56.9**	
FEC liability designated as a hedging instrument	**(3.3)**		**(3.3)**	
FEC asset at fair value through profit or loss	**0.3**		**0.3**	
Financial liabilities	**(2 042.9)**			**(2 042.9)**
Total	**(1 989.0)**	**–**	**53.9**	**(2 042.9)**
2017				
Other equity investments	55.3		55.3	
FEC liability designated as a hedging instrument	(4.9)		(4.9)	
FEC asset at fair value through profit or loss	0.2		0.2	
Financial liabilities	(1 700.1)			(1 700.1)
Total	(1 649.5)	–	50.6	(1 700.1)

Level 2 valuation methods and inputs

The level 2 financial instruments consist of the investment in Group Risk Holdings (Pty) Ltd (GRH) and the Hypo Vorarlberg bank security deposit. The value of the investment in GRH is based on the group's premium contributions relative to other shareholders in GRH. The Hypo Vorarlberg bank security deposit is a portfolio of listed shares and bonds, the value of which are observable in the market.

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R2 042.9 million (2017: R1 700.1 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 estimated future profit targets for TIL JV Ltd and Fifth Season Investments (Pty) Ltd, and the discount rates applied. The estimated profitability was based on historical performances but adjusted for expected growth.

The following factors were applied in calculating the financial liabilities at 30 September 2018:

TIL JV Ltd

– Discount rate of 6.7% (2017: 7.2%)

– Closing rand/euro exchange rate of 16.46 (2017: 15.96)

SPAR Holding AG

– Discount rate of 2.0% (2017: 2.0%)

– Closing rand/Swiss franc exchange rate of 14.44 (2017: 13.95)

Fifth Season Investments (Pty) Ltd

– Discount rate of 13.3%

The following tables show how the fair value of the level 3 financial liabilities would change in relation to the discount rate if the discount rate increased or decreased by 0.5%.

	Discount rate %	Sensitivity % change	Liability Rmillion
TIL JV Ltd			
2018			
Financial liability	**6.7**	**0.5**	**(11.7)**
Financial liability	**6.7**	**(0.5)**	**11.9**
2017			
Financial liability	7.2	0.5	(14.0)
Financial liability	7.2	(0.5)	14.3
SPAR Holding AG			
2018			
Financial liability	**2.0**	**0.5**	**(8.8)**
Financial liability	**2.0**	**(0.5)**	**8.7**
2017			
Financial liability	2.0	0.5	(11.9)
Financial liability	2.0	(0.5)	12.1
Fifth Season Investments (Pty) Ltd			
2018			
Financial liability	**13.3**	**0.5**	**(1.0)**
Financial liability	**13.3**	**(0.5)**	**1.0**

The following tables show how the fair value of the level 3 financial liabilities would change in relation to change in the estimated future profit targets by 5.0%.

	Sensitivity % change	Liability Rmillion
TIL JV Ltd		
2018		
Financial liability	**5.0**	**59.2**
Financial liability	**(5.0)**	**(59.1)**
2017		
Financial liability	5.0	46.8
Financial liability	(5.0)	(46.7)
Fifth Season Investments (Pty) Ltd		
2018		
Financial liability	**5.0**	**2.3**
Financial liability	**(5.0)**	**(2.3)**

Movements in level 3 financial instruments carried at fair value

The following tables show a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value:

Rmillion	2018	2017
TIL JV Ltd		
Balance at beginning of year	**963.8**	824.4
Finance costs recognised in profit or loss	**72.3**	60.1
Net exchange differences arising during the period	**40.6**	27.7
Fair value adjustment	**139.5**	51.6
Balance at end of year	**1 216.2**	963.8
SPAR Holding AG		
Balance at beginning of year	**736.3**	743.6
Finance costs recognised in profit or loss	**14.3**	14.2
Net exchange differences arising during the period	**2.9**	(37.6)
Foreign exchange translation	**24.0**	16.1
Balance at end of year	**777.5**	736.3
Fifth Season Investments (Pty) Ltd		
Balance at beginning of year	**–**	
Initial recognition	**54.4**	
Initial recognition reducing non-controlling interest balance	**27.6**	
Initial recognition in equity reserve	**26.8**	
Finance costs recognised in profit or loss	**6.4**	
Fair value adjustment	**(11.6)**	
Balance at end of year	**49.2**	–
Total financial liabilities	**2 042.9**	1 700.1

7. COMMITMENTS

Rmillion	Land and buildings	Other
7.1 Operating lease commitments		
Future minimum lease payments		
2018		
Payable within one year	**1 623.6**	**78.2**
Payable later than one year but not later than five years	**5 434.0**	**124.8**
Payable later than five years	**4 023.9**	**13.9**
Total	**11 081.5**	**216.9**
2017		
Payable within one year	1 804.0	69.9
Payable later than one year but not later than five years	5 495.4	144.0
Payable later than five years	4 357.3	16.0
Total	11 656.7	229.9

Future minimum lease payments relate to obligations under non-cancellable lease contracts.

Rmillion	2018	2017
7.2 Operating lease receivables		
Future minimum sub-lease receivables		
Receivable within one year	**952.7**	1 124.7
Receivable later than one year but not later than five years	**3 132.3**	3 185.9
Receivable later than five years	**1 938.4**	2 093.9
Total operating lease receivables	**6 023.4**	6 404.5

Rmillion	2018	2017
7.3 Capital commitments		
Contracted	**200.5**	549.8
Approved but not contracted	**143.5**	94.8
Total capital commitments	**344.0**	644.6

Capital commitments will be financed from group resources.

8. FINANCIAL GUARANTEES

The financial guarantees may be provided by the group to subsidiaries and affiliates. These financial guarantees are accounted for under IFRS 4 and initially measured at cost and subsequently in terms of IAS 37 which requires the best estimate of the expenditure to settle the present obligation. Management have assessed that the amount that it would rationally pay to settle the obligation is nil.

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

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

The board has limited the guarantee facility to R190.0 million (2017: R190.0 million) relating to Numlite (Pty) Limited. 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 to Numlite (Pty) Ltd, who in turn raises finance via a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility.

The table below represents the full exposure of the group in relation to this financial guarantee as at 30 September 2018.

Rmillion	2018	2017
Financial Guarantees	**169.7**	168.5
Guarantee of Numlite (Pty) Ltd finance obligations	**169.7**	168.5

9. PRIOR PERIOD RESTATEMENT AND CORRECTION OF PRESENTATION

9.1 Correction of presentation

During the year, the Group assessed all income streams from suppliers.

This evaluation revealed that the group had erroneously accounted for certain rebates and income within other income and in some instances recognised these net in operating expenses.

In performing this assessment the following principles were considered:

- Agreements with suppliers whereby volume-related rebates, promotional and marketing allowances and various other fees and discounts, received in connection with the purchase of goods are accounted for as a reduction to cost of sales.
- Income which is earned for a distinct service is recognised as other income.
- Income which is a genuine and specific recovery of a selling cost is recognised as a recovery of operating expenses.

9.2 Prior period restatement

SPAR gives out loans at the prime interest rate to retailers which are immediately sold at prime less one percent to an approved financial institution under a block discounting agreement with recourse. These loans were previously disclosed as contingent liabilities due to SPAR providing financial guarantees against these discounting agreements, which have effectively transferred the loan receivable to the financial institution.

As these loans have been discounted to the financial institution with full recourse resulting in SPAR still being exposed to the credit risk on this transaction, it has been concluded that these loans which represent financial assets do not meet the derecognition criteria in terms of IAS 39. This has resulted in the recognition of a financial asset held at amortised cost which represents the amount owing by the retailer, and a financial liability held at amortised cost which represents the amount owing to the financial institution.

The restatement is effective for the year ended 30 September 2018 and has been applied retrospectively. This has resulted in a restatement of the comparative 2017 and 2016 figures on the statement of financial position. The aggregate effect of the restatement for these periods is as follows:

9.3 Impact on statement of profit or loss and other comprehensive income

	2017 Originally Presented	Effect of Reclassi-fication	Effect of Restatement	2017 Restated
Revenue	97 174.2	41.5	(6.4)	97 209.3
Turnover	95 461.1	(88.0)		95 373.1
Cost of sales	(85 830.2)	666.9		(85 163.3)
Gross profit	9 630.9	578.9	–	10 209.8
Other income	1 713.1	129.5	(6.4)	1 836.2
Net operating expenses	(8 760.6)	(708.4)	–	(9 469.0)
Warehousing and distribution expenses	(2 871.7)	(83.3)		(2 955.0)
Marketing and selling expenses	(4 000.4)	(578.0)		(4 578.4)
Administration and information technology expenses	(1 888.5)	(47.1)		(1 935.6)
Trading profit	2 583.4	–	(6.4)	2 577.0
BBBEE transactions	(0.9)			(0.9)
Operating profit	2 582.5	–	(6.4)	2 576.1
Other non-operating items	(54.6)			(54.6)
Interest income	123.2		70.5	193.7
Interest expense	(113.2)		(63.4)	(176.6)
Finance costs including foreign exchange gains and losses	(64.4)			(64.4)
Share of equity accounted associate (losses)/income	(8.8)			(8.8)
Profit before taxation	2 464.7	–	0.7	2 465.4
Income tax expense	(644.6)		(0.2)	(644.8)
Profit for the year attributable to ordinary shareholders	1 820.1	–	0.5	1 820.6

	cents	cents	cents	cents
Basic earnings per share	945.2	–	0.3	945.5
Diluted earnings per share	939.1	–	0.3	939.4
Headline earnings per share	952.5	–	0.3	952.8
Diluted headline earnings per share	946.4	–	0.2	946.6

9.4 Impact on statement of financial position

	2017 Originally Presented	Effect of Restatement	2017 Restated
Block discounting loan receivable		512.2	512.2
Deferred taxation asset	15.7	5.7	21.4
Current portion of block discounting loan receivable		248.3	248.3
Retained earnings	4 765.9	(14.6)	4 751.3
Block discounting loan payable		525.1	525.1
Current portion of block discounting loan payable		255.7	255.7

	2016 Originally Presented	Effect of Restatement	2016 Restated
Block discounting loan receivable		521.5	521.5
Deferred taxation asset	30.9	5.9	36.8
Current portion of block discounting loan receivable		222.2	222.2
Retained earnings	3 902.3	(15.1)	3 887.2
Block discounting loan payable		536.4	536.4
Current portion of block discounting loan payable		228.3	228.3

9.5 Impact on statement of cash flows

	2017 Originally Presented	Effect of Restatement	2017 Restated
Cash flow from operating activities	1 141.2		1 141.2
Cash generated from operations	3 292.1	(6.4)	3 285.7
Interest paid	(112.5)	6.4	(106.1)

10. BLOCK DISCOUNTING LOANS

Rmillion	2018	2017 Restated*
Block discounting loan receivable	**542.4**	512.2
Current portion of block discounting loan receivable	**225.8**	248.3
Total block discounting loan receivable	**768.2**	760.5
Block discounting loan payable	**553.6**	525.1
Current portion of block discounting loan payable	**232.3**	255.7
Total block discounting loan payable	**785.9**	780.8

SPAR gives out loans at the prime interest rate to retailers which are immediately sold at prime less one percent to an approved financial institution under a block discounting agreement with recourse. The financial institution fulfils all administrative activities relating to the repayment of these loans, and will only revert to SPAR in the unusual instance of default on the part of the retailer.

As these loans have been discounted to the financial institution with full recourse resulting in SPAR still being exposed to the credit risk on this transaction, it has been concluded that these loans receivables do not meet the derecognition criteria for financial assets in terms of IAS 39. This has resulted in the recognition of a financial asset held at amortised cost which represents the amount owing by the retailer, and a financial liability held at amortised cost which represents the amount owing to the financial institution.

Retailer loans are secured by notarial bonds over assets, deeds of suretyship, cession and pledge of shares and in some instances, lease options. The recoverability of amounts owed by retailers is regularly reviewed and assessed on an individual basis. A provision will be raised to the extent a loan is no longer considered recoverable. No provision has been raised at year-end as no material amounts are past due at year end. This is estimated considering past experience and additional risk factors such as significant actual or expected changes in the operating results or business conditions of the retailer. To the extent a loan is considered irrecoverable, the debt is written off.

Schedule of repayment of borrowings

Rmillion	2018	2017 Restated*
Year to September 2018		302.7
Year to September 2019	**285.8**	215.2
Year to September 2020	**236.7**	164.7
Year to September 2021	**177.5**	104.4
Year to September 2022	**114.7**	39.9
Year to September 2023 onwards	**37.5**	
	852.2	826.9

The schedule of borrowings represents the repayments that the retailer will make directly to the financial institution with whom the loans have been discounted.

* *Refer to restatement note 9.*

11. EVENTS AFTER THE REPORTING DATE

11.1 Acquisition of Roadfield Holdings Ltd

The BWG Group has purchased the entire shareholding of Roadfield Holdings Ltd (trading as Corrib Food Products) subject to the approval of the Competition and Consumer Protection Commission (CCPC). Corrib Food Products is a wholesaler of predominantly chilled and frozen sectors in Ireland. The business operates from a major distribution centre based near Athenry, Co. Galway, and other distribution depots in Dublin. Approval for the transaction was received from the CCPC on 31 October 2018.

11.2 The directors are not aware of any matters or circumstances, other than the above, 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.

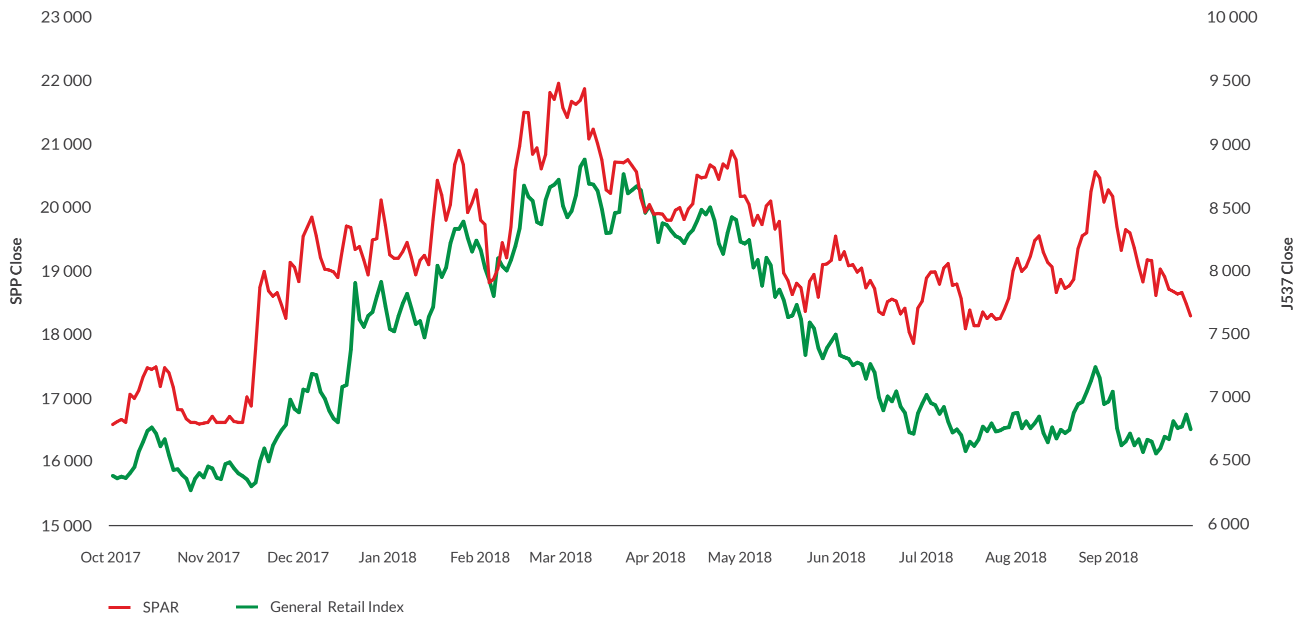
Analysis of ordinary shareholders
as at 28 September 2018

Rmillion	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	**10 294**	**68.94**	**3 531 531**	**1.83**
1 001 – 10 000	**3 561**	**23.85**	**10 823 879**	**5.62**
10 001 – 100 000	**825**	**5.53**	**26 903 561**	**13.97**
100 001 – 1 000 000	**223**	**1.49**	**61 214 010**	**31.78**
Over 1 000 000	**28**	**0.19**	**90 129 374**	**46.80**
Total	**14 931**	**100.00**	**192 602 355**	**100.00**
Distribution of shareholders				
Insurance Companies	**72**	**0.48**	**5 784 262**	**3.00**
Mutual Funds	**904**	**6.05**	**105 446 833**	**54.75**
Private Investors	**13 504**	**90.44**	**20 904 512**	**10.85**
Retirement Pension Funds	**451**	**3.02**	**60 466 748**	**31.39**
Total	**14 931**	**100.00**	**192 602 355**	**100.00**
SHAREHOLDER TYPE				
Non-public shareholders	**15**	**0.10**	**20 977 623**	**10.89**
Directors and associates	**11**	**0.07**	**85 038**	**0.04**
Government Employees Pension Fund	**1**	**0.01**	**20 795 124**	**10.80**
Share schemes	**2**	**0.01**	**25 560**	**0.01**
Treasury	**1**	**0.01**	**71 901**	**0.04**
Public shareholders*	**14 916**	**99.90**	**171 624 732**	**89.11**
Total	**14 931**	**100.00**	**192 602 355**	**100.00**
Fund managers holding in excess of 5% of the company's equity				
Coronation Fund Managers			**37 456 007**	**19.45**
Public Investment Corporation			**24 139 651**	**12.53**
Oppenheimer Funds			**12 851 344**	**6.67**
Total			**95 597 645**	**49.63**
Beneficial owners holding in excess of 5% of the company's equity				
Government Employees Pension Fund			**30 937 596**	**16.06**
Coronation Fund Managers			**17 003 989**	**8.83**
Oppenheimer Funds			**12 631 942**	**6.56**
Total			**67 534 075**	**35.06**

* *Public shareholders have been determined per paragraph 4.25 of the JSE Listings Requirements.*

Share price performance

SPAR (SPP) vs GENERAL RETAIL INDEX (J537)



Shareholder's 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 in terms of section 62(1) of the Companies Act, 71 of 2008, as amended (the '**Companies Act**') that the annual general meeting ('**AGM**') of shareholders of The SPAR Group Ltd (the '**company**') is scheduled to be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 12 February 2019 at 09:00 for the purpose of conducting the following items of business:

ANNUAL FINANCIAL STATEMENTS

To receive, consider and adopt the annual financial statements of the company for the year ended 30 September 2018, including the Directors' Report, the Audit Committee Report, the Social and Ethics Report and the Independent Auditors' Report, as required by section 30(3)(c) of the Companies Act.

ORDINARY BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass (with or without modification) the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution below 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 – Election of non-executive directors**

   Rotation of non-executive directors

   It is recorded that **Phinda Madi** retires as an independent non-executive director of the company in terms of article 5.1(10) of the company's Memorandum of Incorporation ('**MOI**') and does not offer himself for re-election and will retire as a director of the company at the AGM.

   To elect the below-mentioned directors who retire by rotation in terms of the MOI.

   1.1 'Resolved that **Mike Hankinson** (Chairman), retires in terms of the MOI and who, being eligible, offers himself for re-election as an independent non-executive director of the company.'

   Note: The mandatory age limit for non-executive directors is 70 years. Mike Hankinson, who turns 70 in the 2019 financial year, will be retire before the 2020 AGM.

   1.2 'Resolved that **Marang Mashologu** retires in terms of the MOI and who, being eligible, offers herself for re-election as an independent non-executive director of the company.'

   The Nomination Committee conducted an assessment of the independence and performance of Mike Hankinson and Marang Mashologu and the board accepts the results of that assessment.

   Voting for the independent non-executive directors seeking election will be conducted individually.

   Brief *curricula vitae* of these directors can be found on page 40 of the abridged integrated report of which this notice forms part.

2. **Proposed ordinary resolution number 2 – Appointment of the independent external auditor**

   To elect an independent external auditor as required by section 90(1) as read with section 61(8)(c) of the Companies Act to audit the company's annual financial statements for the year ending 30 September 2019.

   'Resolved that **PricewaterhouseCoopers Inc.**, as nominated by the Audit Committee, be re-elected as the independent external auditor of the Company. It is noted that **Sharalene Randelhoff** is the individual registered auditor who will undertake the audit for the ensuring year, being the designated auditor.'

3. **Proposed ordinary resolution number 3 – Election of the members of the Audit Committee**

   To elect members of the Audit Committee for the ensuing year in accordance with section 94(2) of the Companies Act.

   3.1 'Resolved that, subject to the adoption of proposed ordinary resolution number 1.2, **Marang Mashologu** be re-elected as a member of the Audit Committee.'

   3.2 'Resolved that **Harish Mehta** be re-elected as a member of the Audit Committee.'

   3.3 'Resolved that **Andrew Waller** be elected as a member of the Audit Committee.'

   3.4 'Resolved that **Chris Wells** be re-elected as Chairman of the Audit Committee.'

   Voting for the election of members of the Audit Committee will be conducted individually.

   Brief *curricula vitae* of these directors can be found on page 40 of the abridged integrated report of which this notice forms part.

4. **Proposed ordinary resolution number 4 – Authority to issue shares for the purpose of share options**

   Note: The SPAR Group Ltd Employee Share Trust (2004) (the '**Trus**t') scheme closed in 2014 for the issuing of further share options and option holders have 10 years from date of issue to exercise their option rights.

   Pursuant to the granting of share options by the Trust, and in the event of any of the option holders exercising his/her rights thereto, authority is sought to place the issuing of the necessary shares under the control of the directors.

   'Resolved 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 issue those shares in terms of the Trust Deed.'

   Reason and effect
   This resolution is required 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.

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 Ltd Conditional Share Plan ('**CSP**') be, and are hereby, placed under the control of the directors, who are hereby, as a specific authority, authorised to issue those shares in terms of the rules of the CSP.'

   Reason and effect
   This resolution is required 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. The company has not previously had to resort to a fresh issue of shares for these purposes.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass (with or without modification) 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 from 1 March 2019 to 29 February 2020.'

   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**

   To approve the proposed fees (exclusive of VAT, if applicable) of the non-executive directors for the 12 months period from 1 March 2019 to 29 February 2020, as follows:

	Current R	Proposed R
Board of directors		
Chairman (including his participation in all committees)	**1 350 000**	1 410 000
Member	**425 000**	445 000
Audit Committee		
Chairman	**218 000**	225 000
Member	**103 000**	110 000
Other Board Committees		
Chairman	**127 000**	130 000
Member	**85 000**	90 000

Reasons and effect
This resolution is required in order to comply with the Companies Act. Section 65(11)(h) of the Companies Act 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) of the Companies Act.

The effect of this special resolution, if passed, will be the authorisation of the above-mentioned fees. The proposed fees have been determined pursuant to a benchmarking exercise undertaken by the Remuneration Committee.

NON-BINDING ADVISORY RESOLUTIONS

Shareholders will be requested to consider and, if deemed fit, to pass (with or without modification) the following resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 50% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders:

To approve, by way of separate advisory non-binding votes, the remuneration policy and implementation report in terms of the King IV Report on Corporate Governance™ for South Africa, 2016 ('**King IV™**') principles and the JSE Listings Requirements.

1. 'Resolved that the 2018 remuneration policy, which can be found on pages 50 to 55 of the abridged integrated report of which this notice forms part, be adopted.'
2. 'Resolved that the implementation report, which can be found on pages 56 to 58 of the abridged integrated report, be adopted.'

Shareholders are reminded that should 25% or more of the votes cast be against one or both of these non-binding resolutions, the company undertakes to engage with shareholders as to the reasons therefore and undertakes to make recommendations based on the feedback received.

Notice of annual general meeting (continued)

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, 1 February 2019. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the meeting is Tuesday, 29 January 2019.

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.

Forms of proxy (which form may be found enclosed) should 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 Monday, 11 February 2019. Thereafter, a proxy form must be handed to the chairperson of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM. 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 letter of authority to do so.

IDENTIFICATION

Section 63(1) of the Companies Act requires meeting participants to provide the person presiding over the meeting with satisfactory identification.

ELECTRONIC COMMUNICATION

Shareholders may participate electronically in the AGM, provided that electronic participants shall not be entitled to cast a vote on any matter put to a vote of the shareholders. Shareholders wishing to participate in the AGM electronically should contact the Group Company Secretary by email to mandy.hogan@spar.co.za not less than 5 (five) business days prior to the AGM. Access to the AGM 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

Mandy Hogan
Company Secretary

13 November 2018

FORM OF PROXY

THE SPAR GROUP LTD
Registration number: 1967/001572/06
JSE code: SPP
ISIN: ZAE000058517
('**SPAR**' or the '**company'**)

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 ('**AGM**') of the company to be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 12 February 2019 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 AGM

as my/our proxy to act for me/us on my/our behalf at the AGM 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.	Election of non-executive directors			
1.1	Mike Hankinson			
1.2	Marang Mashologu			
2.	Re-election of PricewaterhouseCoopers Inc. as auditor and Sharalene Randelhoff as the designated auditor			
3.	Election of the members of the Audit Committee			
3.1	Marang Mashologu			
3.2	Harish Mehta			
3.3	Andrew Waller			
3.4	Chris Wells (Chairman)			
4.	Authority to issues shares for the purpose of share options			
5.	Authority to issues shares for the purpose of the Conditional Share Plan (CSP)			
SPECIAL BUSINESS				
1.	Financial assistance to related or inter-related companies			
2.	Non-executive directors' fees			
NON-BINDING ADVISORY RESOLUTIONS				
1.	Adopt the 2018 remuneration policy			
2.	Adopt the implementation report			

Signed at ______________________ this __________ day of ______________ 2019

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 Monday, 11 February 2019.

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 AGM 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 AGM.
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 AGM.
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 AGM may accept any form of proxy which is completed other than in accordance with these notes if the Chairman of the AGM is satisfied as to the manner in which the member wishes to vote.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise;
- if the instrument appointing a proxy has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's Memorandum of Incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so; and
- if a company issues an invitation to its shareholders to appoint 1 (one) or more persons named by the company as a proxy, or supplies a form of proxy instrument:
  - the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised;
  - the invitation or form of proxy instrument supplied by the company must:
    - bear a reasonably prominent summary of the rights established in section 58 of the Companies Act;
    - contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name and, if desired, an alternative name of a proxy chosen by the shareholder; and
    - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting;
  - the company must not require that the proxy appointment be made irrevocable; and
  - the proxy appointment remains valid only until the end of the meeting at which it was intended to be used.

Directorate and administration

DIRECTORS: MJ Hankinson* (Chairman), GO O'Connor (Chief Executive Officer), MW Godfrey, WA Hook, MP Madi*, M Mashologu*, HK Mehta*, P Mnganga*, R Venter, AG Waller*, CF Wells*

* *Non-executive*

Company Secretary: MJ Hogan

THE SPAR GROUP LTD
Registration number: 1967/001572/06
ISIN: ZAE000058517
JSE share code: SPP

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2000

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PricewaterhouseCoopers Inc.
PO Box 1274
Umhlanga Rocks
4320

Sponsor
One Capital
PO Box 784573
Sandton
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Bankers
Rand Merchant Bank, a division of FirstRand Bank Ltd
PO Box 4130
The Square
Umhlanga Rocks
4021

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