

VALUE CREATING BUSINESS MODEL

Our value creating business model gives meaning to what we do. Our business draws on six capitals inputs. Through our core business activities, we convert these inputs to outputs for our independent retailers, as well as by-products and waste. When successfully executed, our business activities and outputs lead to outcomes effecting our six capitals inputs, creating a virtuous circle and sustainable value for shareholders and all of our stakeholders over the short, medium and long term.

INPUTS



Financial capital

Financial capital represents funding received from equity and debt providers as well as financial resources available to the group. Financial capital is used to procure goods and services, pay salaries and taxes, develop new products, invest in systems, facilities, operations and equipment, and to pay our funders and shareholders.

Equity of
R7.9 billion

Long-term borrowings of
R6.7 billion

Net cash balance of
R723.1 million



Manufactured capital

Manufactured capital includes the infrastructure for our wholesale and logistics business to be able to service our independent retailers. This includes our head offices, distributions centres (with cooling facilities, recycling and reclamation plants), warehouses, trucks, forklifts and information technology systems. It also includes the independent retailer store network which we have helped expand.

4 357
stores

15
distribution centres

Four
support offices

Logistics
fleet



Human capital

We use the skills, capabilities and passion of employees and management teams across all our regions to execute business activities and build relationships with our key stakeholders. We rely on our board to hold executive management accountable for day-to-day running of the business and the implementation of its strategy. We rely on our employees to drive the culture of our business.

10 168
employees*

Purpose
and
values
driven culture

Excellent
succession
planning
in place

Training and
leadership
programmes
through the SPAR
Academy of Learning



Intellectual capital

This capital focuses on our accumulated knowledge, guild structures (where applicable), systems, processes, policies and manuals, intellectual property such as our numerous house brands and retailer in-store concepts, as well as the SPAR brand and all the brands associated with our group.

This capital informs our values and culture, board and governance structures, category management capability and joint business planning with suppliers.

We use this capital to support our retailers via promotions and marketing campaigns, pricing strategies and retailer conferences.



Social and relationship capital

We use our ability to create and sustain relationships with material stakeholders to create an environment in which to perform our business activities, to partner for shared value creation (read more on page 21) and to ensure a sustainable food network.

7 million
SPAR rewards
customers in
South Africa

75% – 80%
SPAR food retailer
loyalty rate
in South Africa

Procuring goods
and services from
hundreds of suppliers
across the group

Through our rural hub programme, collaborating between small-scale farmers, communities and retailers to improve food security, affordability and nutrition for rural communities in South Africa.

Strong platforms in place for effective stakeholder engagement, including with our shareholders.



Natural capital

We use this capital as input for the products we distribute and sell, our properties and the water and energy we use in our operations (including electricity, diesel, fuel and gas).

OUR PURPOSE

to inspire people to do and be more

OUR VISION

1st choice brand in the communities
we serve

GOVERNANCE FRAMEWORK & POLICIES
SUPPORTING MATERIAL RELATIONSHIPS

CORE BUSINESS ACTIVITIES

Procurement

Our relationship with suppliers, joint planning meetings and investment in research and new product development enable SPAR to offer retailers a full range of competitively priced fresh and dry goods to sell. We ensure sustainable supply through an optimised value chain that protects our margins. Most of our procurement happens at distribution centre level.

margin loss, food and packaging waste and out of stock situations.

Areas of waste and value erosion that we manage

Retailer support and marketing

We support retailers through marketing, promotions, human resource and systems support, and training initiatives. Retailers participate in working sessions around cash flow and retail profitability to ensure the sustainability of their stores.

margin loss, out of stock situations, packaging waste, water, emissions and energy.

Areas of waste and value erosion that we manage

EMPLOYEES

RETAILERS

SUPPLIERS

* Note: This number excludes the thousands of independent retailers and their employees across all our regions – all part of the wider SPAR family and our value creation chain.

For more information about SPAR and our values, please refer to pages 7 – 15.

OUTPUTS

Outputs represent the direct products and services generated through our business activities in supporting our independent **retailers**, who sell goods to **consumers** and support their **communities**.

Examples of products we source from our suppliers for our independent retailers include:

Competitively priced fresh produce, dry goods and a range of house brands, including SPAR private label, enabling these small business owners (our independent retailers) to compete within their local markets.

Examples of services we provide for our independent retailers include:

World-class distribution and retail operational support services, and promotional and marketing support.

The external environment represents all outside influences that could impact our operations across our regions and geographies. It includes the micro and macro environments in which we operate.

For more information about our operating environments please refer to page 30.

EXAMPLES OF OUTCOMES



Financial capital

+13.5%
turnover
growth

+15.6%
operating
profit growth

+8.8%
growth in normalised
diluted HEPS*

+8.1%
dividend
growth



Manufactured capital

R2 billion of
capital expenditure

Three new distribution centres
in Poland (two operational)

326
new stores

434
store upgrades

12.5% increase
in warehousing space



Human capital

23.9% increase in employees
from **8 206** to **10 168**

Certified as a **top employer**
in South Africa

Brett Botten has been appointed as Group CEO with effect from 1 March 2021. Brett has been with the business for 25 years. He has extensive operational experience, a financial background, and a deep appreciation for SPAR's culture and its values. We believe it is this culture that attracts like-minded people and retains talent for long periods of time.



Intellectual capital

+14.1% private label wholesale turnover growth in South Africa. The acquisition of a share in SPAR Encore strengthened our intellectual capital vested in the development of private label and helped to secure an important part of our supply chain.

During 2020 our executive team hosted a 'brand essence' workshop. SPAR's brand essence, 'It's personal' will be used to support marketing, advertising and promotions. Continued roll out of successful in-store concepts in South Africa.



Social and relationship capital

Our stores have provided a safe haven for customers during a time of crisis – COVID-19. Communities relied on their neighbourhood stores to shop for essential goods in a safe, hygienic, clean and friendly environment.

R5 million in food items delivered
to those in need through
Get Real COVID-19 egg challenge

Level six BBBEE
in South Africa

Gender based violence campaign
launched – **R2.5 million** donated
to GBV charities from funds
raised at till points

Rated **#1 retailer** in
Advantage Group's 2020 FMCG
Retailer Benchmark Set

R23.5 million
corporate social investment
spend in South Africa

R45.8 million in COVID-19 related
expenditure to protect employees
and assist social initiatives such
as testing stations

Continued development of our SPAR rural hub programme, which received public recognition this year, winning two awards at the ABSA Business Day Supplier Development Awards (read more in our environmental and social supplementary report online).

SPAR has a long-standing relationship supporting South Africa's national netball team, nicknamed the SPAR Proteas – representing South Africa in women's international netball.



Natural capital

15 748 tonnes recycled through
distribution centres in South Africa

80 478 tonnes
CO₂e total footprint Scope 1 and 2

8 042MWh of energy generated
by distribution centres in RSA

Build it procured wood is **100%** Forest
Stewardship Council (FSC) certified

During 2020 we improved disclosure of SPAR's environmental practices in South Africa through the CDP water security, CDP climate change and CDP forests submissions. We are finding solutions for food waste, and all distribution centres have comprehensive recycling programmes for plastic and cardboard. Energy consumption is being tracked at our distribution centres, with all centres now using renewable energy through solar panels.

Warehousing
We use technology and analytics to create infrastructure and facilities that optimise the quality and availability of products. Our distribution centres and warehouses are strategically located to facilitate imports and optimise inventory and picking/loading efficiency.

Areas of waste and value erosion that we manage
food and packaging waste, damaged goods and pilferage, waste water and emissions.

Distribution

To get the right products to our retailers at the right time we ensure load optimisation, effective routing solutions and manage our fleet through driver management and fuel saving initiatives. Our transport partnerships provide access to a national system linking us to suppliers. We ensure the value of every truck on the road is as high as possible.

Areas of waste and value erosion that we manage
fuel inefficiency, damaged goods and emissions.

COMMUNITIES

CONSUMERS

For more information about our strategic risk and opportunities, please refer to page 55



EXAMPLES OF OUR CAPITAL TRADE OFFS



Financial capital

The board elected to declare an interim dividend, which went against the trend among retail companies at that point in time, given the levels of uncertainty around COVID-19. Some investors expressed concern around the board's decision to do so, at a time when most companies were electing to preserve cash, while some shareholders were appreciative of the dividend declared.



Manufactured capital

Investment in the Polish business is creating short to medium-term losses for the business as we develop the opportunity in this market. This investment unlocks the potential for long-term value creation and growth.



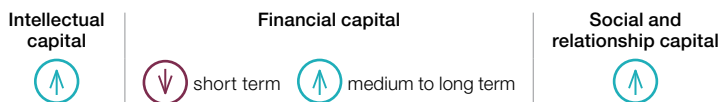
Human capital

In South Africa TOPS at SPAR and Build it were severely impacted by closures due to lockdown regulations. Despite the loss of turnover (these businesses represent c.20% of our South African business), SPAR chose not to reduce the salaries of our liquor and Build it employees at this time, given that the food business was for the most part fully operational as an essential service. This was in line with our values, culture and intent to build long-term employee loyalty rather than achieving short-term gains.



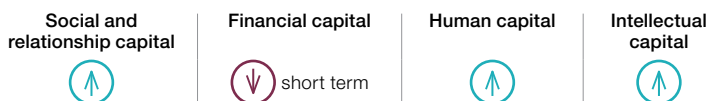
Intellectual capital

Our house brands and in-store concepts require significant financial capital input, however they are helping to drive organic growth for our retailers and form part of our overall retail support offering. Helping our retailers build better businesses, builds their trust in us and can lead to increased retailer loyalty: a virtuous circle.



Social and relationship capital

During 2020, SPAR launched its gender based violence (GBV) campaign in South Africa. GBV is a deeply concerning social issue in South Africa and as a responsible corporate citizen, we are choosing to play an active role in the fight to end GBV (read more about GBV on page 15). The campaign required financial capital to create awareness at our distribution centres and stores; however, we believe it is the right thing to do for our employees and communities.



Natural capital

Becoming energy efficient and environmentally friendly requires financial investment in the short term; however, it can lead to long-term savings and will help preserve natural capital. It creates goodwill with material stakeholders, which is in line with how we do business.



VALUE CREATION IN THE CONTEXT OF OUR **STRATEGIC APPROACH**

SPAR's values, culture and mindset drive a business model that creates positive outcomes for our stakeholders. By working towards these outcomes, we align our efforts, decisions and resource allocation for impact over the long term.

Further to our value creating business model, our value creation is linked to our strategy for the group – see strategy on page 48.

The three objectives or outcomes inherent within our group strategy and approach are:



Sustainable stakeholder value

- SPAR stakeholders benefit from being part of the SPAR family
- Interests of stakeholders are well balanced to ensure the entire system is sustainable in the long term
- 'Value' refers to the broad range of benefits we deliver to all our stakeholders, due to our business activities and the actions we have taken to produce positive outcomes using the six capital inputs listed on page 42.



Loved and respected as a brand

- The SPAR brand has a strong emotional connection with stakeholders
- We are respected for the difference we make in South Africa and our communities
- We are respected for our strong ethics
- Stakeholders want to be and enjoy being associated with SPAR



Nutritious and affordable food

- Consumers have access to nutritious food at affordable and competitive prices
- Nutritional needs are being met as a result of SPAR's work in this space (especially in South Africa, where this is most needed, given the level of cash-strapped consumers)
- We make a positive impact on the health of consumers, especially in areas related to healthier eating habits

OUR PURPOSE-DRIVEN STRATEGY

By living our values of entrepreneurship, family values and passion, we remain true to our purpose: to inspire people to do and be more.

In recent years, we developed a purpose-driven strategy in line with our values, to achieve our strategic outcomes, thereby creating value for all stakeholders.

Although the strategy was developed in the context of the South African market, the principle of a purpose-driven strategic approach and the three strategic outcomes apply to the group as a whole. Our values help create our purpose – essentially helping to develop and maintain SPAR's special culture, which we believe is key to the overall performance of the business and something we have been focused on in all of our markets. Our goal is to establish a culture as we know it, while embracing local customs and traditions of the markets we find ourselves in.

The SPAR board is the custodian of the group's strategy. Regular updates on progress allow the board to provide oversight and monitor implementation. The board and executive team apply the following principles when considering our strategy:

- Work towards outcomes, not milestones
- Agile – think and act quickly, fail fast, course correct
- Integrate risk thinking into ways of working
- Apply systemic thinking
- Inclusive communication is critical

One of the biggest shifts that happened this year was the way in which people now understand how the various parts of the strategy impact each other. Taking an integrated view of strategy has changed how we manage the business: strategy is now embedded in our thinking through a common purpose.

Kevin O'Brien,
Risk and Sustainability Executive

IMPLEMENTING SUSTAINABLE CHANGE THROUGH OUR PURPOSE-DRIVEN STRATEGY

SPAR South Africa was recently awarded the Rural and Township Development Award at the 2020 ABSA Business Day Supplier Development Awards in South Africa, and also claimed the prize of Overall Winner for its SPAR rural hub programme.

The SPAR rural hub programme is a collaboration between small-scale farmers, communities and retailers to improve food security, affordability and nutrition for rural communities in South Africa. Cost efficient and environmentally responsible, the hub contributes towards job creation, income generation, infrastructure development, skills transfer and empowerment, while creating a food system that provides affordable, nutritious, fresh produce.

When assessing entries for the Rural and Township Development Award, the judges felt that the SPAR rural hub model was intentionally focused on rural community development and was different to other programmes in that it addresses a systemic issue such as food security. They were further impressed by the transformational aspect of the programme targeted at an impoverished sector of society. The shortening of the supply chain by providing a localised distribution platform was further viewed positively.

SPAR South Africa was also awarded the Overall Winner Award for its rural hub programme, and recognised for sticking true to its purpose: 'to inspire people to do and be more'. The judges were particularly impressed by SPAR South Africa's recognition of the transformative potential of 'purpose' and their efforts to position this focus to achieve greater integration.

The investment made in the rural hub programme, the willingness to develop suppliers and working with competitors to ensure small-scale suppliers become GLOBALG.A.P accredited was commended. SPAR South Africa's commitment to collaborative action through partnership was evident in the outcomes and outputs created by successful long-term supplier development.

A partnership with scientific institutions, nutrition experts, and other local and international organisations was instrumental in SPAR South Africa's introduction of the SPAR rural hub programme – which included support from the Global Alliance for the Improvement of Nutrition.

For more information about our SPAR rural hub programme please refer to our environmental and social supplementary report online.

The SPAR rural hub initiative is evidence of a purpose-led strategy being implemented on the ground. We inspire people to do and be more by addressing real South African challenges, including food security, nutrition, job creation and transformation.

Graham O'Connor, Group CEO

OUR PURPOSE

To inspire people to do and be more

OUR VISION

To be the first-choice brand in the communities we serve

OUR VALUES



Entrepreneurship



Family values



Passion

OUR THREE STRATEGIC OUTCOMES

Sustainable
stakeholder
value

Loved and
respected as
a brand

Affordable
and nutritious
food

OUR STRATEGIC FOCUS AREAS

**Build our
brand in hearts
and minds**

- Brand essence
- House brands
- Rewards
- Marketing, advertising and promotions

**Embed
diversity and
transformation**

- SPAR employees
- Retailers
- Suppliers

**Put
consumers
at our heart**

- Understand needs
- Our offerings to consumers
- Innovation and new business
- Digitalisation

**Provide
nutritious and
affordable
food**

- Fresh
- Supply chain efficiency/resilience
- Informal food economy
- Nutrition

**Grow and
inspire
our people**

- Culture
- Organisation of the future
- Talent management

**Drive our
future voluntary
trading model**

- Relationships
- Our offering to retail
- Standards and rules

REGIONAL STRATEGIC PROGRESS

The following section highlights areas of focus for each of our main regions, together with an update on progress made during the year.



SOUTHERN AFRICA

Strategic focus areas

Progress in 2020

Grow and inspire our people	Talent management focused on the assessment of current and potential candidates and identifying individuals to fast track and develop. We reviewed group structures based on what we learnt during COVID-19 and evaluated the future format of critical roles. We conducted a culture and inclusion survey and are working on a group and divisional culture change rollout plan.
Provide nutritious and affordable food	Fourteen supply chain optimisation and collaboration projects are being tracked. We defined what we mean by 'excellence in Fresh' and accordingly identified equipment and preferred suppliers. Based on our definition, we are assessing our product range, sourcing and route to market. We also defined 'health' and 'nutrition'. All house brands and <i>Freshline</i> products that can be classified as healthy were categorised and sent to distribution centres for reference. We also held workshops to better understand the system of trading in the informal market. We are identifying key criteria for wholesale and retail to effectively enter and expand in this market.
Embed diversity and transformation	We are finalising bank funding schemes and other support mechanisms to attract and assist small business owners in disadvantaged communities. We also identified organisations where we need membership to be able to build networks in the right communities. All existing retailers will have their BBBEE scorecards completed by the end of March 2021. In terms of employee transformation, we completed a talent management and succession review focused on employment equity and female candidates and identified positions which should be targeted.
Build our brand in hearts and minds	We agreed on our brand essence. Through common understanding of what our brand stands for, we can now plan to embed it and link it to our marketing plans. We also decided to prioritise customer engagement rather than focusing solely on our rewards strategy.
Drive our future voluntary trading model	The guilds' Memorandum of Incorporation and member agreements have been unchanged for many years. Within a dynamic retail world, there are areas that we are working on to update or expand, with focus on retailer profitability and returns, store standards, loyalty and store footprint protection. We are also improving the segmentation of services to retailers based on their size and unique requirements. We are working on building a model to offer a bouquet of services, for example human resources and financial support services.
Put consumers at our heart	We are creating awareness of consumer segments based on demographic profiles, life stages and circumstances, influences, mindsets and significant tensions in consumers' lives. This helps us develop a common language around consumers for use across the business. It also assists in understanding the common themes that will allow us to uniquely think about, talk to and innovate for our consumers.



STRATEGIC PLAN 2016 – 2021

Strategic focus areas	Progress in 2020
Distribution	We continue to review the BWG Group supply chain to stress test distribution and minimise costs. Optimisation plans for the distribution centres assess capacity, productivity and service levels to improve capacity management and reduce working capital. Our transport optimisation plan focuses on refining asset use and reducing costs.
Information technology (IT)	2020 delivered the greatest single period of progress in IT across BWG Group and its retail customers. The COVID-19 pandemic has been a catalyst for online retail and remote working, including video conferencing and new ways of working. This is supported by an e-commerce strategy to address online, mobile and integrated solutions. Our IT plan continues to focus on more efficient and lower-cost infrastructure upgrades, standardisation and redesign. Further imperatives include software consolidation, social media and business intelligence capabilities.
Acquisitions	The acquisition plan is based on growth aspirations, shareholder support from the group and management expertise. Targets were identified and explored to retain strategic retail business. A further imperative is retaining and developing strategic categories.
People	We continue to refine the management structure based on succession planning and talent requirements. Further focus areas include the e-learning academy, strengthening the company culture through feedback programmes, and training to ensure greater productivity and efficiency.
Property	The property plan is a long-term imperative aimed at enhancing profitability and reducing liabilities. It considers asset valuations, disposals and the development of an intellectual property management mandate for the business.
Retail	Our focus is on developing a multibrand strategy for different store formats and to drive SPAR as the leader in the convenience market over the long term. The plan also addresses the EUROSPAR brand strategy imperative and considers innovation to grow margins.





IRELAND (continued)

STRATEGIC PLAN 2016 – 2021

Priorities during 2020

Progress made

Mitigating the ongoing Brexit risk to the business	Although the UK left the EU on 1 January 2020, the extension of the 'transition period' to the end of the 2020 calendar year has meant that there has been no impact in the current financial year. The implications of a 'no deal' scenario remain stark for the UK and the EU, and Ireland would be severely impacted.
Continuing like-for-like topline growth	<p>The impact of COVID-19 had a polarising effect on the topline sales of most stores.</p> <p>Neighbourhood stores and local supermarket stores such as EUROSPAR have been clear beneficiaries of the COVID-19 pandemic, with substantial increases in sales.</p> <p>City centre, business park locations and forecourt operations have been particularly hard hit by the pandemic and experienced substantial declines in sales. However, as travel restrictions eased towards the end of the financial year, these stores started to see growth.</p>
Continuing to support retailers to achieve topline growth and profitability growth	<p>As mentioned, there has been a significant shift in sales dynamics, which has impacted both topline sales and margins at retail:</p> <ul style="list-style-type: none"> • The collapse of the retail foodservice business which delivers high margins to retailers • The increase in low margin sales of tobacco has been significant • The combined increase in alcohol sales and the reduction in promotional activity (due to product availability) has been a positive for retailers • Through the careful management of their businesses, including trimming employment and labour costs and benefiting from government financial support, the majority of stores remained profitable <p>The BWG Foods Trade Show activity is noteworthy in terms of supporting sales and retailer margin and profitability. This is usually the biggest retailer event in the country; however, under COVID-19 restrictions, it became a series of online events, whereby BWG Foods hosted live presentations on a bespoke platform which enabled employees, retailers and suppliers to interact through web chat. The show proved an enormous success with both retail customers and suppliers, and the total order value grew by c.11% versus the prior year when this was held as a physical trade show. This has effectively delivered supplier-funded offers to retailers which have helped to underpin the retailer profitability.</p> <p>A significant spike in demand was driven by a decision to source and supply horticulture to retail customers, effectively filling a gap in the market, given that garden centres were not allowed to open in the early weeks of the pandemic. The sale of bedding plants and flowers was new business to retailers and was effective in many cases in attracting new customers to stores.</p> <p>The Fresh Food support team developed a series of core range solutions videos for retailers. This series of short how to courses and demonstration videos have been specially designed to maximise and deliver retailer margin in the important area of fresh food.</p>
Preparing for and mitigating the risks associated with the changes in legislation on alcohol which are anticipated to take effect in 2020	There has been a significant programme of activity to prepare stores for the new alcohol legislation which took effect from November 2020.
Continued focus on the retail strategy work to differentiate and grow our brands	<p>Notwithstanding the impact of the COVID-19 pandemic, work on strategy development for retail brands Londis and MACE continued apace.</p> <p>The Londis Conference was held in October 2019 and was a key vehicle in communicating the new retail strategy to the Londis retail network.</p> <p>Unfortunately the cancellation of the MACE Conference event limited our ability to communicate the changes in one large briefing, but this has not impacted the development of the strategy work. The communication of the new strategy has been undertaken via online communications tools to ensure that the messages are widely shared.</p>
Continue rolling out the new SPAR retail strategy and delivering best-in-class convenience stores	The SPAR strategy has been well received by retail customers, but the rollout to new stores has been impacted somewhat by COVID-19. Compliance with new rules governing trading, and the protection of employees and customers were prioritised.
Continued focus on delivering topline and profitability growth for BWG Foodservice	The foodservice business has been particularly hard hit by the COVID-19 pandemic. Please refer to Continuing like-for-like topline growth above.







Strategic focus areas	Progress in 2020
The best employees	We aim to motivate and empower employees through our culture, values and processes. We focus on improving communication, providing competitive remuneration, talent management, training and apprenticeships.
World-class supply chain	We focus on supply chain optimisation through supplier engagement and relationships to reduce costs and increase quality. This includes logistics efficiencies and productivity improvements.
Customised range	We focus on category management through an assortment geared towards customers. This also informs new product development.
Competitive pricing	We balance pricing with retailer profitability through marketing and promotions, and by optimising our store portfolio.
Loved/trusted/believable brand	We focus on targeted sales and marketing activities, including our SPAR Friends rewards programme.
New business growth	We focus on expanding our footprint through new sites and stores, and through the use of technology.
Priorities during 2020	Progress made
Topline growth	<p>The closure of unprofitable stores is complete, other than two stores which will remain a challenge in the short term due to leasing and legal commitments in respect of these stores.</p> <p>Due to COVID-19 and the delay on overall business development, including planning permissions and approvals, not all acquisitions, conversions and refurbishment projects progressed according to plan. These are now scheduled for the next year.</p>
Retail profitability	Retail profitability has continued a trend of steady improvement over the past three years. This year was bolstered by the improved fresh offering and sales growth.
Operating expenses and margin management	<p>Margins were managed well, with a reduction in marketing activity contributing to increased gross margins. We expect sustained benefits from the strategic buying and cost saving initiatives we have in place.</p> <p>Operating expenses were managed extremely well considering the COVID-19 impact of elevated labour costs to cope with increased volumes and consequent overtime.</p>
Stockholding	2020 was an abnormal year by all accounts. At the onset of COVID-19 and the initial lockdown in March the purchasing team had to disregard normalised stock levels, as the priority shifted to availability.



Strategic focus areas	Progress in 2020
Distribution	<ul style="list-style-type: none"> Concentrate on the core business by providing a one-stop distribution system and expanding our partnership chain Increase wholesale margin and reduce delivery costs Use category management to improve cash flow and increase sales
Information technology (IT)	<ul style="list-style-type: none"> Integrate and align systems across retail and distribution centres to facilitate retail ordering, expand e-commerce capacity and evolve towards the introduction of SAP software in 2022 Improve systems capacity to provide more efficient financial reporting
People	<p>We hosted a workshop on negotiation skills, offered individual leadership coaching, as well as customer service excellence training for store employees. Given that this business is new to the group, we also hosted coaching sessions with corporate store managers to highlight the importance and increase the understanding of the SPAR values of entrepreneurship, family values and passion.</p>
Retail	<ul style="list-style-type: none"> Strengthen co-operation with independent partners and increase purchasing loyalty Reduce the number of corporate stores by selling them to independent partners Expand our retail business by increasing the number of new and converted EUROSPAR, SPAR and SPAR Express stores and by launching new formats and concepts such as TOPS at SPAR and <i>Beantree</i>

PRIORITIES FOR 2021 AT A GLANCE

The COVID-19 pandemic has shifted consumers away from larger supermarkets and malls, in favour of convenience shopping. The priority across all of our markets for 2021 is in line with our vision – to focus on being the **first-choice brand in the communities we serve**.

 Southern Africa	 Ireland	 Switzerland	 Poland
<ul style="list-style-type: none"> Driving retailer profitability Driving organic growth through in-store concepts, retail excellence and upgrades Retailer support with online 	<ul style="list-style-type: none"> Complete integration of Corrib Food Products and Heaney Meats and drive wholesale opportunity Integrate corporate store development in South West England Ensure successful succession planning implementation 	<ul style="list-style-type: none"> Build on the momentum gained from new business and maximise on opportunity Drive retailer profitability Distribution centre model restructuring to service the South West and new contract Development of private label offering 	<ul style="list-style-type: none"> Achieve breakeven Bed down business operations SPAR values implementation and building culture Strengthen relationship with independent retailers and drive loyalty Development of private label offering Drive online offering

STRATEGIC RISKS AND OPPORTUNITIES

The successful implementation of our strategy relies on the effective mitigation of strategic risks, while identifying potential new opportunities. The board provides integrated oversight based on the inextricable link between strategy, risk, sustainability and performance management. Through a set of governance structures, policies and the enterprise risk management processes, we are able to mitigate risk and support SPAR in being ethical and a good corporate citizen.

In reviewing our strategic risks, executives are embracing the process as an indicator of where the market is headed and where the next opportunities may lie.

We regard strategic risks as those that threaten to disrupt the assumptions at the core of our strategy and our ability to create value over the long term. We also link these strategic risks to operational risks and assess their likelihood and potential impact on SPAR.

Rank	Strategic risk	Related operational risk	Risk management and opportunities
1	Insufficient ability to manage cyber threats and secure data, causing disruption and reputational harm	IT systems failures can cause significant business interruption whereas theft of data or acts of sabotage can lead to data loss or system downtime. This risk includes infiltration of software and/or viruses compromising system security, operations and key data.	<p>Towards the end of the 2019 financial year, the group appointed a new IT executive who has led his department in implementing significant change in digital transformation. COVID-19 has helped to accelerate some of this change, given the shift towards remote working by support staff.</p> <p>Incident management and risk security projects were implemented relating to business continuity and service disruption.</p> <p>Significant investments were made in cyber security monitoring software which is used to monitor and detect cyber threats.</p>
2	Fluctuations and changes in political, regulatory or currency aspects of international business concerns lead to a decrease in group profitability	Currency value fluctuations can have a significant impact on earnings. Political instability and regulatory changes might hinder our ability to conduct business as usual. In international markets, this might limit our ability to maintain business and governance processes.	<p>As international expansion has the potential to place the group under pressure, the board insisted on appropriate due diligence for all new markets entered over the past five years. All of our European economies have been identified as stable and well-regulated.</p> <p>We pursue opportunities that offer the potential for growth, be it acquisitional, identifying gaps in the market and/or in building scale and growing market share. A very real opportunity exists abroad, given the international reach and aspirational value that the SPAR brand offers.</p>
3	Inability to leverage data and new technology, resulting in losing business to competition	Ageing and legacy IT systems, including the lack of a formal integrated human resource system, result in fragmented information which wastes time and causes inaccuracies or errors. The lack of a groupwide supplier database and standard supplier vetting process leads to suboptimal supplier relationships and increased costs. We also depend on external service providers to perform critical business functions.	Major SAP programme hardware upgrades and the introduction of Model Company standard processes and procedures are being implemented to manage the risks associated with system changes and to allow for improved efficiencies as a business.

Strategic risks and opportunities (continued)

Rank	Strategic risk	Related operational risk	Risk management and opportunities
4	Inability to address and deal with business sustainability challenges, leading to the business not being rated as a going concern	<p>The failure of our financial model to provide retailer profitability, especially with major customer groups, can jeopardise SPAR's sustainability and limit our ability to attract new retailers.</p> <p>The inability to deal with the impact of climate change or societal issues, as well as long-lasting inadequate or non-existent access to basic utility services, can lead to financial loss.</p>	<p>We focus on ways to leverage the strength of our voluntary trading model and to ensure that our wholesale business continues to take advantage of innovation in the supply chain.</p> <p>SPAR has a dedicated Risk and Sustainability Executive, who has a team focused on navigating the business towards implementing sustainable societal and environmental impact for the long term. Read more about these initiatives in our environmental and social supplementary report online.</p>
5	Inability to identify, acquire, foster and retain the right talent to achieve strategic and transformation objectives, leading to a decrease in market leadership	If SPAR leadership is unable to drive the SPAR culture, this can result in apathy of employees and poor performance. Lack of transformation can negatively impact the business and lead to inability to attract previously disadvantaged retailers. If retailers do not adhere to or implement group initiatives, this can damage the brand.	<p>The group's approach to transformation is in line with its family values of caring for one another, working towards common goals and embracing change.</p> <p>The group continues to invest in ongoing training and education. Key to Spar's ongoing BBBEE progress is the significant investment it makes towards skills development.</p> <p>The development of previously disadvantaged retailers can lead to greater opportunities in the informal market both for the group as well as for communities, through job creation.</p>
6	Inability to meet changing consumer needs in all aspects, resulting in a decline in business and loss of market share	The lack of appropriate digitalised offerings to consumers can result in a decrease in market share. Poor buying procedures or a failure to recognise changing product demand can result in lost sales or unnecessarily high stock levels.	<p>The nature of the group's operations encourages innovation and agility, working in partnerships with independent retailers to respond and adapt to changing consumer needs. Independent retailers are quick to respond to the needs of consumers within their communities.</p> <p>The group has built strong relationships with its suppliers to manage stock levels appropriately and to keep retailers' shelves replenished.</p> <p>The group has developed an impressive and innovative private label product offering, which means less reliance on suppliers of proprietary brands.</p>
7	Inability to react timeously to regulatory and political changes, leading to sanctions and loss of business	We are at risk of unreasonable or unworkable new regulations if we do not engage with industry bodies and government.	The group, through the Group CEO and other executives, engage regularly with industry bodies like the CGCSA, Business Unity South Africa (BUSA) and the Payments Association of South Africa (PASA) to provide input into draft legislation and regulations. During the COVID-19 pandemic, the Group CEO and other group executives had increased interaction with government directly and through NEDLAC.
8	Loss of business as a result of our inability to respond to a national disaster or business crisis due to a lack of scenario planning, non-existent contingency plans and poor response time	Macroeconomic factors can cause a decline in business. If our business continuity plan is not consistently maintained across all areas of the business, this can lead to a lack of preparedness in an emergency. National crises impact our ability to implement our strategy or conduct business as usual.	<p>The group has a dedicated Risk and Sustainability Executive and team to manage the group's response to disasters. This team were quick to respond to the outbreak of the COVID-19 pandemic earlier in the year.</p> <p>The group has focused on building its business upon the foundation of material relationships, which create stability within the value chain and enhance the ability of the group to respond appropriately and effectively in the time of a crisis.</p>

Rank	Strategic risk	Related operational risk	Risk management and opportunities
9	Lack of appropriate business model for the informal market, which becomes dominated by informal entrepreneurs and SPAR loses its community touch	If we are not able to compete with informal traders, customers can shop elsewhere, leading to a decline in market share. Inconsiderate expansion of SPAR outlets into informal settlements can cause resentment and lack of community buy-in.	<p>SPAR stores are usually run and owned by someone who is part of the community, which helps minimise the risk associated with the lack of community buy-in.</p> <p>The expansion of SPAR into rural areas has been beneficial for consumers in these areas – providing groceries at lower prices, better quality, vastly improved shopping environments and access to other services such as electricity.</p>
10	Lack of investment in future thinking/ scanning leads to the group becoming reactive to change	If we do not plan for and take decisions to create the group of the future, we can lose talented employees and be seen as out of touch with market trends. Our rewards offering can be seen as not adding value.	<p>The group provides products and services to entrepreneurs – our independent retailers. SPAR stores are owner managed and run. One of the major advantages of SPAR's business model is its ability to react quickly to consumer behaviour and demands. The group is entrepreneurial by nature and encourages visionary leadership.</p> <p>The group has a number of programmes in place to nurture and develop employees, namely the executive leadership development programme, future leaders programme, management growth programme and SPAR leadership development programme.</p>



GROUP FD'S FINANCIAL REVIEW

SALIENT FEATURES

Rmillion	Year ended 30 Sep 2020	Year ended 30 Sep 2019	% Change
Turnover ¹	124 277.4	109 477.1	13.5
Operating profit	3 442.6	2 978.9	15.6
Earnings per share (cents)	1 078.7	1 124.1	(4.0)
Headline earnings per share (cents)	1 135.3	1 129.1	0.5
Normalised diluted headline earnings per share (cents) ²	1 262.6	1 160.6	8.8
Dividend per share (cents)	865.0	800.0	8.1
Net asset value per share (cents)	4 102.2	3 879.9	5.7

IMPACT OF POLISH LOSSES

Rmillion	2020	2019	% Change
Headline earnings	2 183.6	2 173.0	0.5
Adjusted for fair value adjustment to, and foreign exchange effects on financial liabilities, and business acquisition costs	253.1	71.6	253.5
Normalised headline earnings ²	2 436.7	2 244.6	8.6
Adjusted for Polish reported headline loss for the period attributable to ordinary shareholders	327.7	27.3	1100.4
Normalised headline earnings excluding Polish result ²	2 764.4	2 271.9	21.7
Diluted weighted average number of ordinary shares net of treasury shares (000)	192 986	193 400	(0.2)
Normalised diluted headline earnings per share (cents) ²	1 262.6	1 160.6	8.8
Normalised diluted headline earnings per share excluding Polish result (cents) ²	1 432.4	1 174.7	21.9

This financial information is the responsibility of the directors and has been prepared for illustrative purposes only and because of its nature, it may not fairly present the group's financial position and results of operations. The table above has been provided to help shareholders understand the impact of the newly acquired Polish business on normalised earnings, for the year ended 30 September 2020.

¹ Turnover represents revenue from the sale of merchandise.

² Diluted headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisition costs.

Mark Godfrey



PERFORMANCE OVERVIEW

The SPAR group has delivered an extraordinary performance for the year ended 30 September 2020. Group turnover increased by 13.5% to R124.3 billion, as consumers supported our local, convenient, and trusted retailers during this time of crisis. Profitability was positively impacted by a change in sales mix as increased home consumption drove higher-margin grocery and fresh categories. Despite the impact of the expected losses in Poland, group normalised diluted headline earnings per share increased by 8.8%. The board carefully considered the business outlook and declared a final dividend of 665 cents per share.

- SPAR Southern Africa contributed growth in wholesale turnover of 5.8% to R78.6 billion. Our core food business increased sales by 9.2%, supported by strong demand for groceries. During this period, internally measured wholesale food inflation has risen to 3.9%. TOPS at SPAR liquor business lost almost a third of its total trading days due to the restrictions on the sale of liquor, with wholesale turnover for the year decreasing by 15.8%. Despite trading restrictions on building materials during the initial five weeks of lockdown, Build it delivered a resilient performance in a weak sector, with wholesale turnover 0.9% down. During the period, the total Southern African store network grew to 2 414 stores, with 65 net new stores opened across all brands. The group completed 310 store upgrades, against 298 upgrades in the comparable period.
- The BWG Group in Ireland delivered a remarkable result, with sales growth across all retail brands more than compensating for the Value Centre Cash & Carry and BWG Foodservice businesses, which have been severely impacted by the COVID-19 restrictions in the hospitality industry. The EUROSPAR format, which offers convenience and a comprehensive range of groceries, has been the outlier performer with sales growth of 11.5% in local currency. The majority of the retail brands in this market are ideally located neighbourhood stores and have performed strongly. The retail network of this business is now 1 391 stores, boosted by the acquisition of corporate retail stores in South West England.
- SPAR Switzerland has performed exceptionally well with turnover increasing by 11.6% in CHF terms. This business has seized the opportunity of changing consumer behaviour, largely influenced by the closure of Swiss borders during the initial lockdown, with locals shopping closer to home and opting for trusted community-based stores over large supermarkets. Our TopCC Cash & Carry business, which caters largely to the hospitality industry, has been boosted by Swiss support of local restaurants during the summer months. SPAR Switzerland's total store network has grown to 333 stores during the period.
- The COVID-19 pandemic has been disruptive to our plans and has delayed progress in the Polish market. Given the level of development and reorganisation required in year one of operations, this business has been most vulnerable to the impact of lockdown restrictions. Despite the setbacks, good progress has nevertheless been made and this region contributed R2.1 billion towards group turnover for the period. The store network stands at 219 stores, including 25 existing Piotr i Paweł stores still to be converted to SPAR stores.



GROUP FINANCIAL REVIEW

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Income statement					
Turnover*	78 605.4	29 896.7	13 641.9	2 133.4	124 277.4
Gross profit	7 796.9	3 994.5	2 515.4	473.1	14 779.9
Operating profit	2 573.6	978.2	361.5	(470.7)	3 442.6
Profit before taxation	2 299.2	651.7	296.6	(551.1)	2 696.4
Financial position					
Total assets	24 136.1	16 466.9	9 402.2	2 733.4	52 738.6
Total liabilities	18 762.5	14 496.8	8 279.0	3 310.6	44 848.9

* Turnover represents revenue from the sale of merchandise.

Turnover for the group increased by 13.5% to R124.3 billion (2019: R109.5 billion), with 36.8% (2019: 32.1%) of total turnover generated in foreign currency. Following the declaration of COVID-19 as a global pandemic, given that the group is an essential services provider in groceries, it has traded throughout the regional lockdowns, which began towards the end of the first half of the financial year. The Polish operations were acquired during the year and have contributed R2.1 billion for the period. The existing group regions have all seen strong turnover growth, despite pandemic-related trading restrictions on certain categories in South Africa, as well as a decline in BWG Foodservice business in Ireland, where this business caters to the hospitality industry. The strong turnover performance of groceries due to increased home consumption during this time of crisis has helped compensate for the decline in other business units. Switzerland saw an exceptional increase in turnover to R13.6 billion, contributing 11.0% (2019: 9.5%) towards group turnover. For more information on turnover by region, please refer to the geographical review on page 61.

Gross margin for the group has increased to 11.9%, up from 10.7% in the prior year, boosted by demand for higher margin fresh and dry grocery categories across all regions. In South Africa lower margin liquor and building materials categories saw restricted periods of trade and were therefore less dilutionary during the period. The acquisition of SPAR Encore was also margin enhancing, as this business traded at a gross profit margin of 15.0%. BWG Foods and Switzerland both operate in the higher-margin convenience sector, reporting gross margins of 13.4% (2019: 13.0%) and 18.4% (2019: 17.6%) respectively. BWG Foods acquired Heaney Meats and a group of corporate stores in South West England during the year, all of which were gross profit margin enhancing. Poland has a group of corporate stores which trade at higher gross margins than wholesale operations, which also contributed positively towards gross margin for the group.

Operating expenses increased significantly year-on-year by 27.2% to R13.9 billion (2019: R10.9 billion). The implementation of IFRS 16 reduced operating expenses by R79.5 million, with net rental expenses of R1 131.6 million being replaced by the depreciation charge on right-of-use assets of R1 052.1 million. The newly acquired business operations in Poland contributed significantly towards the increase in group operating expenses. Excluding the impact of Polish operating expenses, group operating expenses increased by 18.3%. South African business reported an increase in operating expenses of 16.5%. The newly acquired SPAR Encore business contributed 5.6% to this overall increase. Excluding SPAR Encore and S Buys, operating expenses for Southern Africa increased by 11.0%. Employee costs increased by 14.0%, which includes a significant proportion of COVID-19 related employee costs, such as transportation costs for employees to and from the distribution centres. The total estimated costs associated with COVID-19 for South Africa amount to R45.8 million. With employees working remotely due to the pandemic, IT-related expenditure increased significantly.

In EUR terms, operating expenses for the BWG Foods business were well managed, increasing by 3.6% year-on-year. In Switzerland, operating expenses were well contained to an increase of 4.6% in CHF terms.

Profit before tax has declined by 3.1% to R2.7 billion (2019: R2.8 billion). Profit before tax was impacted by the adjustments arising on the fair valuation of the liability to purchase the minority interest in BWG Foods, to the value of R327.8 million. The adoption of IFRS 16 resulted in net finance costs of R227.0 million recognised in the current year. The adoption of IFRS 16 has resulted in a net negative impact of R147.5 million to profit before tax. Profit before tax was fundamentally impacted by the Polish losses. Excluding the impact of Polish losses, group profit before tax increased by 15.5%.

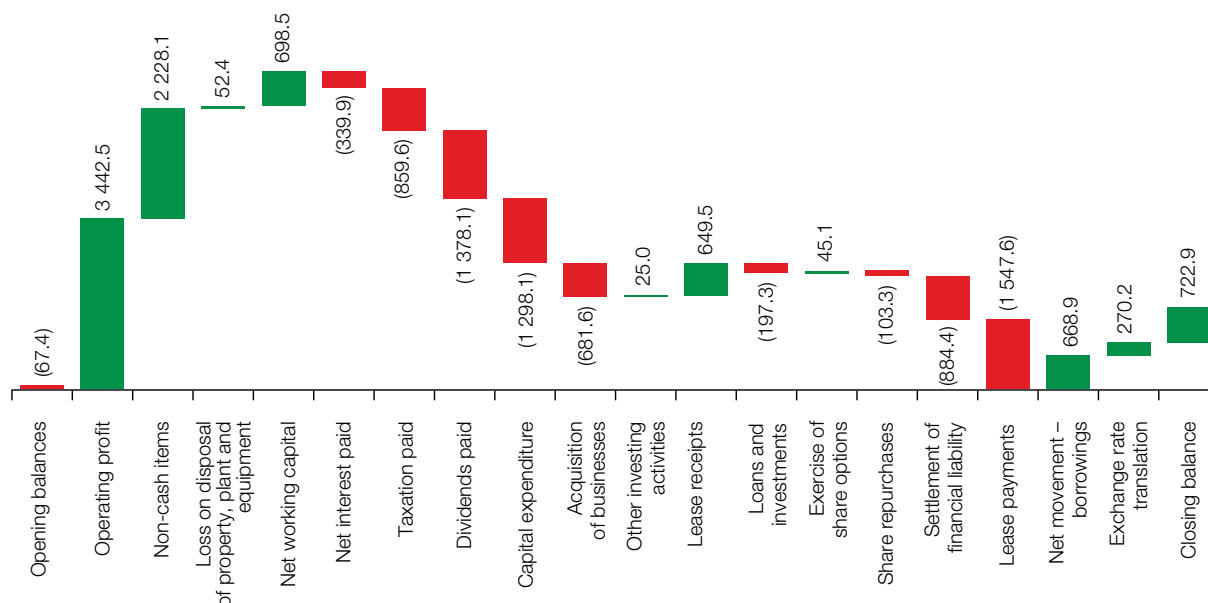
Profit after tax declined 9.6% to R2.0 billion (2019: R2.2 billion). For the financial period, the group's effective tax rate increased by 5.3% from 22.2% to 27.5%. The largest contributors to this increase were caused by the fair valuation of the financial liability relating to the future acquisition of the minority interest in BWG Foods, as mentioned above. In the prior year there was a reduction in the federal tax rate in Switzerland of 3.5%, which resulted in a benefit of 1.9% to the group effective tax rate in the prior year. Tax losses and timing differences not being provided for, the majority of which related to Poland, have resulted in a 1.6% increase to the overall increase in the effective tax rate.

Headline earnings per share increased by 0.5% to 1 135.3 cents (2019: 1 129.1 cents). Normalised diluted headline earnings per share increased by 8.8% to 1 262.6 (2019: 1 160.6 cents). Excluding the losses in Poland, normalised diluted headline earnings per share increased 21.9% year-on-year.

Having declared a conservative interim **dividend** of 200 cents per share, given the levels of uncertainty associated with the pandemic at that point in time, a final dividend of 665 cents has been declared taking the total dividend to 865 cents (2019: 800 cents) per share for the year, an increase of 8.1% year-on-year.

GROUP FINANCIAL REVIEW: CASH FLOW

Rmillion



GEOGRAPHICAL REVIEW

SPAR SOUTHERN AFRICA

The turnover of SPAR Southern Africa increased 5.8% to R78.6 billion (2019: R74.3 billion), reflecting the impact of the sales restriction on liquor, cigarette, home meal replacement and building material categories during lockdown and selected continued trading restrictions on certain categories thereafter. Case volumes (excluding Build it) through the seven distribution centres increased by 0.9% to 246.0 million (2019: 243.9 million) cases. Although we saw large volume increases for groceries and health and beauty categories, these volumes were largely offset by the loss of liquor and cigarette sales due to the trading ban on these categories. Combined food and liquor wholesale turnover growth was recorded at 6.2% and should be viewed against internally calculated food inflation of 3.9%. This inflation measure has decreased from 4.1% measured at half year and the 3.1% reported in 2019.

SPAR (core food business) saw wholesale turnover growth of 9.2% to R62.9 billion (2019: R57.6 billion), driven by changed patterns of consumer buying in favour of local, convenient and trusted retailers, as well as increased home consumption, brought on by the pandemic. At a retail level, turnover increased 8.5% to R91.2 billion (2019: R84.1 billion) and recorded like-for-like retail sales growth of 7.3%.

House brands, including SPAR private label products have performed strongly. During the pandemic, out of stocks and reduced ranges from suppliers presented an opportunity for a new audience to try SPAR private label products. Our strategy of 'as good as the best for less', is simple, but effective, and these products offer good quality and value for money for consumers. Private label wholesale sales increased 14.1% to R10.5 billion, representing 16.7% of core SPAR turnover. Total turnover for all house brands increased 12.1% to R15.0 billion, representing almost 24% of core turnover.

The group remains focused on driving organic retail growth through store upgrades, which include the integration of successful in-store concepts such as *Chicken Chikka* deli counters. During the period, 167 (2019: 181) SPAR stores were refurbished, a real achievement, given the level of disruption caused to non-essential service providers during the lockdown. Total retail space increased by 1.0% (2019: 2.0%). The current year store openings were impacted by the lockdowns which restricted many service providers from operating during this time. Store numbers increased by 15 SPAR stores across the various formats, raising the total SPAR store numbers to 975.

TOPS at SPAR has been severely impacted by the trading restrictions on the sale of liquor during and post the lockdown in South Africa. Wholesale turnover for this business declined by 15.8% to R6.4 billion (2019: R7.6 billion). Our retailers saw sales decline of 17.8% to R10.5 billion (2019: R12.8 billion), with like-for-like sales declining by 19.7%. During the period, the TOPS at SPAR store network increased by 20 stores on a net basis to 842 stores, while 70 stores were revamped. Total retail space for this format increased by 3.6% (2019: 6.7%).

Build it's wholesale turnover growth declined slightly by 0.9% to R7 965.0 million (2019: R8 035.1 million) which is an excellent performance under the circumstances, and given the weakness of the sector in the first half. This business made an impressive recovery after the initial trading restriction of five weeks, from late March to June, largely driven by home improvements during the second half, with consumers spending more time at home due to the pandemic. Build it's house brand and imports have made a strong recovery post lockdown. At year end, Build it's store network totalled 392 stores. Given how successful the upgrade programme has been in driving new business to existing stores, a total of 65 stores were upgraded during the year.

The **Pharmacy at SPAR** business developed 12 new stores during the year, increasing the total number of pharmacy stores to 132 stores. This business reported an increase in turnover of 3.6% to R1 072.8 million. Progress has been made across range, pricing and promotions in respect of the front-of-shop offering. The profitability of this business continues to be negatively impacted by increased distribution costs, due to lack of economies of scale, nevertheless operating profit improved on the prior year.

BWG GROUP (IRELAND AND SOUTH WEST ENGLAND)

The BWG Group delivered a remarkable performance with reported euro-denominated turnover growth of 6.3% to €1.6 billion (2019: €1.5 billion). The COVID-19 restrictions had a severe impact on the performance of the hospitality industry in Ireland, which impacted the Value Centre Cash & Carry and BWG Foodservice businesses. However, the convenience store network (excluding larger city centre and petrol forecourt stores, impacted by consumer behaviour changes brought on by the pandemic) experienced excellent sales growth, more than compensating for the weak performance of business units negatively impacted by the pandemic.

All retail brands including, EUROSPAR, SPAR, Londis, MACE, XL and Gala saw strong retail turnover growth, as consumers chose to support their local convenience stores during this time of crisis. In EUR terms, the existing BWG Foods business contributed turnover growth of 3.4%. The acquisitions of Heaney Meats and corporate stores in South West England during the year, contributed net growth of 2.2% towards turnover. The depreciation of the rand over the reporting period, contributed 14.6% and resulted in revenue growth of 20.4% to R29.9 billion (2019: R24.8 billion). Operating profit increased 42.6% to R978.2 million (2019: R686.1 million), benefiting from the weakening of the rand. The retail network of this business is now 1 391 stores, boosted by the acquisition of corporate retail stores in South West England.

SPAR SWITZERLAND

This business has reported an extraordinary set of results for the period. In CHF terms, this business reported an increase in turnover of 11.6% and an increase in operating profit of 267.8% year-on-year. Reported turnover increased to R13.6 billion, up 31.7% on the prior year (2019: R10.4 billion) and operating profit increased 334.0% to R361.5 million (2019: R83.3 million). Operating expenditure has been well managed and contained at a 4.6% increase in local currency. Shopping in neighbouring countries, where groceries and other products are cheaper than in Switzerland has for some time been normal behaviour among Swiss consumers. However, with the closure of borders earlier in the year due to the lockdown, many consumers were forced to shop at home. In addition consumers opted for local and convenient stores during this time, over large supermarkets. This has resulted in a twofold increase in levels of footfall to our convenience stores, attracting an entire new group of consumers. Our TopCC Cash & Carry business, which caters to the hospitality industry has benefited from restaurants being open during the summer months as many Swiss stayed home for their vacations. SPAR Switzerland launched 11 new stores during the year. At the end of the year there were 333 (2019: 322) corporate and independent retailers serviced.

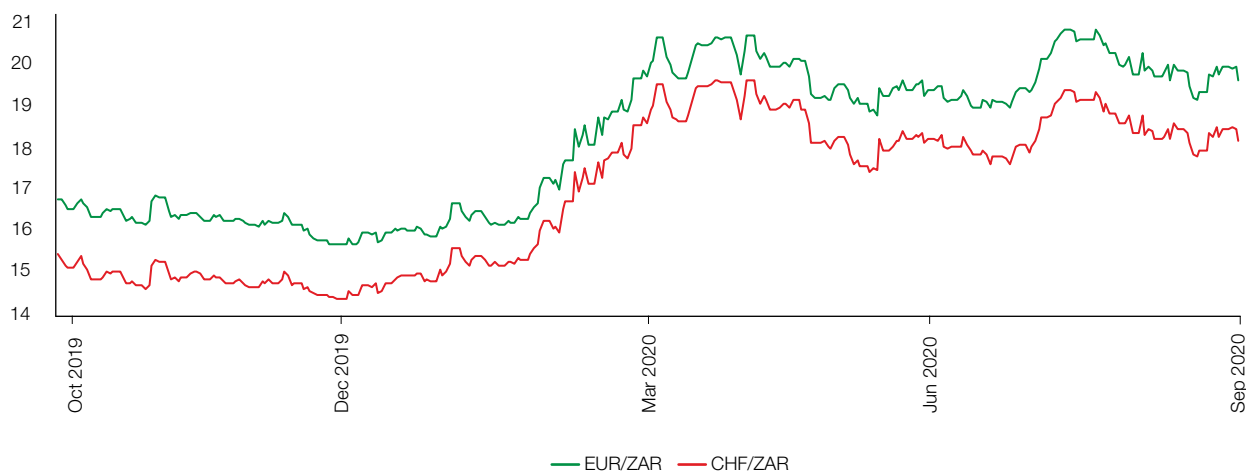
SPAR POLAND

Piotr i Paweł, a retail chain of supermarket stores, together with a wholesale distribution network in Poland, was acquired effective 1 October 2019. This business is in the process of being legally restructured and is nearing completion of these proceedings. The proceedings were delayed significantly due to the lockdown measures in Poland, which suspended all court activity and prevented the settlement of the matter. Mall-based stores have been impacted by reduced footfall in malls due to the pandemic. Despite the setbacks brought on by the pandemic, the group has made significant progress in this region. The SPAR licence to trade in Poland was officially transferred to the group in February 2020. In addition to acquiring access to two Piotr i Paweł distribution centres, a third distribution centre has been secured, creating an effective distribution base for Piotr i Paweł and SPAR stores nationwide. The existing SPAR retailers were effectively onboarded during the second half of the year. The Polish business generated R2.1 billion of turnover, contributing 1.7% towards total turnover for the period. Gross margins at 22.2% are stronger than other regions, due to greater exposure to retail in the existing Polish business. The reported operating loss of R470.7 million was negatively impacted by non-operational costs, including foreign exchange losses on euro-based loan and lease agreements of R62.0 million, as well as provisions and depreciation recognised on the adoption of IFRS 9 and IFRS 16. At the end of the period, there were 219 stores in Poland consisting of 194 SPAR stores and 25 existing Piotr i Paweł stores which are due to be converted to SPAR stores in the future.

CURRENCY MOVEMENTS OVER THE COURSE OF THE REPORTING PERIOD

Euro/Swiss franc vs rand

October 2019 – September 2020



	Ireland (€)		Switzerland (CHF)	
	2020	2019	2020	2019
Year end rate	19.65	16.51	18.16	15.18
Average rate	18.31	16.17	17.01	14.42

BORROWINGS

At year end the group had external banking facilities in South Africa totalling R5.2 billion (2019: R3.6 billion) of which R0.8 billion (2019: R2.0 billion) was drawn down. Committed facilities totalled R4.0 billion while the group had access to R1.2 billion of uncommitted facilities.

The BWG Group has access to €135.0 million of revolving credit and overdraft facilities.

SPAR Switzerland has confirmed credit lines and facilities of CHF64.0 million.

SPAR Poland has confirmed credit lines and overdraft facilities of €20 million.

The increase in net borrowings from the prior year was largely the result of a) funding raised to settle a portion of the minority interest in the BWG Group and b) funding raised for financing our business Poland.

The net borrowing position at year end:

Rmillion	2020	2019
Long-term borrowings	6 693.1	4 635.3
Current portion of long-term borrowings	362.8	529.5
Bank overdraft	1 210.4	1 553.7
Total borrowings	8 266.3	6 718.5
Less: cash and cash equivalents	(1 670.7)	(1 250.9)
Net borrowings	6 595.6	5 467.6
Increase in funding	1 128.0	2 426.4

CAPITAL COMMITMENTS

A summary of the group's approved capital commitments as at 30 September 2020 is set out below:

Rmillion	2020			2019		
	Contracted	Approved not contracted	Total	Contracted	Approved not contracted	Total
Southern Africa	355.6	419.6	775.2	193.4	22.2	215.6
Ireland	20.2	96.3	116.4	46.6	69.5	115.9
Switzerland	289.5		289.5	18.2		18.2
Poland	–	316.4	316.4			
Total	665.3	832.3	1 497.5	258.2	91.7	349.7

FINANCIAL RISK MANAGEMENT

The identification of sustainability and financial risks for the group forms part of the enterprise risk management (ERM) 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 consolidated annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides, Financial Reporting Pronouncements, the Companies Act, No 71 of 2008, as amended and the Listing Requirements of the JSE Limited.

The group has considered and adopted all applicable new standards, interpretations and amendments to existing standards that are effective at year-end. During the current year, the group implemented the IFRS 16: Leases standard which has had a material impact on the reported financial position and trading results for the year.

Refer to note 1 in the 2020 consolidated annual financial statements for further detail – <https://investor-relations.spar.co.za>

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 2020 financial year.



Mark Godfrey
Group FD

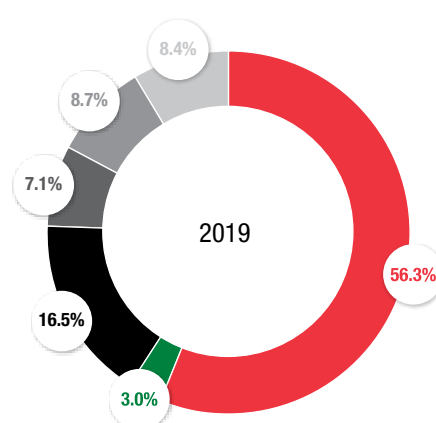
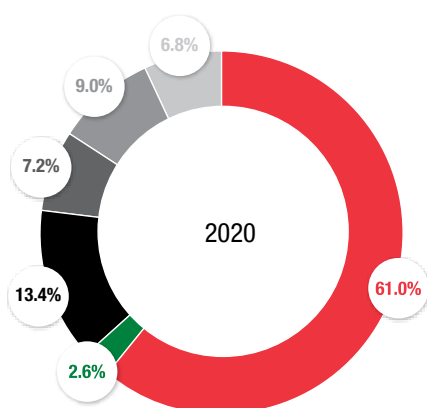
14 December 2020

FIVE YEAR REVIEW

Rmillion	2020	2019	2018	2017	2016
CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue – sale of merchandise	124 277	109 477	101 018	97 209	92 227
Operating profit	3 443	2 979	2 779	2 576	2 577
Other non-operating items	(279)	(28)	(144)	(55)	(25)
Finance income	618	186	169	194	99
Finance costs	(1 023)	(344)	(193)	(241)	(217)
Finance costs including foreign exchange gains and losses	–	–	(137)		
Share of equity-accounted associate (losses)/profit	(63)	(11)	(10)	(8)	5
Profit before taxation	2 696	2 782	2 464	2 466	2 439
Taxation	(740)	(618)	(637)	(645)	(624)
Profit after taxation	1 956	2 164	1 827	1 821	1 815
Remeasurement of retirement funds net of tax	164	(395)	131	364	(190)
Remeasurement of post-retirement medical aid net of tax	15	(2)	–	8	(6)
Gain/(loss) on cash flow hedge net of tax	3	–	1	(4)	(28)
Exchange differences from translation of foreign operations	295	76	132	42	(29)
Total comprehensive income	2 433	1 843	2 091	2 231	1 562
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	8 725	7 184	6 652	6 277	6 160
Right-of-use assets	6 606				
Finance lease receivable	4 713				
Goodwill and intangible assets	6 983	5 064	4 752	4 439	4 008
Loans and investments	1 120	1 620	1 454	1 094	831
Operating lease receivables	6	269	208	125	101
Deferred taxation asset	223	75	14	21	37
Current assets	24 324	19 767	18 166	16 880	16 807
Assets classified as held for sale	39	74	10	141	161
Total assets	52 739	34 053	31 256	28 977	28 105
Equity and liabilities					
Capital and reserves	7 890	7 467	7 110	6 560	5 628
Deferred taxation liability	278	297	413	361	291
Post-employment benefit obligations	1 270	1 268	788	940	1 392
Financial liability	50	1 521	2 043	1 700	1 568
Long-term borrowings	6 896	5 009	4 531	4 686	4 700
Provisions	–	8	29	42	59
Other non-current financial liabilities	–	3	3	5	–
Operating lease payable	–	299	231	142	116
Finance lease payable	11 200				
Current liabilities	25 155	18 181	16 108	14 541	14 351
Total equity and liabilities	52 739	34 053	31 256	28 977	28 105
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	5 221	1 127	3 334	2 663	2 700
Dividends paid	(1 378)	(1 431)	(1 358)	(1 252)	(1 153)
Cash flows from investing activities	(1 502)	(1 943)	(1 453)	(1 496)	(1 614)
Cash flows from financing activities	(1 821)	558	(428)	4	1 667
Net movement in cash and cash equivalents	520	(1 689)	95	(81)	1 600

VALUE ADDED STATEMENT

	2020 Rmillion	% of revenue	%	2019 Rmillion	% of revenue	%
Revenue	124 277			109 477		
Less:						
Net cost of product and services	114 103			100 967		
Value added	10 174			8 510		
Add:						
Income from investments and associates	116			175		
Wealth created	10 290	8.30	100.0	8 685	7.90	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	6 279		61.0	4 888		56.3
Providers of capital	1 650		16.0	1 692		19.5
Interest on borrowings	272		2.6	261		3.0
Dividends to ordinary shareholders	1 378		13.4	1 431		16.5
Taxation	740		7.2	618		7.1
Replacement of assets	924		9.0	754		8.7
Retained in the group	697		6.8	733		8.4
Wealth distributed	10 290		100.0	8 685		100.0



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

RATIOS AND STATISTICS

		2020	2019	2018	2017	2016	2015
SHARE PERFORMANCE							
Number of ordinary shares (net of treasury shares)	millions	192.5	192.5	192.5	192.5	192.5	173.1
Headline earnings per share	cents	1 135.3	1 129.1	965.7	952.8	1 020.0	835.5
Normalised headline earnings per share	cents	1 266.9	1 166.3	1 063.2	976.0	1 033.0	940.0
Dividends per share	cents	855.0	800.0	729.0	675.0	665.0	632.0
Dividend cover	multiple	1.33	1.41	1.32	1.41	1.53	1.45
Net asset value per share	cents	4 102.2	3 879.9	3 692.2	3 407.0	3 131.7	1 922.6
COMPREHENSIVE INCOME INFORMATION							
Gross margin	%	11.9	10.7	10.7	10.7	9.3	8.7
Operating profit margin	%	2.8	2.7	2.8	2.7	2.8	3.1
Headline earnings	Rmillion	2 183.6	2 173.0	1 859.6	1 834.7	1 832.9	1 446.3
SOLVENCY AND LIQUIDITY							
Return on equity	%	27.0	29.7	26.7	29.9	40.5	44.7
Return on net assets	%	43.6	39.9	39.3	39.3	45.8	68.9
EMPLOYEE STATISTICS							
Number of corporate office and distribution centre employees at year end		10 168	8 206	7 204	6 786	6 387	4 724
STOCK EXCHANGE STATISTICS							
Market price per share							
– at year end	cents	18 965	19 101	18 413	16 708	19 222	18 500
– highest	cents	21 622	21 072	22 700	20 499	21 971	20 617
– lowest	cents	15 562	16 418	16 553	15 018	16 161	12 142
Number of share transactions		1 168 151	954 287	559 330	542 335	499 716	399 399
Number of shares traded	millions	231.8	189.2	145.5	203.8	178.2	132.7
Number of shares traded as a percentage of total issued shares	%	120.4	98.3	75.5	105.8	92.6	76.7
Value of shares traded	Rmillion	42 204.0	35 956.0	35 454.1	35 789.6	34 793.2	23 190.3
Earnings yield at year end	%	6.0	6.1	5.8	5.8	5.4	5.1
Dividend yield at year end	%	4.5	4.2	4.0	4.0	3.5	3.4
Price earnings ratio at year end	multiple	16.7	16.4	17.3	17.1	18.6	19.7
Market capitalisation at year end net of treasury shares	Rmillion	36 509	36 765	35 454	32 164	37 004	32 027
Market capitalisation to shareholders' equity at year end	multiple	4.6	4.9	5.0	4.9	6.6	9.6

SUMMARISED GROUP FINANCIAL STATEMENTS

DIRECTORS' APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. The group's independent external auditors, PricewaterhouseCoopers Inc., have audited the financial statements and their unmodified report is enclosed. The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2020 and the results of their operations and cash flows for the year under review.

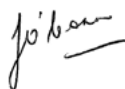
The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company or the group will not remain a going concern for the foreseeable future.

The annual financial statements were approved by the board of directors on 14 December 2020 and are signed on its behalf by:



MJ Hankinson
Chairman

14 December 2020



GO O'Connor
Group CEO

CERTIFICATE BY THE COMPANY SECRETARY

I certify that, in respect of the reporting period, the company has, to the best of my knowledge and belief, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required of a public company in terms of the Companies Act and that all such returns appear to be true, correct and up to date.



MJ Hogan
Company Secretary

14 December 2020

PREPARATION AND PRESENTATION OF SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The preparation of the Summary Consolidated Financial Statements was supervised by the Group FD 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' REPORT

The directors of the company have the pleasure in submitting their report on the audited annual financial statements of the company for the year ended 30 September 2020.

NATURE OF BUSINESS

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.

There were no material changes to the nature of the group's business for the 2020 financial year.

DIRECTORATE AND COMPANY SECRETARY

The names of the directors and Company Secretary in office at 30 September 2020 are set out on page 92. Mr Mike Hankinson, the Chairman of the board, will be retiring at the AGM that will be held in 2021. Brett Botten, the current Managing Director of SPAR South Rand will be appointed as the Group CEO, Graham O'Connor will be appointed as a non-executive director and Chairman of the board subject to shareholder approval at the AGM, and Mr Andrew Waller, an independent non-executive director, as the Lead Independent Director of the board with effect from 1 March 2021.

Mandy Hogan has resigned as the Company Secretary with effect from 31 December 2020.

Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out on page 114.

CORPORATE GOVERNANCE

The directors are the custodians of corporate governance and subscribe to King IV. Refer to our governance structures, composition and functioning in the integrated annual report.

Committee reports are disclosed as follows:

- Audit Committee report – pages 98 to 101
- Nomination Committee report – pages 102 to 103
- Remuneration Committee report – pages 104 to 118
- Risk Committee report – pages 120 to 121
- Social and Ethics Committee report – pages 122 to 123

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

The directors confirm that the company is (i) in compliance with the provisions of the Companies Act, and the relevant laws governing its establishment, specifically relating to its incorporation; and (ii) operating in conformity with its Memorandum Of Incorporation.

FINANCIAL RESULTS

The results for the period are detailed in the annual financial statements that follow.

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.

STATED CAPITAL

Details of the authorised and issued share capital of the company and the movements during the period are disclosed in note 25 of the annual financial statements.

Details of the treasury shares of the company are disclosed in note 26 of the annual financial statements.

DIVIDENDS

It is company policy to make two dividend payments each year, an interim payment in May and a final payment in December. An interim dividend of 200.0 cents per share (2019: 284.0 cents per share) was declared on 21 May 2020 and paid on 15 June 2020. A final dividend of 665.0 cents per share (2019: 516.0 cents) has been declared on 18 November 2020 and payable on 14 December 2020.

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

Last day to trade <i>cum</i> -dividend	Tuesday, 8 December 2020
Shares to commence trading <i>ex</i> -dividend	Wednesday, 9 December 2020
Record date	Friday, 11 December 2020
Payment of dividend	Monday, 14 December 2020

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 9 December 2020 and Friday, 11 December 2020, both days inclusive.

SHARE SCHEME

Particulars relating to the company's share-based payments are set out in note 38 of the audited 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 R504.7 million (2019: profit of R591.3 million). Details of the company's principal subsidiaries are set out in note 14 of the audited annual financial statements, which are available online.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on 11 February 2020:

- Special resolution number 1 – Financial assistance to related or inter-related companies
- 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, other than SPAR's litigation with the Giannacopoulos group of stores which continues. SPAR continues to engage with the Competition Commission regarding their *Grocery Retail Sector Market Inquiry* particularly dealing with issues of exclusivity and suppliers.

SUBSEQUENT EVENTS

Matters or circumstances arising since the end of the 2020 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 42 of the audited annual financial statements, which are available online.

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	Year ended September	
		2020	2019
Revenue – sale of merchandise	13.5	124 277.4	109 477.1
Cost of sales		(109 497.5)	(97 817.2)
Gross profit		14 779.9	11 659.9
Revenue other		2 366.9	2 106.6
Other income		208.7	151.8
Operating expenses*	27.2	(13 912.9)	(10 939.4)
Operating profit	15.6	3 442.6	2 978.9
Other non-operating items		(278.7)	(28.1)
Finance income*		618.2	185.5
Finance costs*		(1 022.5)	(343.9)
Share of equity-accounted associate losses		(63.2)	(10.6)
Profit before taxation	(3.1)	2 696.4	2 781.8
Taxation*		(740.2)	(618.4)
Profit after taxation		1 956.2	2 163.4
Attributable to:			
Equity holders of the company		2 074.7	2 163.4
Non-controlling interests		(118.5)	
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-retirement medical aid		20.7	(2.6)
Deferred tax relating to remeasurement of post-retirement medical aid		(5.7)	0.7
Remeasurement of retirement funds		189.3	(440.9)
Deferred tax relating to remeasurement of retirement funds		(24.8)	45.6
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedge		3.2	0.5
Tax relating to gain on cash flow hedge		(0.4)	(0.1)
Exchange differences from translation of foreign operations		294.2	76.0
Total comprehensive income	32.0	2 432.7	1 842.6
Attributable to:			
Equity holders of the company		2 557.1	1 842.6
Non-controlling interests		(124.4)	
Earnings per share (cents)			
Basic	(4.0)	1 078.7	1 124.1
Diluted	(3.9)	1 075.0	1 118.6

* Refer to Note 9 relating to the impact of IFRS 16 adoption.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	Year ended September	
		2020	2019
ASSETS			
Non-current assets		28 375.7	14 212.4
Property, plant and equipment*		8 725.3	7 184.2
Right-of-use assets*		6 605.9	
Finance lease receivable*		4 713.4	
Goodwill and intangible assets		6 983.4	5 064.0
Investment in associates and joint ventures		102.9	103.1
Other investments		21.8	19.8
Operating lease receivable*		6.2	269.1
Loans and other receivables		795.0	1 131.8
Block discounting loan receivable		199.0	365.0
Deferred taxation asset*		222.8	75.4
Current assets		24 324.2	19 766.9
Inventories		5 377.3	4 447.0
Trade and other receivables*		15 637.9	13 122.7
Prepayments		288.9	256.8
Operating lease receivable			59.6
Loans and other receivables		204.4	134.9
Current portion of block discounting loan receivable		163.6	258.1
Income tax receivable		0.9	1.1
Other current financial assets		0.9	0.4
Finance lease receivable*		716.8	
Cash and cash equivalents – SPAR		1 670.7	1 250.9
Cash and cash equivalents – guilds and trusts		262.8	235.4
Assets held for sale		38.7	73.6
Total assets		52 738.6	34 052.9
EQUITY AND LIABILITIES			
Capital and reserves		7 889.7	7 467.3
Stated capital		2 231.5	2 231.5
Treasury shares		(15.3)	(23.9)
Reserves#		590.3	(236.4)
Non-controlling interests		(70.3)	
Retained earnings*		5 153.5	5 496.1
Non-current liabilities		19 694.3	8 405.1
Deferred taxation liability		277.6	297.3
Post-employment benefit obligations		1 270.0	1 268.3
Financial liabilities	5	49.7	1 521.1
Long-term borrowings		6 693.1	4 635.3
Block discounting loan payable		203.5	373.6
Finance lease payable*		11 200.4	
Operating lease payable*			298.4
Other non-current financial liabilities			2.8
Provisions*			8.3
Current liabilities		25 154.6	18 180.5
Trade and other payables		19 411.4	14 912.8
Current portion of financial liabilities	5	2 102.5	683.3
Current portion of long-term borrowings		362.8	529.5
Current portion of block discounting loan payable		167.8	263.6
Operating lease payable			59.2
Current portion of provisions		12.9	35.1
Finance lease payable*		1 728.4	
Income tax payable		158.4	143.3
Bank overdrafts		1 210.4	1 553.7
Total equity and liabilities		52 738.6	34 052.9

* Refer to Note 9 relating to the impact of IFRS 16 adoption.

Reserves have been aggregated in the current year. Refer to the summarised consolidated statement of changes in equity for further detail.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Notes	Stated capital	Treasury shares
Balance at 30 September 2018		2 231.5	(10.0)
Change in accounting policy			
Balance at 1 October 2018		2 231.5	(10.0)
Profit for the year			
– Gain on cash flow hedge			
– Remeasurement of post-retirement medical aid			
– Remeasurement of retirement funds			
Recognition of share-based payments			
Take-up of share options			66.4
Transfer arising from take-up of share options			
Settlement of share-based payments			29.8
Treasury shares acquired			(110.1)
Dividends paid			
Exchange rate translation			
Balance at 30 September 2019		2 231.5	(23.9)
Change in accounting policy	9		
Restated capital and reserves at 1 October 2019		2 231.5	(23.9)
Profit for the year			
– Gain on cash flow hedge			
– Remeasurement of post-retirement medical aid			
– Remeasurement of retirement funds			
Recognition of share-based payments			
Take-up of share options			91.8
Transfer arising from take-up of share options			
Settlement of share-based payments			20.1
Treasury shares acquired			(103.3)
Dividends paid			
Equity reserve transferred to retained earnings	5		
Non-controlling interest arising on business acquisition			
Exchange rate translation			
Balance at 30 September 2020		2 231.5	(15.3)

Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
181.8	274.8	5 211.6 (18.2)	(749.1)	(30.8)		7 109.8 (18.2)
181.8	274.8	5 193.4 2 163.4	(749.1)	(30.8)		7 091.6 2 163.4
		(1.9) (395.3)		0.4		0.4 (1.9) (395.3)
	38.7 (30.8)					38.7 35.6
	30.8 (27.6)	(30.8) (2.2)				
		(1 430.5)				(110.1) (1 430.5)
76.0			(0.6)			75.4
257.8	285.9	5 496.1 (616.1)	(749.7)	(30.4)		7 467.3 (616.1)
257.8	285.9	4 880.0	(749.7)	(30.4)		6 851.2
		2 074.7			(118.5)	1 956.2
		15.0		2.8		2.8
		164.5				15.0
	22.2					164.5
	(46.6)					22.2
	46.6	(46.6)				45.2
	(9.8)	(10.3)				
		(1 378.1)				(103.3)
		(545.7)	545.7			(1 378.1)
300.1			(33.7)	(0.6)	54.1 (5.9)	54.1 259.9
557.9	298.3	5 153.5	(237.7)	(28.2)	(70.3)	7 889.7

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Note	Year ended September	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		3 844.0	(303.8)
Operating profit before:		3 442.5	2 978.9
Non-cash items		2 227.8	877.5
Net loss on disposal of property, plant and equipment		52.4	1.4
Net working capital changes		698.8	(2 016.3)
– Increase in inventories		(205.4)	(425.5)
– Increase in trade and other receivables		(1 201.3)	(1 110.3)
– Increase/(decrease) in trade payables and provisions		2 105.5	(480.5)
Cash generated from operations		6 421.5	1 841.5
Finance income received*		573.7	110.6
Finance cost paid*		(913.5)	(138.5)
Taxation paid		(859.6)	(686.9)
Dividends paid		(1 378.1)	(1 430.5)
CASH FLOWS FROM INVESTING ACTIVITIES		(1 502.4)	(1 943.2)
Acquisition of businesses/subsidiaries	4.4	(681.6)	(487.4)
Proceeds from disposal of businesses			20.1
Proceeds on disposal of assets held for sale		25.0	
Investment to expand property, plant and equipment and intangible assets		(929.9)	(685.8)
Investment to maintain operations		(368.1)	(374.0)
– Replacement of property, plant and equipment and intangible assets		(449.1)	(423.5)
– Proceeds on disposal of property, plant and equipment		81.0	49.5
Principal element of lease receipts*		649.5	
Cash inflows on loans and investments		283.2	470.3
Cash outflows on loans and investments		(480.5)	(886.4)
CASH FLOWS FROM FINANCING ACTIVITIES		(1 821.3)	557.6
Proceeds from exercise of share options		45.1	35.6
Settlement of financial liability		(884.4)	
Principal element of lease payments*		(1 547.6)	
Proceeds from borrowings		937.3	748.9
Repayments of borrowings		(268.4)	(116.8)
Treasury shares acquired		(103.3)	(110.1)
Net increase/(decrease) during the year		520.3	(1 689.4)
Net (overdrafts)/cash balances at beginning of year		(67.4)	1 598.2
Exchange rate translation		270.2	23.8
Net cash balances/(overdrafts) at end of year		723.1	(67.4)

* Refer to Note 9 relating to the impact of IFRS 16 adoption.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The summarised consolidated financial statements contained in this preliminary report are prepared in accordance with the requirements of the JSE Limited Listings Requirements (Listings Requirements) for preliminary reports, and the requirements of the Companies Act No. 71 of 2008 (Companies Act) applicable to summarised financial statements. The Listings Requirements require preliminary 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 summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

Neither this announcement nor the preliminary report has been audited but are extracted from the underlying audited information. 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 preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

2. SALIENT STATISTICS AND HEADLINE EARNINGS

		% Change	2020	2019
Salient statistics				
Headline earnings per share	(cents)	0.5	1 135.3	1 129.1
Diluted headline earnings per share	(cents)	0.7	1 131.5	1 123.6
Dividend per share	(cents)	8.1	865.0	800.0
Net asset value per share	(cents)	5.7	4 102.2	3 879.9
Operating profit margin	(%)		2.8	2.7
Return on equity	(%)		27.0	29.7
Headline earnings reconciliation				
Profit for the year attributable to ordinary shareholders			2 074.7	2 163.4
Adjusted for:				
Loss on disposal of property, plant and equipment			49.6	0.6
– Gross			52.4	1.4
– Tax effect			(2.8)	(0.8)
Impairment of investments			63.6	
– Gross			64.4	
– Tax effect			(0.8)	
Fair value adjustment – previously held investment			6.7	
Profit on disposal of assets held for sale			(2.3)	
Fair value adjustment to assets held for sale			4.6	3.9
Impairment of goodwill			13.3	5.0
(Profit)/loss on disposal of businesses			(26.6)	0.1
Headline earnings			2 183.6	2 173.0

3. SEGMENT REPORTING

Segment accounting policies are consistent with those adopted for the preparation of the consolidated annual 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 Group CEO is the Chief Operating Decision Maker (CODM) and assesses the performance of the operating segments based on profit before tax and for joint ventures and associates based on earnings after tax. The 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, Switzerland and Poland operations are not considered to be similar to those within Southern Africa or each other and are therefore disclosed as separate reportable segments.

3. SEGMENT REPORTING (continued)

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

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

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

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Poland	Consolidated Total
2020					
Statement of profit or loss					
Revenue from contracts with customers	79 423.8	30 409.4	14 659.4	2 151.7	126 644.3
Operating profit/(loss)	2 573.6	978.2	361.5	(470.7)	3 442.6
Profit before tax/(loss)	2 299.2	651.7	296.6	(551.1)	2 696.4
Finance income	547.5	14.5	6.8	49.4	618.2
Finance costs	640.3	218.0	71.7	92.5	1 022.5
Depreciation and amortisation	398.9	600.0	758.8	218.5	1 976.2
Taxation	720.7	43.2	47.2	(70.9)	740.2
Share of equity-accounted associate losses	25.7			37.5	63.2
Impairment of goodwill	12.6	0.7			13.3
Statement of financial position					
Total assets	24 136.1	16 466.9	9 402.2	2 733.4	52 738.6
Total liabilities	18 762.5	14 496.8	8 279.0	3 310.6	44 848.9
2019					
Statement of profit or loss					
Revenue from contracts with customers	75 090.8	25 296.4	11 195.3	1.2	111 583.7
Operating profit/(loss)	2 240.0	686.1	83.3	(30.5)	2 978.9
Profit before tax/(loss)	2 151.3	657.2	2.8	(29.5)	2 781.8
Finance income	167.1	10.0	5.3	3.1	185.5
Finance costs	220.3	35.7	85.8	2.1	343.9
Depreciation and amortisation	237.8	274.1	242.8		754.7
Taxation	617.1	44.6	(41.1)	(2.2)	618.4
Share of equity-accounted associate losses/(gains)	12.3	(1.7)			10.6
Impairment of goodwill	5.0				5.0
Statement of financial position					
Total assets	17 451.9	10 636.2	5 487.8	477.0	34 052.9
Total liabilities	13 686.8	7 645.4	4 749.0	504.4	26 585.6

Material non-cash items relating to the movement in the group's financial liabilities are presented in note 5.

3. SEGMENT REPORTING (continued)

Rmillion	2020	2019
Disaggregated revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	78 605.4	74 283.7
SPAR	62 851.2	57 566.2
TOPS at SPAR	6 436.5	7 646.9
Build It	7 965.0	8 035.1
S Buys	1 072.8	1 035.5
Encore	279.9	
Revenue – Other	818.4	807.1
Revenue from contracts with customers	79 423.8	75 090.8
Ireland		
Revenue – sale of merchandise	29 896.7	24 835.2
BWG	26 057.8	22 044.0
Appleby Westward	3 838.9	2 791.2
Revenue – Other	512.7	461.2
Revenue from contracts with customers	30 409.4	25 296.4
Switzerland		
Revenue – sale of merchandise	13 641.9	10 357.0
Wholesale	6 183.3	4 588.1
TopCC	5 363.4	4 109.4
Retail	2 095.2	1 659.5
Revenue – Other	1 017.5	838.3
Revenue from contracts with customers	14 659.4	11 195.3
Poland		
Revenue – sale of merchandise	2 133.4	1.2
Wholesale	1 518.4	1.2
Retail	615.0	
Revenue – Other	18.3	
Revenue from contracts with customers	2 151.7	1.2
Total revenue – sale of merchandise	124 277.4	109 477.1
Total revenue – other	2 366.9	2 106.6
Total revenue from contracts with customers	126 644.3	111 583.7
Disaggregated total revenue – other:	2 366.9	2 106.6
Marketing and service revenues	1 706.0	1 543.3
Franchise fees	401.5	295.6
Other services	259.4	267.7

4. BUSINESS COMBINATIONS

4.1 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT DATE OF ACQUISITION

Acquisition of Piotr i Paweł Group

On 1 October 2019, SPAR acquired an 80% stake in Piotr i Paweł Sp. z o.o. (PiP) for a consideration of €1. PiP is a retail chain of 77 delicatessen and supermarket stores, together with a wholesale distribution network. PiP remains in advanced stages of a legally supervised debt restructuring process similar to South African business rescue. Creditors of the business have voted in support of the settlement arrangement, which is now to be confirmed by the court. Trade and other payables have been adjusted by a R9.4 million measurement period adjustment relating to legal costs of the sanitation proceedings. The goodwill arising on the business combination represents the expected future benefit which will be derived from the existing distribution and supply network.

The goodwill raised on the acquisition of PiP has been considered for impairment. No impairment loss has been recognised as the projected sales growth in the Polish business factors in the increase in loyalty support from the SPAR retailers.

During the financial period, the Polish business acquired the licence to operate the SPAR brand in Poland. Included in the cost of acquiring the licence asset are directly attributable costs incurred to obtain control and bring the asset into a condition necessary for operating in the manner intended by management. Management considers the useful life of the licence to be indefinite.

Acquisition of Monteagle Africa Ltd (SPAR Encore)

The SPAR Group Ltd purchased a 50% controlling shareholding of Monteagle Africa Ltd. The approval of the Competition Commission was received on 6 March 2020. Monteagle Africa Ltd is a wholesaler in the food retail sector, operating in Southern Africa. Monteagle Africa Ltd is a supplier to SPAR for its private label products. The goodwill arising on the business combination represents the expected future economic benefits of the group resulting from the supply chain integration as well as additional margin.

Acquisition of Heaney Meats Catering Co. Ltd

On 31 January 2020, the BWG Group acquired the entire share capital of Heaney Meats Catering Co. Ltd (Heaney Meats). Heaney Meats is a Galway-based supplier of meat to the food sector in Ireland, specialising in the preparation and distribution of meat products to food service outlets. The goodwill arising on the business combination is an indication of future profit expected to be made by the additional margin and security of supply.

Measurement period adjustments have resulted in the reported purchase price allocation differing to that disclosed at March 2020 for the following reasons:

- The fair value of trade and other receivables, trade and other payables, and finance lease liabilities acquired have changed
- The value consideration transferred for this acquisition has been adjusted as a result of a renegotiation
- Goodwill recognised on the acquisition

Retail stores acquired

During the course of the financial period, SPAR acquired the assets of nine (2019: 13) retail stores in South Africa and the BWG Group acquired the assets of 28 (2019: two) retail stores in the United Kingdom (UK) and two stores in Ireland. 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 to expand the retail footprint of the group, and the goodwill arising on the business combinations is indicative of future turnover and profit expected to be made by the group as a result of these acquisitions. These acquisitions were funded from available cash resources.

4. BUSINESS COMBINATIONS (continued)

4.1 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT DATE OF ACQUISITION (continued)

Rmillion	2020					Total
	Piotr i Paweł Group	Monteagle Africa Ltd	Heaney Meats Catering Co. Ltd	SA retail stores	UK and Irish retail stores	
Assets	1 898.5	934.8	219.0	32.6	459.5	3 544.4
Property, plant and equipment	349.3	50.9	79.4	32.6	93.7	605.9
Right-of-use assets	966.8		5.9		303.2	1 275.9
Finance lease receivable	214.6					214.6
Goodwill and intangible assets	2.6	9.5	0.2			12.3
Investment in associates	34.2					34.2
Deferred taxation asset		10.0				10.0
Inventories	95.3	188.8	10.8		31.6	326.5
Loans	15.9					15.9
Trade and other receivables*	198.1	638.9	51.5		10.2	898.7
Income tax receivable		0.1				0.1
Cash and cash equivalents	21.7	36.6	71.2		20.8	150.3
Liabilities	(2 156.2)	(708.6)	(82.1)		(412.8)	(3 359.7)
Trade and other payables	(714.3)	(685.8)	(74.1)		(84.7)	(1 558.9)
Income tax payable		(17.0)	(2.3)		(0.2)	(19.5)
Finance lease liability	(1 181.4)	(1.3)	(5.7)		(303.2)	(1 491.6)
Long-term borrowings	(88.1)	(4.5)			(24.7)	(117.3)
Short-term borrowings	(172.4)					(172.4)
Total identifiable net (liabilities)/assets at fair value	(257.7)	226.2	136.9	32.6	46.7	184.7
Fair value of previously held investment (Refer to note 4.5)		(26.2)				(26.2)
Non-controlling interest	49.7	(103.8)				(54.1)
Goodwill arising from acquisition	208.0	60.0	238.6	64.9	231.9	803.4
Cash consideration transferred		156.2	375.5	97.5	278.6	907.8
Cash balances acquired	(21.7)	(36.6)	(71.2)		(20.8)	(150.3)
Business acquisition costs	5.6	0.5	6.6		10.4	23.1
Contingent consideration			(70.7)		(55.6)	(126.3)
Net cash (inflow)/outflow on acquisition	(16.1)	120.1	240.2	97.5	212.6	654.3

* Included in trade and other receivables is a loss allowance of R2.7 million relating to Heaney Meats and R272.8 million relating to the PiP acquisition.

4. BUSINESS COMBINATIONS (continued)**4.2 ASSETS AND LIABILITIES AT DATE OF DISPOSAL**

The assets and liabilities disposed of relate to four South African retail stores (2019: two retail stores) previously disclosed as non-current assets held for sale, and 16 retail stores in Poland.

Rmillion	2020		Total
	Polish retail stores	SA retail stores	
Non-current assets	32.7	2.4	35.1
Property, plant and equipment	13.7	2.4	16.1
Trade and other receivables	2.5		2.5
Inventory	16.2		16.2
Cash and cash equivalents	0.3		0.3
Current liabilities	(24.1)		(24.1)
Trade and other payables	(19.9)		(19.9)
Long-term borrowings	(4.2)		(4.2)
Profit/(loss) on disposal of businesses	29.0	(2.4)	26.6
Proceeds	37.6		37.6
Deferred consideration	37.6		37.6

4.3 CONTRIBUTION TO RESULTS FOR THE YEAR

Rmillion	Piotr i Paweł Group	Monteagle Africa Ltd	Heaney Meats Catering Co. Ltd	SA retail stores	UK and Irish retail stores	Total
Revenue	2 151.8	2 588.2	188.1	644.0	524.8	6 096.9
Operating (loss)/profit	(470.8)	101.8	11.6	(0.9)	23.8	(334.5)

4.4 CASH FLOW ON ACQUISITION OF BUSINESSES/SUBSIDIARIES

The cash flow on acquisition of businesses/subsidiaries is noted as being the amount disclosed in note 4.1 and the contingent consideration cash outflow relating to the acquisition of Corrib Food Products in 2019.

Rmillion	2020	2019
Net cash outflow (Refer to note 4.1)	654.3	470.9
Corrib Food Products contingent consideration cash outflow	27.3	8.7
Costs on potential acquisitions		7.8
Total net cash outflow relating to acquisitions	681.6	487.4

4.5 FAIR VALUE OF PREVIOUSLY HELD INVESTMENT

SPAR held a 50% interest in Monteagle Merchandising Services (Pty) Ltd (MMS) as an investment in associate. Monteagle Africa Limited held the remaining 50% interest in MMS. SPAR acquired control of Monteagle Africa Ltd on 6 March 2020, gaining control of MMS. MMS was an acquisition achieved in stages. The previously held investment in associate was fair valued and the resulting loss was recognised in the income statement.

Rmillion	2020	2019
Investment in associate	32.9	
Fair value adjustment	(6.7)	
Fair value of previously held investment	26.2	

5. FINANCIAL LIABILITIES

Rmillion	2020	2019
Present value		
TIL JV Ltd	1078.7	1 326.3
SPAR Holding AG	1023.8	840.9
S Buys Holdings (Pty) Ltd	49.7	37.2
Carrying value of financial liabilities	2 152.2	2 204.4
Less: Short-term portion of financial liabilities	(2 102.5)	(683.3)
Long-term portion of financial liabilities	49.7	1 521.1
Undiscounted value		
TIL JV Ltd	1 100.4	1 434.3
SPAR Holding AG	1 106.9	854.8
S Buys Holdings (Pty) Ltd	55.9	55.9
	2 263.2	2 345.0
Difference between undiscounted value and the carrying value of the financial liabilities	111.0	140.6

The undiscounted value of the financial liabilities represents the amount the group is contractually required to pay at maturity to the holder of the obligation.

On 1 August 2014 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. 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.

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. An election was made not to recognise a non-controlling interest, but to fair value the financial liability.

In the current year, this obligation was transferred from the SPAR Group Ltd to TIL JV Ltd, resulting in the extinguishment of the financial liability at a South African company level. The initial equity reserve of R545.7 million arising on this transaction has been transferred to retained earnings in the current year. In March 2020, 10.106% of the 20% minority interest was settled at an amount of R884.4 million. As at 30 September 2020, the balance of 9.894% was valued at R1 078.7 million based on management's determination of actual profit performance. The group has recognised 100% of the attributable profit.

The remaining payment will be made in January 2021 and is disclosed as a current financial liability.

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 2020 and 2019 fair value adjustments were made to the TIL JV Ltd financial liability.

On 1 April 2016 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. Part of the purchase price of this 60% shareholding is a deferred consideration of CHF16.0 million. This liability is now disclosed as a current financial liability. The purchase of the remaining 40% shareholding is at a set price of CHF40.3 million. The total obligation of CHF56.3 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.

The payment is expected to be made in the first half of 2021.

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.

On 1 October 2017 The SPAR Group Ltd acquired a 60% shareholding in S Buys Holdings (Pty) Ltd which trades as S Buys. 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 the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding was 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 2020, the financial liability was valued at R49.7 million (2019: R37.2 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.

5. FINANCIAL LIABILITIES (continued)**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	2020	2019
TIL JV Ltd		
Balance at beginning of year	1 326.3	1 216.2
Finance costs recognised in profit or loss	105.7	69.1
Net exchange differences arising during the period	(33.5)	6.4
Fair value adjustments	255.6	34.6
Partial settlement of financial liability	(884.4)	
Foreign currency translation	309.0	
Carrying value at end of year	1 078.7	1 326.3

Rmillion	2020	2019
S Buys Holdings (Pty) Ltd		
Balance at beginning of year	37.2	49.2
Finance costs recognised in profit or loss	12.5	7.2
Fair value adjustments		(19.2)
Carrying value at end of year	49.7	37.2

Movements in financial liabilities held at amortised cost

Rmillion	2020	2019
SPAR Holding AG		
Balance at beginning of year	840.9	777.5
Finance costs recognised in profit or loss	13.5	22.5
Net exchange differences arising during the period	7.9	37.1
Foreign currency translation	161.5	3.8
Carrying value at end of year	1 023.8	840.9
Total financial liabilities	2 152.2	2 204.4

6. FINANCIAL RISK MANAGEMENT

Rmillion	2020	2019
Financial instruments classification		
Financial assets held at amortised cost		
Net bank balances	723.1	(67.4)
Loans and other receivables	999.4	1 266.7
Block discounting loan receivable	362.6	623.1
Finance lease receivable	5 430.2	
Trade and other receivables	15 637.9	13 122.7
Financial liabilities held at amortised cost		
Block discounting loan payable	(371.3)	(637.2)
Finance lease payable	(12 928.8)	
Trade and other payables	(19 411.4)	(14 912.8)
Borrowings	(7 055.9)	(5 164.8)
Financial liabilities at amortised cost	(1 023.8)	(840.9)
Financial assets and liabilities at fair value through profit or loss		
Foreign exchange contract asset	0.9	0.4
Financial liabilities at fair value through profit or loss	(1 128.4)	(1 363.5)
Designated hedging instrument		
Interest rate swap liability		(2.8)

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

Rmillion	Carrying Value	Level 1	Fair value Level 2	Level 3
2020				
Foreign exchange contract asset	0.9		0.9	
Financial liabilities at fair value through profit or loss	(1 128.4)			(1 128.4)
Total	(1 127.5)		0.9	(1 128.4)
2019				
Interest rate swap	(2.8)		(2.8)	
Foreign exchange contract asset	0.4		0.4	
Financial liabilities at fair value through profit or loss	(1 363.5)			(1 363.5)
Total	(1 365.9)		(2.4)	(1 363.5)

6. FINANCIAL RISK MANAGEMENT (continued)**FAIR VALUE HIERARCHY (continued)****Level 3 sensitivity information**

The fair value of the level 3 financial liabilities of R1 128.4 million (2019: R1 363.5 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth. In September 2020, the estimated future profit target for TIL JV Ltd was adjusted upward by 21.3% (2019: upward by 3.1%). The S Buys financial liability is based on a minimum profit value. A change in fair value would only result if profits increased between 35% and 40%.

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

	Discount rate %	Sensitivity % change	Liability Rmillion
TIL JV Ltd			
2020			
Financial liability	8.0	0.5	(1.3)
Financial liability	8.0	(0.5)	1.3
2019			
Financial liability	8.0	0.5	(6.2)
Financial liability	8.0	(0.5)	6.3
S Buys Holdings (Pty) Ltd			
2020			
Financial liability	6.5	0.5	(0.6)
Financial liability	6.5	(0.5)	0.6
2019			
Financial liability	12.6	0.5	(0.6)
Financial liability	12.6	(0.5)	0.6

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		
2020		
Financial liability	5.0	51.1
Financial liability	(5.0)	(51.1)
2019		
Financial liability	5.0	66.3
Financial liability	(5.0)	(66.3)
S Buys Holdings (Pty) Ltd		
2020		
Financial liability	5.0	
Financial liability	(5.0)	
2019		
Financial liability	5.0	1.9
Financial liability	(5.0)	(1.9)

LIQUIDITY RISK

As at 30 September 2020, current liabilities exceed current assets. This risk has been managed by committing banking facilities sufficient to allow all current liabilities to be settled when these fall due.

7. CAPITAL COMMITMENTS

Rmillion	2020	2019
Contracted	665.3	258.0
Approved but not contracted	832.2	91.7
Total capital commitments	1 497.5	349.7
Analysed as follows:		
Property, plant and equipment	757.3	349.7
Intangible assets	740.2	

Capital commitments will be financed from group resources.

8. FINANCIAL GUARANTEES

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 has assessed that it is not probable that the amount will be paid.

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

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

The table below represents the full exposure of the group in relation to these financial guarantees as at 30 September 2020.

Rmillion	2020	2019
– Guarantee of block discounting loan agreements	255.9	201.4
– Guarantee of Numlite (Pty) Ltd finance obligations	170.6	172.1
	426.5	373.5

9. IMPACT OF IFRS 16 ADOPTION

The group has applied the standard using the modified retrospective approach, recognising the cumulative effect of initially applying the standard in retained earnings at the date of initial application. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. As prescribed by IFRS 16, lease liabilities will be measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application.

On adoption of IFRS 16, the group has recognised a right-of-use asset representing the underlying asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets in terms of IFRS 16 comprise smaller items of equipment.

Where the group holds a head lease and back-to-back sublease, a finance lease receivable has been recognised rather than a right-of-use asset. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense. The right-of-use assets can be measured as the amount of initial measurement of the lease liability and subsequently depreciated over the remaining lease term. However, management has chosen, on a lease by lease basis, the option available in the standard to measure the right-of-use assets as if IFRS 16 had been applied since the inception of the lease, using the incremental borrowing rate on the date of initial application. This has resulted in an adjustment to retained earnings relating to depreciation, and in the instance of some property leases in Ireland, an impairment. Initial direct costs have not been included in the measurement of right-of-use assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

9. IMPACT OF IFRS 16 ADOPTION (continued)

Lease arrangements by segment

SPAR Southern Africa leases relate mostly to head lease arrangements on key strategic retail sites that are viewed as fundamental to the group's growth strategy. These include a back-to-back sublease agreement with our independent retailers. IFRS 16 requires the recognition of the obligation to pay rent under the head lease as a lease liability, with a corresponding asset representing the lease receivable. For these back-to-back sublease agreements, the accounting for the head lease and the sublease under IFRS 16 has an equal and opposite impact on the statement of comprehensive income. To the extent of leased property that is not sublet, the group recognises a right-of-use asset and a finance lease liability.

SPAR Ireland leases relate mostly to property leases which are franchised to retailers or operated by the group, and motor vehicles leases. For both the property leases and motor vehicle leases, a right-of use asset and finance lease liability are recognised. For the property leases where the group is a lessor, a finance lease receivable is recognised.

SPAR Switzerland has property, trucks and IT hardware leases. The property leases do not include back-to-back sublease agreements, resulting in a right-of-use asset and finance lease liability being recognised.

SPAR Poland leases relate to property leases on retail sites, and leases of other properties, which includes the warehouse. For these properties a right-of-use asset and finance lease liability is recognised. Some retail properties are sub-let, in these instances a finance lease asset is recognised instead of the right-of-use receivable.

Lease liabilities have been measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The weighted average lessees incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 5.77%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Practical expedients

The group has applied the following practical expedients available in the standard:

- The use of a single discount rate to each portfolio of leases that have reasonably similar terms, underlying assets and economic circumstances. In Southern Africa, the majority of property leases are on similar underlying assets (stores) within similar economic environments, and with the same lease terms. The same can be said for property leases in Switzerland, Poland and Ireland; however, the Irish portfolio of leases is further split into leases based in Ireland and the UK.
- On transition to IFRS 16, the group reversed onerous lease provisions, and accounted for the difference between cumulative unavoidable costs and expected economic benefits (if lower) as an IFRS 16 transitional adjustment through retained earnings.
- The accounting for operating leases with remaining lease terms of less than 12 months as at 1 October 2019 as short-term leases.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in order to determine the lease term for contracts containing options to extend or terminate the lease.

Lease term, including renewal periods and termination options

Renewal clauses and termination options have been considered on a lease by lease basis where it is applicable and it is considered to be reasonably certain that the group will exercise the renewal options in order to retain control of the sites, or terminate the lease early in terms of the option. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal or termination option. Periods after an optional termination date are considered part of the lease term if the group is reasonably certain not to terminate early.

In South Africa, the majority of property leases are entered into for an initial period of 10 years, with renewal options of five years. It has been concluded that these renewal options will only be recognised when it is reasonably certain that they will be entered into, which is generally within six months of the renewal coming into effect. In Ireland no renewal assumptions/rights have been identified as likely to be exercised and incorporated into the lease terms. In Ireland, periods after an optional termination date have been considered part of the lease term for two leases where it is was determined reasonably certain not to terminate early. In Switzerland, renewal clauses have been taken into account on a number of leases where it is considered to be reasonably certain that the group will exercise the renewal options in order to retain control of the sites. In Poland, the majority of leases are for stores and are for a period of 10 years.

9. IMPACT OF IFRS 16 ADOPTION (continued)

Variable lease payments

Variable payment terms are mainly used on the lease of a store, where a portion of the rental is based on turnover made by the store.

Variable payment terms also occur when utility costs related to a property are on-charged as part of the rental.

Variable lease payments mentioned above are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Rmillion	2020
Measurement of lease liabilities	
Operating lease commitments disclosed at 30 September 2019	13 364.5
Discounted using the lessee's incremental borrowing rate at the date of initial application	(3 653.4)
Add: Adjustments as a result of a different treatment of extension and termination options	443.8
Add: Finance lease liabilities recognised as at 30 September 2019	42.3
Less: Short-term leases not recognised as a liability	(8.3)
Less: Low-value leases not recognised as a liability	(6.9)
Lease liability at 1 October 2019	10 182.0
Analysed as follows:	
Current	1 364.2
Non-current	8 817.8

The adoption of the new standard affected the following items:

Rmillion	Increase/ (decrease)
Statement of financial position at 1 October 2019	
Property, plant and equipment	(31.5)
Right-of-use assets	5 191.0
Finance lease receivable	4 254.4
Deferred tax asset	124.5
Trade and other receivables	(57.4)
Operating lease receivable	(325.5)
Finance lease payable	10 182.0
Provisions	(24.2)
Trade and other payables	(28.6)
Operating lease payable	(357.6)
Retained earnings	(616.1)
Statement of comprehensive income for the year ended 30 September 2020	
Depreciation	1052.1
Profit before interest and taxation	79.5
Finance income	438.9
Finance costs	665.9
Profit before taxation	(147.5)
Taxation	(32.2)
Headline earnings	(115.3)
Headline earnings per share (HEPS) (cents)	(60.0)

10. COVID-19 PANDEMIC

From March this year, all of our markets were impacted by the COVID-19 pandemic and subsequent lockdown measures to curb the spread of the virus. As an essential service provider of groceries, our stores traded throughout the lockdown periods, albeit with periods of restriction on the sale of alcohol, cigarettes and building materials experienced in South Africa. The group was swift to take the necessary proactive measures and implement effective protocols to safeguard our key priorities: the safety of our people, retailers, suppliers and consumers; managing the supply chain and keeping our retailers' shelves replenished; and supporting our communities.

Southern Africa: TOPS at SPAR liquor business lost almost a third of its total trading days due to the restrictions on the sale of liquor, with wholesale turnover for the year decreasing by 15.8%. Despite trading restrictions on building materials during the initial five weeks of lockdown, Build it delivered a resilient performance in a weak sector, with wholesale turnover 0.9% down.

Ireland: The BWG Group in Ireland delivered a remarkable result, with sales growth across all retail brands more than compensating for the cash & carry and BWG Foodservice businesses, which have been severely impacted by the COVID-19 restrictions in the hospitality industry.

Switzerland: SPAR Switzerland seized the opportunity of changing consumer behaviour, largely influenced by the closure of Swiss borders during the initial lockdown, with locals shopping closer to home and opting for trusted community-based stores over large supermarkets. Our TopCC Cash & Carry business, which caters largely to the hospitality industry, has been boosted by Swiss support of local restaurants during the summer months.

Poland: The COVID-19 pandemic has been disruptive to our plans and has delayed progress in the Polish market. Given the level of development and reorganisation required in year one of operations, this business has been most vulnerable to the impact of lockdown restrictions. Despite the setbacks, good progress has nevertheless been made and this region contributed R2.1 billion towards group turnover for the period.

The below areas were specifically considered in light of the pandemic when preparing these financial results:

Financial instruments – IFRS 9 Allowances

Management has considered the impact COVID-19 may have on macroeconomic factors in calculating the forward looking adjustment to the historical rates. In assessing the specific provisions for trade receivables, management also considered the heightened economic and business risks on collection, arising from the pandemic.

Management has adopted a robust model to determine necessary provisions against debt due ensuring that a conservative approach is taken during these times of uncertainty. Refer to note 39 for more information.

Goodwill and indefinite useful-life intangible assets – impairment considerations

Assumptions, forecasts and growth rates used in impairment testing were of a conservative nature as uncertainty remains over the current and future economic outlook, both locally and internationally. The following factors affecting the future outlook of the various operating segments, were considered in assessing impairment of goodwill and indefinite-life intangibles.

In Southern Africa, an existing weak economy has been severely impacted by the pandemic. The consumer environment is expected to remain constrained, with many South Africans under financial pressure.

Europe is experiencing a second wave of infections and hard lockdown measures. Our businesses in Europe have contingency plans in place to deal with the disruption and have learnt many lessons from the initial lockdowns. In Ireland, the foodservice and hospitality sector will face continued uncertainty, as consumers remain cautious, however the retail sector is expected to remain strong in the year ahead. The gradual reopening of the Irish economy is likely to coincide with the impact of Brexit, which is expected to be disruptive. Our Swiss business is well positioned to maximise the opportunities brought on by shifts in consumer behaviour, new business gained and by the changing dynamics in the marketplace. In Poland, we will concentrate on building relationships and driving loyalty with our SPAR retailers. We are focused on breaking even in this region by the end of 2021. SPAR's extensive distribution and logistics capability, market-leading brands and overall support of independent retailers, ensure that we remain suitably positioned to deliver exceptional value to consumers.

Refer to note 13 for more information.

Financial guarantees

Management has reviewed the projections provided by subsidiaries and affiliates to which guarantees have been provided and ensured that there will be sufficient cash resources to service the underlying debt obligations as and when they fall due in the next year. Refer to note 28 for more information.

11. EVENTS AFTER THE REPORTING DATE

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

12. CHANGES TO THE BOARD

Graham O'Connor, the Group CEO and Mike Hankinson, the Chairman of the board of directors (board), will be retiring at the annual general meeting (AGM) that will be held in February 2021. Accordingly, subject to shareholder approval at the AGM, where applicable, the board has resolved to appoint:

- Brett Botten, the current Managing Director of SPAR South Rand as the Group CEO;
- Graham, as a non-executive director and Chairman of the Board; and
- Andrew Waller, an independent non-executive director, as the lead independent director of the Board.

Ms Mandy Hogan has resigned as the Company Secretary of SPAR with effect from 31 December 2020.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mike Hankinson (71)

BCom, CA(SA)

Independent non-executive Chairman

Appointed to the board:
September 2004

NC Chairman

RC Member

Mike is the chairman of Grindrod Ltd and chairman of Grindrod Shipping Holdings Ltd. He was former chief executive of Dunlop Tyres International (Pty) Ltd and Romatex Ltd.



Lwazi Koyana (52)

BCom, CA(SA)

Independent non-executive director

Appointed to the board: May 2019

RC Member

SEC Member

Lwazi is the founder and managing director of Nations Capital Advisors (Pty) Ltd. He is a non-executive director of Mineworkers Investment Company (Pty) Ltd, Steve Biko Academic Hospital (chairman) and the South African Qualifications Authority (independent chairman of the audit committee). He is the former independent non-executive director of Afgri Ltd, SecureData and the W&RSETA.



Marang Mashologu (44)

BCom, CFA charter

Independent non-executive director

Appointed to the board:
December 2015

AC Member

RC Chairperson

Marang is a director and shareholder at Sphere Holdings (Pty) Ltd and independent non-executive director and audit committee chairperson of Chubb Insurance South Africa Ltd, the South African subsidiary of Chubb Ltd. She is a member of the board of trustees of the African Leadership Network and Aspen Global Leadership Network and fellow of the inaugural class of the Finance Leaders Fellowship Program.



Harish Mehta (70)

BSc (USA), MBA (USA)

Independent non-executive director

Appointed to the board:
October 2004

RC Chairman

AC Member

NC Member

RC Member

Harish is a 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 (52)

BA, BEd, MBL, PhD

Independent non-executive director

Appointed to the board:
January 2006

SEC Chairperson

RC Member

NC Member

Phumla is the managing director of Lehumo Women's Investment Holdings. She also serves as a non-executive director on the listed boards of Adcorp Holdings, the Altron Group, Novus Holdings and Crookes Brothers Ltd.



Andrew Waller (58)

CA(SA)

Independent non-executive director

Appointed to the board:
February 2018

AC Chairman

RC Member

Andrew is the CEO of Grindrod Ltd and non-executive director of Senwes Ltd. He was previously a partner of Deloitte & Touche.



EXECUTIVE DIRECTORS

Graham O'Connor (64)

CA(SA)

Group CEO

Joined the group in 1986

Appointed to the board:

February 2014

RC Member

SEC Member

SG Member

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 Group CEO.



Mark Godfrey (55)

BCom, CA(SA)

Group FD

Joined the group in 1996

Appointed to the board:

October 2010

RC Member

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



COMPANY SECRETARY

Mandy Hogan (48)

Chartered Secretary GradICSA

Company Secretary

Joined the group in 2013

Appointed Company Secretary:

June 2016

Mandy served in various company secretarial and corporate governance positions at three JSE listed companies over the past 15 years before being appointed Assistant Company Secretary of SPAR in 2013.

The group has announced that Ms Mandy Hogan has resigned as company secretary with effect from 31 December 2020. The board would like to thank Mandy for her contribution to the company and wishes her well in her future endeavours abroad. Shareholders will be advised once a new company secretary has been appointed.



AC Audit Committee

NC Nomination Committee

RC Remuneration Committee

RC Risk Committee

SEC Social and Ethics Committee

SG The SPAR Guild of Southern Africa

OUR GOVERNANCE SYSTEM

SPAR is a public company incorporated in South Africa and listed on the JSE and accordingly adheres to the requirements of the Companies Act and Regulations, as amended, the JSE Listings Requirements and King IV.

The SPAR board is the custodian of corporate governance and plays a prominent role in the strategic development, risk management and sustainability processes of the group. The board understands that adhering to the highest standards of corporate governance is fundamental to the sustainability of the SPAR business. Business practices are conducted in good faith and in the best interest of the company and its stakeholders.

The board supports the governance outcomes, principles and practices of King IV and applies the applicable King IV principles. Our disclosures in terms of King IV are fully integrated with our reporting elements and are aligned to the following clusters:

Principle cluster	Detail	Page
Leadership, ethics and corporate citizenship	Chairman's message	24
	Group CEO's report	26
	Group FD's financial review	58
	Social and Ethics Committee report	122
Strategy, performance and reporting	Value creation and strategy	48
	Group FD's financial review	58
Governing structures and delegation	Governance	94
Governance functional areas	Committee reports	98
Stakeholder relationships	Our material relationships	22

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 reference in support of the principles in one place.

BOARD GOVERNANCE STRUCTURE

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation (MOI). Terms of reference for the board are set out in the company's board charter which is reviewed annually by the board. 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 board members.

The board has established standing committees, as set out in the governance framework, to promote independent judgement, to assist with the balance of power and to assist the board with effectively fulfilling its responsibilities in accordance with the provisions of its board charter.

The board committees are 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 board is satisfied the board's governance structure is appropriate and the governance and authority frameworks provide clarity and contribute to effective control and performance of the group.

To ensure conflicts of interest are avoided, board members annually update the general disclosure of their personal financial interests in terms of the Companies Act and are reminded at the commencement of every board and committee meeting that they are required to declare any material personal financial interest they may have in contracts entered into or authorised by the company.

BOARD COMPOSITION

During the financial year, the board comprised eight directors, two of whom are executive directors and six of whom are independent non-executive directors. The board promotes diversity through a variety of attributes – knowledge, skills, experience, age, culture, race and gender.

See the summary of the board's diversity aspects on page 96 and read the board members' profiles on pages 92 to 93.

Non-executive directors bring an independent judgement to bear on issues of strategy, performance and resources and act in the interest of the company's stakeholders. Executive directors provide insight into day-to-day operations and are responsible for implementing strategy and all operational decisions.

Information relating to the board's diversity, independence and performance can be found in the Nomination Committee report on page 102.

Our corporate governance framework below illustrates the structures, processes and practices the board uses to direct and manage the group's operations.

SHAREHOLDERS AND OTHER STAKEHOLDERS

BOARD

Provides oversight of the management and governance of the company, monitors executive management's performance, and provides strategic direction and leadership in line with the company's value system to ensure its sustainability

AC

AUDIT COMMITTEE

Provides oversight of financial reporting, internal financial controls, internal and external audit functions and regulatory compliance

RC

RISK COMMITTEE

Provides oversight of risk governance, technology and information governance and compliance governance

SEC

SOCIAL AND ETHICS COMMITTEE

Provides oversight of, and reporting on, organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships

NC

NOMINATION COMMITTEE

Provides oversight of the process for nominating and electing board members, board member succession planning and the evaluation of the performance of the board, its committees and individual members

RC

REMUNERATION COMMITTEE

Provides oversight of the company's remuneration and implementation policy

COMPANY SECRETARY

Supports board members by providing guidance on fulfilling their responsibilities as directors in the best interest of SPAR

EXECUTIVE MANAGEMENT

EXECUTIVE COMMITTEES

Assist the Group CEO in implementing the strategy and objectives of SPAR and carry out the day-to-day activities of the group

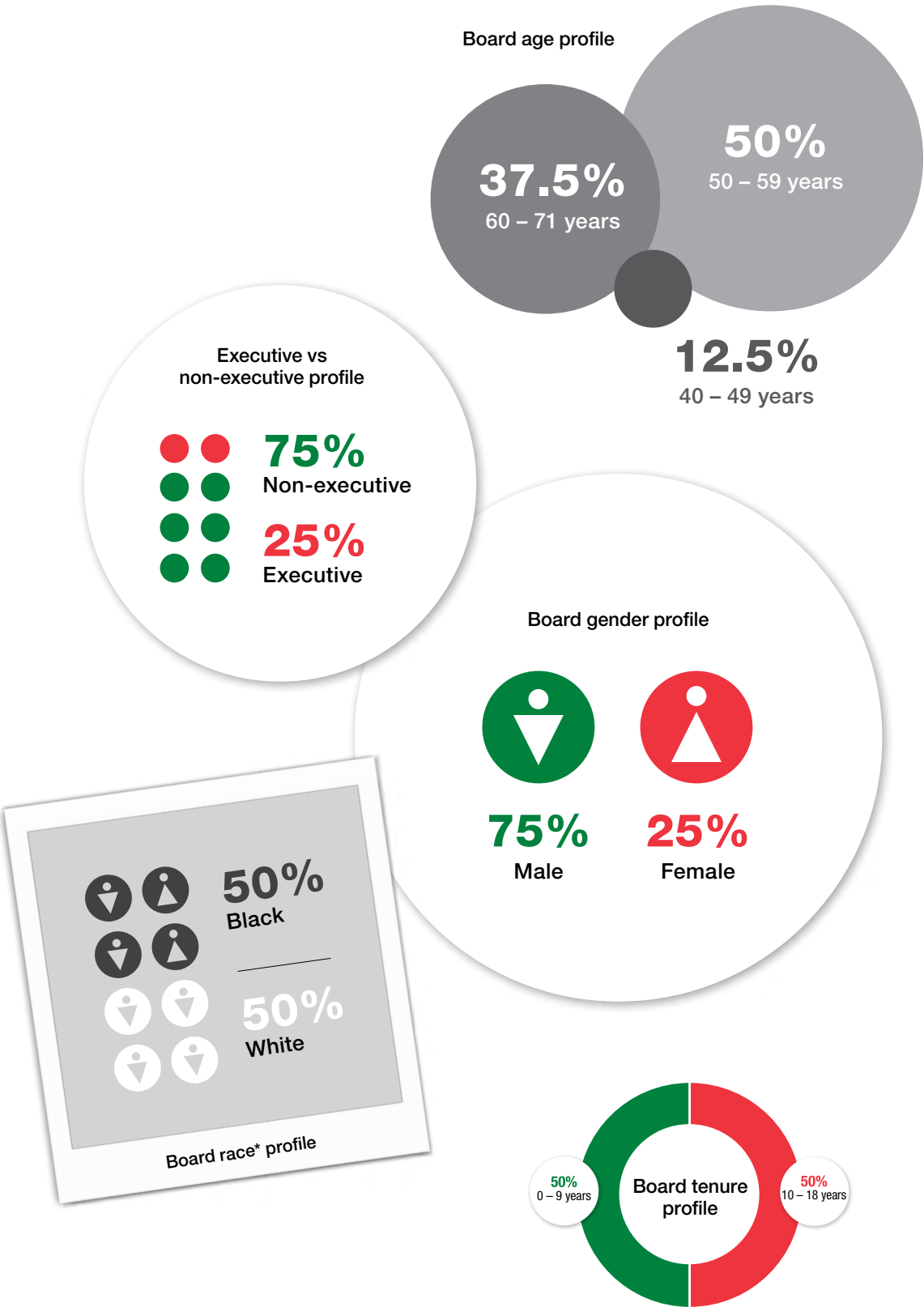
DIVISIONAL/OPERATIONAL

Various regional, executive, departmental, operational and project committees and forums

THE SPAR GUILD OF SOUTHERN AFRICA

THE BUILD IT GUILD OF SOUTHERN AFRICA

SOCIAL AND ETHICS COMMITTEES
REGIONAL GUILD COMMITTEES



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

BOARD COMMITTEES

The board delegates oversight of certain roles and responsibilities to board committees but understands the delegation of its responsibilities will not by or of itself constitute a discharge of the board's accountability. The board committees' responsibilities and key focus areas are set out in each committee's report.

Each committee is chaired by an independent non-executive director and has its own terms of reference. The terms of reference set out the committees' composition, roles and responsibilities, functions and authority. The committees report to the board at each board meeting and make recommendations in accordance with their terms of reference.

Committee members' attendance is recorded below.

The effectiveness of the committees are assessed by way of a self-evaluation review every two years and will be performed again in 2021. The board is satisfied the committees fulfilled their responsibilities in respect of their respective terms of reference.

The board from time to time may appoint and authorise *ad hoc* committees, comprising the appropriate board members, to perform specific tasks as required.

ATTENDANCE AT BOARD MEETINGS

The board values independent judgement and requires that each board member prepare, participate and contribute at each meeting. Board members are provided with relevant information, including information on the group's strategies, plans and performance, and are required to devote sufficient time and effort in preparation for meetings. Agendas of meetings are prepared by the Company Secretary in accordance with approved annual work plans and in consultation with the respective chairmen.

To continually 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 usually in August, however due to the COVID-19 pandemic this did not happen during 2020 and two of the four board meetings were held virtually. Meetings held during the financial year were as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Committee	Social and Ethics Committee
Number of meetings held	4	3	3	3	2	2
Attendance by directors						
Non-executive directors						
Mike Hankinson	4	n/a	3	3	n/a	n/a
Lwazi Koyana	4	n/a	n/a	n/a	2	2
Marang Mashologu	4	3	n/a	n/a	n/a	n/a
Phumla Mnganga	4	n/a	3	3	n/a	2
Harish Mehta	4	3	3	3	2	n/a
Andrew Waller	3	3	n/a	n/a	2	n/a
Chris Wells ¹	2	1	n/a	n/a	1	1
Executive directors						
Graham O'Connor ²	4	n/a	n/a	n/a	2	1
Mark Godfrey	4	n/a	n/a	n/a	2	n/a
Wayne Hook ³	1	n/a	n/a	n/a	n/a	1

¹ Chris Wells retired on 11 February 2020.

² Graham O'Connor replaced Wayne Hook as a member of the Social and Ethics Committee on 1 January 2020.

³ Wayne Hook retired on 31 December 2019.

EXECUTIVE MANAGEMENT

The Group CEO, Graham O'Connor, is responsible for leading the implementation and execution of approved strategy, policy and operational planning and serves as the link between executive management and the board. The Group CEO is accountable to the board and the board evaluates the Group CEO's performance annually.

There are five executive committees: the SPAR Executive Committee, the BWG Group Executive Committee, the SPAR Switzerland Executive Committee, the SPAR Poland Executive Committee and the SPAR Sri Lanka Executive Committee. These committees are responsible for implementing the company's strategy and carrying out the day-to-day activities of the group. The membership, qualifications and experience of the Executive Committee members are available online.

COMPANY SECRETARY

All directors have access to the services and advice of the Company Secretary, Mandy Hogan (GradI CSA), who was assessed during the financial year as being competent, suitably qualified and experienced. The Company Secretary is not a director of the company and accordingly maintains an arm's length relationship with the board.

AUDIT COMMITTEE REPORT

The Audit Committee (the committee) of The SPAR Group Ltd (the company) presents the following report pursuant to the requirements of section 94(7)(f) of the Companies Act to shareholders for the 2020 financial year.

COMMITTEE GOVERNANCE

COMPOSITION

Members of the committee are appointed by shareholders on the recommendation of the Nomination Committee and the board.

Shareholders will again be requested to approve the re-election of the committee members for the 2021 financial year at the company's 2021 AGM to be held on Tuesday, 16 February 2021.

Members of the committee for the financial year under review were independent non-executive directors, Andrew Waller (Chairman), Marang Mashologu and Harish Mehta.

The independence and performance of the committee members were evaluated by the Nomination Committee and based on their recommendation, the board proposes the re-election of Andrew, Marang and Harish as the members of the committee to shareholders at the 2021 AGM. In addition, the board is satisfied that the committee as a whole has the necessary financial literacy, skills and experience to execute their duties effectively. Members' qualifications and experience are available on page 92.

MEETINGS

The committee met formally three times during the financial year under review. Members' attendance at meetings is recorded on page 97. Permanent invitees at committee meetings are the Group CEO, Group FD, Group Internal Audit Manager, external auditor and the Company Secretary (who also acts as the secretary of the committee).

EVALUATION OF COMMITTEE

The effectiveness of the committee is assessed by way of a self-assessment evaluation review every two years and will be undertaken again in 2021.

ROLE AND RESPONSIBILITIES

The committee's roles and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. 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.

The committee receives feedback on all relevant matters in its terms of reference from the following committees:

- Risk 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 which can be found online.

KEY FOCUS AREAS

EXTERNAL AUDITOR

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

PricewaterhouseCoopers Inc. (PwC) have been the company's appointed external auditor for three years, with Thomas Howatt as the designated audit partner. Thomas replaced Sharalene Randelhoff as the designated auditor of the company, with effect from 19 May 2020. The reason for the change was due to an audit partner rotation.

Thomas will be required to rotate as the designated audit partner in 2025.

The committee assessed the suitability of PwC as the company's external auditor and Thomas, as the designated audit partner for the 2021 financial year, in accordance with the appropriate audit quality indicators, including their independence against the criteria specified by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants, International regulatory bodies and the JSE Listings Requirements and have no concerns regarding their performance or independence. Accordingly, the committee recommended to the board, the re-election of PwC as external auditor and Thomas Howatt as the designated audit partner for the 2021 financial year.

The committee determined the terms of engagement and fees paid to PwC, as disclosed in note 3 of the annual financial statements and the nature and extent of the non-audit services that PwC provide to the company, as disclosed in note 3 of the annual financial statements. The extent of non-audit services provided by PwC was immaterial and is continuously monitored, with no excessive engagement noted.

The chairman meets 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

The company has a clearly defined and strictly followed non-audit services policy. No changes were made to the policy for the period under review. The external auditor 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.

SIGNIFICANT MATTERS

Key audit matters identified by the external auditors are detailed below and have been included in the report of the annual financial statements. These matters have been discussed and agreed with management and were presented to the committee.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Adoption of IFRS 16: Leases</i></p> <p>This key audit matter relates to the consolidated and separate financial statements.</p> <p>The disclosures required by <i>IFRS 16: Leases</i> ("IFRS 16") for these balances, as well as the impact of adopting IFRS 16, are contained in note 41 to the consolidated and separate financial statements.</p> <p>IFRS 16 became effective for the Group for the accounting period commencing 01 October 2019. The Group applied the modified retrospective approach for the initial application of the standard.</p> <p>Management has chosen, on a lease by lease basis, the option available in the standard to measure the right-of-use assets and lease receivable as if IFRS 16 had been applied since the inception of the lease, using the incremental borrowing rate on the date of initial application. This resulted in an adjustment to retained earnings relating to depreciation. We considered the adoption of IFRS 16 to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • the magnitude of the right-of-use asset and lease liability due to the high volume of leases; and • the degree of judgement and estimation applied by management in determining the lease term and discount rate (incremental borrowing rate) used to determine the right-of-use asset and lease liability. The lease term may include future lease periods for which the Group has extension options which it is reasonably certain to exercise. 	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the initial measurement and valuation of the right-of-use assets, lease receivable and lease liabilities with reference to the requirements of IFRS 16, including the practical expedients applicable to the modified retrospective approach that was selected for initial adoption; • Making use of our internal valuations expertise, we assessed the discount rates used to calculate the lease obligation for each currency by comparing the rate used to third party sources. We noted no material exceptions; • Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to the original contract or other underlying information, and checked the integrity and arithmetical accuracy of the IFRS 16 calculations for each lease sampled through the recalculation of the expected IFRS 16 adjustment. We noted no exceptions; • Tested the completeness of the lease data by reconciling a sample of the Group's existing lease commitments to the lease data underpinning the IFRS 16 model and also by comparing rental payments made during the period to the lease data underpinning the IFRS 16 model. We noted no material exceptions; • Performed an independent recomputation and compared the results to that of management, and found no material exceptions; • Evaluated the lease terms for reasonability, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation and noted no exceptions; and • Assessed the completeness and accuracy of disclosures with reference to the requirements of IFRS 16.

Key audit matter

Impairment assessment of goodwill and indefinite life intangible assets

This key audit matter relates to the consolidated financial statements only.

Refer to the accounting policies for Goodwill and Intangible Assets and Impairment of non-financial assets and to note 13 – Goodwill and Intangible Assets.

As at 30 September 2020 the Group's consolidated statement of financial position included goodwill with a closing net book value of R4.2 billion and indefinite life intangible assets with a closing net book value of R2.3 billion.

Assets that are not subject to amortisation, such as goodwill and indefinite life intangible assets are required to be assessed for impairment annually and when any impairment indicators exist in accordance with International Accounting Standard 36 – *Impairment of assets*.

Management performed their annual impairment assessment of the relevant cash-generating units (CGUs), to which the goodwill and the brands were allocated and based their assessment on value-in-use calculations, which have been estimated using a discounted cash flow model.

In determining the value-in-use of the CGU, the following key assumptions were used by management:

- discount rate;
- long-term growth rate; and
- compound annual volume growth rate.

The value-in-use calculation is sensitive to changes in future cash flows included in the model, and changes in the discount rate and long-term growth rate applied.

Future cash flows are estimated based on financial budgets and approved business plans covering a five-year period.

The impairment assessment of the goodwill and indefinite life intangible assets is considered to be a matter of most significance to the current year audit due to:

- the significant judgement applied by management with regard to determining the key assumptions and future cash flows that are included in the value-in-use calculation, and
- the magnitude of the goodwill and indefinite life intangible assets balance to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures:

- Tested the mathematical accuracy of the value-in-use calculations and the discounted cash flow model prepared by management, noting no material exceptions;
- Assessed the reasonableness of the valuation methodologies applied by management by comparing the valuation methodology to generally accepted valuation methodology, and found this to be consistent;
- Performed stress testing on the value-in-use model which involved an assessment of management's cash flow forecasts and assumptions by comparison to prior years' actual results, our understanding of the industry, the entity-specific circumstances and economic environment, in order to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We recalculated a range of values and compared this to the value as calculated by management. Management's value fell within our independently calculated range of values;
- Agreed management's cash flow forecasts to approved budgets, noting no exceptions;
- Assessed the reasonableness of the business plans and budgeting process by comparing current year actual results with the prior year budgeted results;
- Compared the projections applied by management to historically achieved volume growth rates, margins and working capital rates;
- Compared the long-term growth rate used by management to long-term inflation rates obtained from independent sources. The independently determined rate was incorporated into our stress testing referred to above in order to assess the impact of any difference on the valuation results;
- Making use of our internal valuation expertise, we independently calculated a weighted average cost of capital discount rate, taking into account independently obtained data such as the cost of debt, the risk-free rate in the relevant territories, market risk premiums, debt/equity ratios as well as the beta of comparable companies. We then compared the calculated weighted average cost of capital to the discount rate used by management. The difference in rates was included in our stress testing to assess the impact on the valuation results. The use of our independently calculated discount rates in the management's assessments would not have resulted in an impairment charge.

ANNUAL FINANCIAL STATEMENTS

The committee reviewed the annual financial statements for the year ended 30 September 2020 and is of the view that in all material aspects, they comply with the relevant provisions of IFRS and the Companies Act. The committee also reviewed the 2020 integrated annual report and recommended both to the board for approval. The board subsequently approved the annual financial statements and 2020 integrated annual report, which will be tabled for discussion at the 2021 AGM.

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.

INTERNAL AUDIT

The internal audit function in South Africa is independent and has the necessary standing and authority to enable it to discharge its duties. The internal audit manager has access to and engages directly with the Audit Committee and its chairman.

Internal control procedures on the subsidiary businesses in Ireland, Switzerland and Poland are performed by the external auditors. Subsidiary audit committees confirm through enquiry of management and external audit that nothing has come to their attention that the control environment is not operating effectively. This arrangement will continue to be reviewed.

During the financial year under review, the committee:

- Approved the internal audit plan
- Reviewed the internal audit charter and recommended it to the board for approval
- Satisfied itself that the South African internal audit manager was competent and possessed the appropriate expertise and experience to act in this capacity
- Satisfied itself that the evaluation of the internal control procedures in Ireland, Switzerland and Poland supported the conclusion on the control environment
- Confirmed that the company's internal audit function met its objectives and that adequate procedures were in place to ensure that the group complies with its legal, regulatory and other responsibilities
- Ensured that the appropriate financial reporting procedures exist and were working
- Ensured that the appointment of the external auditor is presented and included as a resolution at the AGM pursuant to Section 61(8) of the Companies Act

The committee is of the opinion that the group's systems of internal controls and risk management are effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. The committee's opinion is supported by the board.

GROUP FD 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 FD. His qualification and experience is available on page 93.

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

RISK MANAGEMENT

The board has delegated the oversight of risk governance, technology and information governance and compliance governance to the Risk Committee. Andrew, the chairman of this committee, is also a member of the Risk Committee and ensures that information relevant to the Risk Committee is transferred and shared regularly with this committee. The Risk Committee report is available on page 120.

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 12 August 2020 and is in the process of being implemented. The implementation of the framework will help support the corporate governance guidelines to provide appropriate assurance and, in addition, evidence of integrated/combined assurance. The implementation of the Integrated Assurance Policy and Framework was interrupted by COVID-19 as the risk function was heavily involved in identifying, assessing and mitigating the risks posed by COVID-19 at wholesale and retail. Subsequent to the 12 August 2020 board meeting, management has identified and rated new strategic and underlying operational risks aligned with progress being made with the delivery of the reviewed group strategy. Appropriate changes to the integrated assurance framework will be made during 2021.

A group tax strategy and policy is in place. The group tax strategy outlines the framework by which tax obligations are met from an operational and risk management perspective and is aligned with the group's existing strategies, policies and overall purpose. The group's approach to tax is available online at <https://investor-relations.spar.co.za> reflecting the total tax contribution per the tax jurisdictions that the group operates in.

In addition to the key areas of focus detailed above, the committee, during the 2020 financial year, reviewed the:

- Unaudited interim results report and associated reports and announcements
- Summarised information issued to shareholders
- Appropriateness of the accounting policies and financial statement disclosures
- JSE proactive monitoring of financial statements report
- JSE pronouncement on investor communications – COVID-19 impact
- Changes to the JSE Listings Requirements which pertain to the committee's responsibilities
- Report on the impact of the implementation of IFRS 16, including draft disclosure to shareholders included in the 2019 annual financial statements
- Adequacy of the group's banking facilities
- Monitoring of the group's bank covenants
- Company's banking facilities
- Unbundling of the SPAR BBEE share Schemes
- 2021 budget guidelines and assumptions
- 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 was reviewed and recommended to the board for approval
- External auditor's audit report and key audit matters
- Internal auditor's report and key audit matters and findings
- SPAR Ireland and Switzerland's internal audit process
- Whistle-blowing and industry complaints

Thanks go to the members of the committee for their dedicated and constructive contributions to the committee's functioning.



Andrew Waller
Chairman of the Audit Committee

14 December 2020

NOMINATION COMMITTEE REPORT

The Nomination Committee (the committee) presents the following report for the 2020 financial year.

COMMITTEE GOVERNANCE

COMPOSITION

Members of the committee for the financial year were independent non-executive directors Mike Hankinson (Chairman), Harish Mehta and Phumla Mnganga.

The following changes are noted in respect of the committee for the 2021 financial year:

- Mike Hankinson will retire as a member of the committee with effect from the conclusion of the 2021 annual general meeting (AGM)
- Graham O'Connor will replace Mike as a member of the committee, subject to the approval by shareholders of his appointment as a non-executive director at the 2021 AGM

Members' qualifications and experience are available on page 92.

MEETINGS

The committee met formally three times during the financial year. Members' attendance at meetings is recorded on page 97. The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

EVALUATION OF THE COMMITTEE

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and will be performed again in the 2021 financial year.

ROLE AND RESPONSIBILITIES

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. The board has allocated oversight of the process for nominating and electing board members, board member succession planning 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 Group CEO, which includes the identification, mentorship and development of future candidates
- Succession planning linked to all executive and senior management positions
- 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
- The evaluation of independence process

The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

BOARD AND COMMITTEE COMPOSITION

A board appointment policy is in place and sets out the formal, rigorous and transparent procedure for the appointment of new members to the board and its committees. The policy was updated and approved by the board on 17 November 2020 to include detail on the appointment of a Lead Independent Director, along with the roles and responsibilities.

The following changes are noted in respect of the board and its committees:

- The appointment of Lwazi Koyana as a non-executive director with effect from 14 May 2019 and as a member of the Social and Ethics Committee and Risk Committee with effect from 1 November 2019 was approved by shareholders at the 2020 AGM

- Wayne Hook retired as an executive director and member of the Social and Ethics Committee on 31 December 2019
- Chris Wells retired as a non-executive director, member of the Social and Ethics Committee and chairman of the Risk Committee and Audit Committee at the 2020 AGM
- Andrew Waller was appointed chairman of the Audit Committee at the 2020 AGM, following Chris's retirement, and was appointed Lead Independent Director to the board with effect from the conclusion of the 2021 AGM
- Marang Mashologu replaced Chris as the chairperson of the Risk Committee with effect from 1 February 2020
- Graham O'Connor replaced Wayne as a member of the Social and Ethics Committee with effect from 1 January 2020
- Mike Hankinson is to retire as the non-executive Chairman of the board, Chairman of the Nomination Committee and member of the Remuneration Committee with effect from the conclusion of the 2021 AGM
- Graham is to retire as the Group CEO of the company, member of the Risk Committee, member of the Social and Ethics Committee and member of The SPAR Guild of Southern Africa, and is to be appointed a non-executive director of the company and replace Mike as the Chairman of the board, following approval of his appointment as a non-executive director by the shareholders of the company at the 2021 AGM
- Brett Botten, the current Managing Director of SPAR South Rand is to replace Graham as the Group CEO of the company, member of the Risk Committee and member of the Social and Ethics Committee, following approval of his appointment as the Group CEO by shareholders of the company at the 2021 AGM

The committee rigorously assessed Graham's eligibility to act as a non-executive director of the board and Brett's eligibility to be the Group CEO of the company, and the board accepted the results of the assessment. Accordingly, the board recommends their appointments to shareholders at the 2021 AGM.

The average age of the board is 58 years (2019: 59) and therefore succession planning will continue to be a key focus area for the board as a whole. It is always the board's intention to balance fresh perspectives from new directors with the experience and knowledge of the directors due to retire.

The average tenure of board members is nine years (2019: 10 years).

Newly appointed directors receive a comprehensive induction pack including the company's MOI, board charter, committees' terms of reference, board policies and other documents relating to the company. Directors are encouraged to attend courses that provide them with the necessary training and information related to their duties, responsibilities, powers and potential liabilities, with regulatory and legislative updates provided at quarterly meetings.

BOARD DIVERSITY

The board recognises the benefits of a diverse board and adopted a board diversity policy which sets out its approach to board diversity. The voluntary targets in terms of the policy are a minimum of three black people (as defined by the Black Economic Empowerment Act, No. 53 of 2003) and two women. At the date of this report, the board comprised four black people, two of whom are female. A copy of the board diversity policy is available online.

The company is a member of the 30% Club Southern Africa. The aim of the club is to develop a diverse pool of talent for all businesses through the efforts of respective chairman and CEO members. Business Engage, the custodian of the club, runs a number of specific and targeted networking initiatives that look to broaden the pipeline of women at all levels, from 'schoolroom to boardroom'. Selected SPAR employees are encouraged to attend these initiatives, which provide them with valuable business insight and help them unlock their future potential to become aspiring leaders.

ROTATION OF NON-EXECUTIVE DIRECTORS

The company's MOI requires that one-third of those elected non-executive directors who have served in office longest since their last election, retire by rotation at each AGM and, being eligible, may seek re-election should they wish.

Mike and Marang are required to retire by rotation at the 2021 AGM and, being eligible, Marang offers herself for re-election. Mike does not offer himself for re-election and will accordingly retire as an independent non-executive director of the company with effect from the conclusion of the 2021 AGM.

The independence and performance of Marang was assessed by the committee and based on the results of the assessment, which was accepted by the board, the board recommends to shareholders that Marang be re-elected as an independent non-executive director of the company.

INDEPENDENCE

All directors have a duty to act with independence of mind and in the best interests of the company. Accordingly, the board agreed that 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, independence assessment would be conducted every three years. The last externally facilitated independence assessment was conducted in 2017 and will be conducted again in 2021.

The board conducted an assessment of the independence and performance of Harish Mehta and Phumla Mnganga, who have both served on the board for more than nine years, and believes they continue to be independent of mind, act in the best interest of the company and provide valuable insight and input into the company's strategy, despite their long tenure on the board. The assessment was based on whether the directors have 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 decision-making in the best interest of the company.

PERFORMANCE EVALUATIONS

The board agreed that the performance evaluation process would not be externally facilitated and that internal self-evaluation questionnaires would 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
- The effectiveness and contributions of each of the directors

The last evaluation in respect of the above areas was conducted in 2019 and, accordingly, the next evaluation process will be undertaken in the 2021 financial year.

In addition to the key focus areas detailed above, the committee received feedback on the succession of executive and senior management.

The key focus for 2021 will be to digitalise the evaluations process which is currently being done manually.

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.



Mike Hankinson
Chairman of the Nomination Committee

14 December 2020

EXECUTIVE DIRECTOR UP FOR ELECTION

Brett Botten (56)

BCom, CA(SA)
Group CEO elect

Joined the group in 1994

Brett is a qualified Chartered Accountant (South Africa) and holds a BCom Accounting degree from the University of Port Elizabeth. He joined the group in 1994 and is the current Managing Director of SPAR South Rand division, a position which he held since 2010, and a member of the SPAR Guild of Southern Africa. Brett has also previously served as the Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions.



REMUNERATION COMMITTEE REPORT

The Remuneration Committee (the committee) presents the following report for the 2020 financial year.

COMMITTEE GOVERNANCE

COMPOSITION

Committee members for the financial year were independent non-executive directors Harish Mehta (Chairman), Mike Hankinson and Phumla Mnganga.

The following changes are noted in respect of the committee for the 2021 financial year:

- Mike Hankinson will retire as a member of the committee with effect from the conclusion of the 2021 AGM
- Graham O'Connor will replace Mike Hankinson as a member of the committee with effect from 1 March 2021, subject to approval by shareholders at the 2021 AGM of his appointment as a non-executive director

Members' qualifications and experience are available on page 92.

MEETINGS

The committee met formally three times during the financial year. Members' attendance at meetings is recorded on page 97. The Group CEO attends meetings by standing invitation to make proposals and provide such information as the committee may require.

EVALUATION OF COMMITTEE

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and will be conducted again in the 2021 financial year.

ROLE AND RESPONSIBILITIES

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. As members of the committee, our mandate is to ensure the company remunerates fairly, responsibly and transparently and in doing so annually reviews the company's remuneration policy to ensure it promotes the achievement of strategic objectives and encourages individual performance.

During the financial year:

- The committee reviewed, monitored, considered, recommended and approved (where applicable):
 - The company's remuneration policy and remuneration implementation report for approval by the board, which will be put to a non-binding vote by shareholders at the 2021 AGM.

- Annual remuneration increases for employees outside the bargaining unit. An increase of 6.5% (2019: 6.5%) was mandated.
- Annual remuneration increases for employees within the bargaining unit. Increases of between 7.0% and 7.5% (2019: between 6.5% and 7.0%) were mandated.
- Executive directors' and Executive Committee members' performance, remuneration and incentives bonuses.
- The annual award of shares in terms of the group's long-term Conditional Share Plan (CSP). Details can be found on page 111.
- The fees payable to non-executive directors for approval by shareholders. Details can be found on page 113.
- Its terms of reference and annual work plan.

The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found on the group's corporate website.

SECTION 1 – BACKGROUND STATEMENT

ENGAGEMENT WITH SHAREHOLDERS

During the course of the year the company engaged with key shareholders on various matters, including whether they had any concerns or comments on the existing remuneration arrangements. No issues were raised on any remuneration matters. Positive endorsement was received on the malus and clawback adoption.

At the 2020 AGM of the company, our 2019 remuneration report was presented and voted on in sections, namely:

- **Remuneration policy** – supported by 91.52% (2018: 94.71%) of the company's shareholders who voted
- **Remuneration implementation report** – supported by 85.83% (2018: 66.48%) of the company's shareholders who voted

For the 2021 AGM, the remuneration policy and the remuneration implementation report will again be tabled separately for non-binding advisory votes by shareholders. In the event that either the policy or remuneration implementation report or both are voted against by 25% or more of the voting rights exercised, the committee commits to an engagement process to ascertain the reason for the dissenting votes and appropriately address any legitimate and reasonable objections and concerns raised.

CHANGES IN THE REMUNERATION POLICY

The fundamental policies and practices have remained unchanged this year. The committee did confirm and adopt the malus and clawback policy presented in the 2019 Remuneration Committee report. Refer to page 105 for details of this policy.

The committee continued to develop a Minimum Shareholding Requirement (MSR) policy for executive directors and Executive Committee members. Further details can be found on page 110.

The committee also considered and confirmed the policy on the treatment of both variable short and long-term incentives in the event of a change of control. Any early vesting of awards because of a change of control will consider performance and the time elapsed up to the relevant date, with a consequent reduction in the size of the awards which vest.

The committee is satisfied remuneration in all forms accruing to employees at all levels is market related and equitably awarded. In addition, the committee believes SPAR's remuneration philosophy and policy support the company's strategic objectives by incentivising both short-term and long-term behaviour to meet and exceed its strategic goals.

My thanks 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

14 December 2020

SECTION 2 – REMUNERATION POLICY

PHILOSOPHY

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

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

Apart from fixed remuneration, an element of variable remuneration 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.

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 and the market.

SPAR uses remuneration surveys conducted by reputable salary survey companies with 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.

PROCESS TO DETERMINE REMUNERATION

The committee is responsible for approving salary increases for the executive directors and the Executive Committee.

The Group 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
- As per collective agreements with the union(s) for employees in the bargaining unit

REMUNERATION STRUCTURE

SPAR's remuneration structure consists of both fixed and variable remuneration using the Paterson grading methodology.

	Fixed remuneration	Variable remuneration	
		Short-term incentives (STIs)	Long-term incentives (LTIs)
Objective	To help attract and retain the best talent.	To motivate and incentivise delivery of performance, financial and non-financial, consistent with the group's strategy over the financial year.	To motivate and incentivise delivery of long-term, sustainable performance.
Type	Salary.	Performance Bonus Plan.	<ul style="list-style-type: none"> • CSP • Share Option Plan (Closed)
Policy	Based on the Paterson grading methodology and determined by level of skill and experience, and scope of responsibilities.*	Solely at the discretion of the company and can be changed or withdrawn at any time. STIs are only paid to individuals who are in employ of the company at the end of the financial year.	Annual or <i>ad hoc</i> awards approved by the board are granted to employees graded EL and above and identified selected other staff on merit. May be either performance or restricted awards.

* The Paterson grading methodology 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

FIXED REMUNERATION

Fixed remuneration consists of cash remuneration, pensionable remuneration and benefits, and is structured as follows:

Bands A to CU (Non-management)	<ul style="list-style-type: none"> • Salary • Guaranteed 13th cheque payable in December of each year. This amount forms part of the employee's pensionable remuneration • Benefits
Bands D to F (Management)	<ul style="list-style-type: none"> • Salary • Other pensionable remuneration, such as car allowance, vehicle insurance and fuel, which is paid by the company • Benefits

All permanent full-time employees are required to become members of one of the company's available retirement funds, namely:

- The Old Mutual SuperFund Provident Fund: The SPAR Group Management Provident Fund
- 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

Membership of a medical aid scheme is voluntary. The company has a number of medical aid schemes which employees are entitled to join. 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.

VARIABLE REMUNERATION

Short Term Incentive (STI)

All employees participate in the STI scheme, as follows:

Bands A to CU (Non-management)	Performance bonus of up to 50% of one month's salary or part thereof, based on the achievement of set targets. The targets are based on key issues in the business strategy and are mainly financial targets.		
Bands D to F (Management)	Performance bonus, as follows:		
	Grade	% of basic annual salary	Bonus split financial:functional
	EU to F	100	75:25
	EL	60	60:40
	DU	30	30:70
	DL	15	30:70

The financial component of the STI is based on:

- A targeted divisional profit before tax for divisional management
- The group's profit after tax for executive directors and central office management

In both cases the financial target matrix threshold commences at profit achieved for the previous year (adjusted for extraordinary items if necessary), and increases incrementally until the maximum stretch achievement level is reached at a profit level approximately equal to the board-approved internal budget.

On-target is set at approximately 97% of budget. The methodology is based on the company's approach in setting budgets that include sufficient stretch for management, and are not simply seen as an easily achieved result. For this reason, the achievement of the budget presupposes an exceptional performance. This allows management to focus on all components of the budget throughout the year and ensure these remain relevant.

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 STI, and any variable payments are directly aligned to performance outcomes. Achieving these objectives will result in a bonus pay-out subject to the achievement of a minimum profit level of no less than the profit level achieved in the previous year.

Transformation is weighted at 40% of the functional allocation, totalling 10% of the total bonus opportunity, and addresses (1) the employment and promotion of black employees and (2) the development of black ownership.

The STI bonus is capped at 100% of annual salary for executive directors and senior general management.

Long Term Incentives (LTI)

The company has two LTI plans in place for key employees, senior management and executive directors: the Share Option Plan and CSP.

Share Option Plan (SOP)

The SPAR Group Ltd Employee Share Trust (2004) scheme closed in 2014 and no further share option allocations can be made in this scheme.

The SOP provided 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. There is no performance criteria in this scheme and as the scheme is now closed, none can be introduced for previous awards.

The last options were allocated on 7 February 2014 and remaining participants have 10 years from date of issue to exercise their option rights. Based on the SOP rules, all awards under this scheme will lapse or vest by February 2024.

Options previously granted to executive directors, options exercised during the year under review and unexercised options as at 30 September 2020 are provided in the remuneration implementation report on page 113.

Conditional Share Plan (CSP)

The CSP provides a mechanism that enables the company to provide key employees 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 subject to appropriate performance conditions. An award of restricted shares may be made in exceptional circumstances to address retention risks or to compensate prospective employees for the loss of LTI awards with their existing employer.

While the board was extremely satisfied with the succession process following the retirement of a number of senior executives in 2019 and early 2020, it remains concerned that the loss of any of the executive management at this time would be damaging to the group. To help mitigate this concern of heightened employee flight risk and to ensure a strong, stable executive team throughout this critical period, the remuneration committee decided to further "lock in" certain identified key executives.

Accordingly, the committee has again decided to make a limited number of extraordinary awards of retention shares, together with the normal performance CSP shares. To emphasise the retention element and further strengthen the alignment with long-term shareholder interests, the restricted shares will vest in equal parts after three, four and five years following the grant date.

The committee recognises that this decision might raise concerns from shareholders but believe that this is appropriate in these challenging times when it is critical for the group to retain these key executives. It is not the committee's intention to use restricted shares as an add-on award to retain or compensate executives during a year of poor performance. The committee has carefully considered these limited grants. It should also be noted that most of these grants are made on both a broader and deeper level among the key-employee executive management base.

The committee continues to review its compensation practices on a regular basis and may consider, as per global and local best practice, not to reward the executive team with time-based restricted shares. The Remuneration Committee will also continue to seek feedback from shareholders in this regard as part of its ongoing shareholder engagement.

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 remain as follows:

Details	CSP
Description	Operating under the CSP, participants receive a conditional right to receive a share in the company 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). To prevent these numbers being exceeded, the annual awards are capped at a percentage of gross annual basic salary, for example, the Group CEO at 60%.
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 do allow for settlement in any of the following ways: <ul style="list-style-type: none"> • 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 <i>pro rata</i> portion of all unvested awards will vest. The <i>pro rata</i> 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.
Change of control	In the event of a change of control of the company occurring before the vesting date, a portion of the award held by a participant will vest on such date. The portion of the award that will vest will be determined based on (1) the extent to which the performance conditions are satisfied, and (2) the number of completed months served over the total number of months of the award.
Allocation methodology	The CSP may 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, allocation levels that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are as follows: Group CEO: 60% Executive Committee members: 50% Senior managers: 35%
Grant price	Not applicable
Vesting/employment period	The scheme rules set this at three years for annual award of performance shares and in equal parts after years three, four and five for restricted shares. Prior to vesting, executive directors may elect to subject settled shares to an additional holding period of three years.

Performance conditions

The performance conditions applicable to an award of shares are set annually by the committee and consider shareholder guidance. 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 presented on the following page summarises the three performance conditions along with their definitions, and the proportion of the total number of shares awarded to which the performance conditions relate. Also included in the table are the target levels for the threshold, on-target and stretch measures which represent the levels of achievement required for certain portions of the performance shares related to that particular performance condition to vest. The targets remain largely unchanged from those approved by shareholders on 11 February 2014 when this scheme was initiated. The committee did acknowledge shareholder concerns raised around the TSR targets and amended the vesting levels for all three targets by making these more challenging for all new awards issued from 2019.

Performance condition	Defined as	Detail	Threshold	On-target	Stretch	Weighting
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.	80% of the on-target.	The average RONA as per the operating budget approved by the board for each financial year in the performance period. For the 2019 award, this was set at an average of 40%.	120% of the on-target.	30%
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.	Consumer price index (CPI) growth over the performance period.	HEPS growth between the operating budget approved by the board for the last year in the performance period and the base year HEPS. For the 2019 award, this was set at 30% growth.	Target plus 9% over the performance period.	50%
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.	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.	80% of the on-target. The committee acknowledged the shareholder concern and reduced the vesting percentage to 10% for threshold for the 2019 award. All future awards will apply this vesting percentage until further review.	Weighted average TSR of peer group. The committee recognised the shareholder concern and adjusted the vesting percentage to 40% for on-target for the 2019 award. All future awards will apply the vesting percentage, until further review.	160% of the on-target. The committee amended the stretch target to 160% for the 2019 award. Previous awards will continue to be measured at the original 120%	20%

The peer group for purposes of the TSR measurement are:

- Shoprite Holdings Ltd
- Pick n Pay Stores Ltd
- Woolworths Holdings Ltd
- Massmart Holdings Ltd
- Cashbuild Ltd
- Clicks Group Ltd

and remain unchanged.

Remuneration Committee report (continued)

The portion of the performance shares vesting at each target will be as follows:

	Performance	Vesting percentage
Threshold	Acts as a gatekeeper and will represent the minimum performance required before performance shares vest.	<p>30% of the award of performance shares will vest for performance at threshold.</p> <p>For the TSR award, the committee reduced the threshold for vesting to 10% for the 2019 award. All future awards will apply this vesting percentage, until further review.</p> <p>None of the performance shares will vest for performance below threshold.</p>
On-target	Relates to good but sufficiently stretching performance.	<p>65% of the award of performance shares will vest for performance on-target.</p> <p>For the TSR award, the committee recognised shareholders' concern that the award percentage was possibly overly generous and reduced on-target vesting to 40% for the 2019 award. All future awards will apply this vesting percentage, until further review.</p>
Stretch	Relates to exceptional performance in the context of the prevailing business environment.	100% of the award of performance shares will vest for performance at stretch.

For performance levels between threshold and stretch, linear interpolation is used to determine the proportion of shares vested.

The performance conditions of the CSP continue to be reviewed in line with best practice and feedback from shareholders.

The committee supports shareholding by its executive directors and believes this re-enforces shareholder alignment post the vesting of LTIs. To this end, executive directors may elect to subject their CSP shares coming up for vesting for a further agreed holding period during which time such shares cannot be disposed of. All executives have elected to further hold their shares for an additional three years.

Minimum Shareholding Requirement (MSR)

The committee has developed a draft MSR policy which will apply to executive directors and executive committee members. The policy will require executives to build up a specific shareholding in SPAR using shares from various sources, including (but not exclusively or limited to) the vesting of awards under the CSP.

The target minimum shareholding to be built up by executives would be:

- Group CEO – 200% of total guaranteed package
- Other executives – 150% of total guaranteed package

In terms of the MSR policy, executives will hold their shares to the earlier of:

- Three years; or
- The date of their termination of employment with any of the SPAR employer companies; or
- The abolishment of the MSR policy; or
- Upon their successful application to the committee in special circumstances as governed by the MSR policy, which may include proven financial hardship.

The vested shares are settled and held by an escrow agent. Executives are prohibited to trade with the shares freely until the end of the holding period but will be treated as normal shareholders and will be able to vote and receive dividends paid by the company in respect of the shares.

The committee plans to finalise and introduce the policy in the 2021 financial year.

MALUS AND CLAWBACK POLICY

The committee confirmed the adoption of this policy. The salient features are:

Malus	Clawback
<p>The committee may, on or before the vesting date of an award, reduce the quantum of an award in whole or in part after an actual risk event (trigger event) occurs, which in the judgement of the committee, had arisen during the relevant vesting or financial period.</p> <p>In the event of early termination of employment during the vesting period of an award, the committee will consider whether a trigger event arose between the award date and the date of termination of employment.</p>	<p>The committee may apply clawback and take steps to recover awards that have vested in a participant (on a pre-tax basis) as a consequence of a trigger event which, in the judgement of the committee, arose during the clawback period. The clawback period will run for three years from the vesting date of the awards.</p> <p>In the event of a breach of directors' duties by a participant, the committee reserves the right to pursue any remedies available to it in terms of the clawback policy, as well as common and statutory law.</p> <p>The policy will make provision for the implementation of certain methods of recovery in the event that the participant disposes of the shares after the vesting date but before the clawback period ends, as well as in the event that the shares are retained throughout the clawback period.</p>

The summarised trigger events for malus and clawback include:

- Employee misbehaviour, dishonesty, fraud or gross misconduct
- A material misstatement of the financial results for the performance or employment period of the award, resulting in an adjustment in the audited consolidated accounts of the company
- The assessment of any performance metric or condition (where applicable) in respect of an award which was based on error, or inaccurate or misleading information
- Any information used to determine the quantum of a cash STI or LTI scheme payment, or the number of shares subject to a LTI award was based on error, or inaccurate or misleading information
- Events or behaviour of the employee that had a significant detrimental impact on the reputation of the company or the group

CURRENT CSP AWARDS

Performance conditions, targets, information and allocations

The interim measures against the targets for the unvested awards issued in 2017, 2018 and 2019 are summarised in the table below.

The projected HEPS growth and average annual RONA returns over the appropriate performance periods for each applicable grant were calculated using historical and forecast HEPS values and are provided purely for shareholders' information.

Description	2017	2018	2019
Grant date	14 November 2017	14 November 2018	12 November 2019
Vesting date	8 February 2021	14 February 2022	11 February 2023
Performance period	1 October 2017 to 30 September 2020	1 October 2018 to 30 September 2021	1 October 2019 to 30 September 2022
HEPS condition			
Threshold (expected CPI growth)	11.64%	10.79%	8.19%
On-target growth (based on approved budget)	30.00%	30.00%	30.00%
Stretch growth	39.00%	39.00%	39.00%
Base year HEPS measure	976.0 cents	1 063.2 cents	1 166.3 cents
On-target HEPS required	1 268.8 cents	1 382.2 cents	1 516.2 cents
Management forecast based on current projections	1 267.0 cents	1 373.4 cents	1 528.7 cents
Expected HEPS growth (management forecast based on current projections)	29.8%	29.2%	31.1%
RONA condition			
Threshold (80% target)	32.00%	32.00%	32.00%
On-target RONA (average for three years)	40.00%	40.00%	40.00%
Stretch	48.00%	48.00%	48.00%
Base year RONA measure	39.3%	39.1%	39.9%
Management forecast based on current projections	40.9%	45.3%	49.7%

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

Awards made during 2020

On 11 February 2020, the committee awarded 294 950 performance shares (2019 grant) and 114 000 restricted (retention shares) (2019 grant) to key employees, senior management and executive directors. The vesting date of the performance shares award is 11 February 2023 and the vesting dates of the retention shares are 11 February 2023, 11 February 2024 and 12 February 2025.

The performance targets for both the HEPS and RONA conditions are set out in the table above (see column headed 2019). Also included in the table are management's current forecasts of the achievement levels for both conditions.

These performance shares were calculated in accordance with the targeted award level at a share price of R194.42, which was the 30 day volume weighted average price (VWAP) for the month prior to presenting the proposed awards to the committee.

Details of CSP awards to executive directors are provided in the remuneration implementation report on page 113.

Awards that vested during 2020

On 7 February 2020 the third tranche of CSP awards issued in November 2016 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 over performance period				Vesting percentage	Revised vesting percentage	Weighted x 50%
	Threshold	On-target	Stretch	Actual			
HEPS condition	14.74%	30.00%	39.00%	12.90%	0.00%	26.26%*	13.13%

* Adjustment approved by the committee to recognise the unforeseen dilution effect of additional equity issued – recalculated as if equity has not been issued.

	RONA growth over the performance period				Vesting percentage	Revised vesting percentage	Weighted x 30%
	Threshold	On-target	Stretch	Actual			
RONA condition	32.00%	40.00%	48.00%	39.42%	62.46%	62.46%	18.74%

	Compound annual growth rate				Vesting percentage	Revised vesting percentage	Weighted x 20%
	Threshold	On-target	Stretch	Actual			
TSR condition	-8.79%	-7.33%	-5.86%	3.03%	100.00%	100.00%	20.00%

Total to vest 51.67%

The committee again adjusted the HEPS measurement for the 2020 vesting tranche to recognise the additional equity shares issued in 2016 that were not taken into account when the growth target was originally set. These 11.9 million additional ordinary shares, constituting approximately 6.9% of issued shares, were placed in March 2016 to raise funding. The adjustment took into account the extent of dilution caused to HEPS growth due to these additional shares.

Of the total number of awards in effect at the measurement date, 112 160 vested.

The awards were once again settled by a market purchase of shares.

The actual vesting awards for the last three years were as follows:

	2020	2019	2018
HEPS growth	26.26%	28.38%	51.10%
RONA growth	62.46%	50.80%	53.20%
TSR	100.00%	100.00%	100.00%
Final vesting	51.67%	49.43%	61.50%

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION

The committee uses PricewaterhouseCoopers (PwC) executive and non-executive remuneration reports for insight into current remuneration practices and trends and continually engages with PwC to assist it with a benchmarking exercise of salaries. This includes looking at STIs and LTIs in order to ensure the remuneration of executive management is fair and responsible in the context of overall employee remuneration. The committee is satisfied PwC is independent and objective in giving advice.

Executive directors' remuneration

Executive directors receive a monthly salary and benefits based on the role of each executive and their performance and contribution to the group's overall results. Benefits include other pensionable remuneration, allowances such as a car allowance, pension fund, medical aid, vehicle insurance and fuel, which is paid by the company.

Details of executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 113.

Executive directors' terms of service

Executive directors are full-time employees of the company and, as such, have 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 Group CEO has a notice period of three months.

Non-executive directors' remuneration

Non-executive directors are not full-time employees of the company and, as such, have a contract for services and not a contract of employment. Non-executive directors' remuneration consists of a fixed basic fee and is not linked to the financial performance of the group, nor do they receive share options or bonuses.

Details of non-executive directors' remuneration for the financial year are provided in the remuneration implementation report on page 113.

Management recommends non-executive directors' fees, based on industry benchmarks, to the committee for onward recommendation to and approval by the board which 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. An aggregate increase of 4% (2019: 13.62%) was recommended and approved by the board. The proposed fees for the period 1 March 2021 to 28 February 2022 are as follows:

	Current R	Proposed R	Increase %
Board directors			
Chairman (including his participation in all committees)	1 620 000	1 685 000	4.0%
Lead independent (including his participation in all committees)	–	1 300 000	–
Member	470 000	489 000	4.0%
Audit Committee			
Chairman	263 000	274 000	4.2%
Member	127 000	132 000	3.9%
Risk Committee			
Chairperson	155 000	161 000	3.9%
Member	110 000	114 000	3.6%
Social and Ethics Committee			
Chairperson	151 000	157 000	4.0%
Member	99 000	103 000	4.0%
Remuneration Committee			
Chairman	151 000	157 000	4.0%
Member	98 000	102 000	4.1%
Nomination Committee			
Chairman	146 000	152 000	4.1%
Member	98 000	102 000	4.1%

The committee reviewed the fees for non-executive directors against the Institute of Directors in South Africa's Non-Executive Directors' Fees Guide and PwC's Non-executive directors: Practices and remuneration trends report in terms of percentile and reference group. A reference group is a group comparable to SPAR in terms of market capitalisation. The committee concluded that following the market adjustment to non-executive fees in the previous year, these were now appropriately aligned. Based on this, an inflationary increase of 4% was proposed to the board.

Non-executive directors' terms of service

The notice period for non-executive directors is three months with an age limit of 70 years. The board may, at its discretion, extend a non-executive director's retirement date.

SECTION 3 – REMUNERATION IMPLEMENTATION REPORT

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

EXECUTIVE REMUNERATION

The policy for executive directors' remuneration is summarised on page 105.

The executive remuneration was again benchmarked by using an appropriate reference group of peers in the market. In addition, the committee considered remuneration trends and latest developments in the market for the comparable percentile.

The committee assessed the market-related adjustment made to the Group CEO's salary in the prior year was appropriate to rightly align his earnings with comparable executives. In the current year the Group CEO was awarded an increase of 6.5% in line with the group mandate. The effective increase of 20.9% in his total basic salary is fundamentally influenced by the timing of the extraordinary adjustment awarded in the prior year.

The committee recognised the Group FD's increased responsibilities resulting from the acquisition of the Polish business in October 2019 and the added financial complexities of expanding the group into that region. This also included not just the additional reporting, control and governance matters, but also the overall management of new funding arrangements and banking relationships. This new geography introduced further demands on the Group FD of securing additional debt facilities and co-ordinating these against the group's existing European and local banking requirements.

The committee further considered the Group FD's expanded obligations over the last six years since acquiring the Irish business in 2014 and reconfirmed that salary adjustments awarded over the last four years were realistic against the growth, complexity and increased demands of the international business. The committee felt that the Group FD's strong leadership performance and his overall contribution to the wider business warranted a further salary increase in the current year above the mandate. An additional increase of 10.3% in basic salary was awarded in December 2019. The Group FD's revised basic salary is considered appropriate for the substantially increased role.

Directors' remuneration

R'000	Basic salary	Performance-related bonus ¹	Retirement funding contributions	Travel allowance and other benefits ²	Share option gains	Total
EMOLUMENTS 2020						
Executive directors						
GO O'Connor	8 145	7 820	944	506		17 415
WA Hook*	1 136		137	1 116	10 732	13 121
R Venter*	531		65	572	4 862	6 030
MW Godfrey	5 217	5 010	614	545		11 386
Total emoluments	15 029	12 830	1 760	2 739	15 594	47 952
2019						
Executive directors						
GO O'Connor	6 735	6 525	787	545		14 592
WA Hook	3 407	1 599	427	1 467		6 900
R Venter	3 185	3 000	400	924		7 509
MW Godfrey	4 451	4 267	528	533	1 509	11 288
Total emoluments	17 778	15 391	2 142	3 469	1 509	40 289

* Wayne Hook and Roelf Venter retired during the first quarter of the 2020 financial year.

¹ The performance-related bonuses relate to amounts earned in the current year. No performance bonuses were paid to Wayne Hook or Roelf Venter as they retired during the financial year. These bonuses only accrue on the last day of the financial year and no pro rata payment is made.

² Other benefits include medical aid contributions and proceeds from benefit policies. No other payments were made to Wayne Hook or Roelf Venter as a result of their retirement.

EXECUTIVE STIs

The STI policy is summarised on page 106.

For executive directors, the breakdown of the targets, relative bonus caps as a percentage of annual salary and the average payout for the 2020 financial year, were as follows:

	Bonus cap (% of annual salary)	Executive directors' average performance achievement %
Group financial results	75	100.00
Transformation targets	10	60.20
Key performance	15	100.00
Total	100	96.02

Director	Maximum bonus achievable (% of salary)	Actual bonus (% of salary)	Actual bonus R'000
GO O'Connor	100.00	96.01	7 820
MW Godfrey	100.00	96.03	5 010
Average achievement		96.02	

Performance bonus scorecard

	Weighting (as a % of total annual bonus opportunity)	Achieved as a % of maximum			Actual achievement	Payout (as a % of total annual bonus opportunity)
		Threshold	On-target	Stretch		
Performance measure Group financial Profit after tax, adjusted for exceptionals	75%	15.00% R2.34 billion	80.00% R2.53 billion	100.00% R2.60 billion	R2.84 billion	100.00%
Strategic scorecard Transformation objectives	10%					
Employment equity management appointments	5%		50% of all management positions filled		5/8	3.30%
Enterprise development – store ownership	5%		Weighted points awarded for stores owned by equity groups, with bonus points if stretch exceeded		16.33/30	2.72%
Other measures Personal objectives	15%					15.00%

Profit after tax, adjusted for exceptionals

In 2019/20, profit after tax decreased by 9.6% to R1.96 billion as it was negatively impacted by the losses incurred in the new Polish business, as well as certain financial liability measurement adjustments.

Management has consistently adjusted for these financial measurements and reported a normalised profit after tax to provide meaningful comparisons and has based the dividend declaration on this adjusted profit. The normalised profit, i.e., headline earnings, adjusted for exceptional measurement adjustments, for the year increased by 8.6% to R2.24 billion in an extremely challenging business environment. The board had agreed in advance that the performance of the Polish business would be excluded from the profit measurement for incentive purposes in this year as management were not able to quantify the financial impact due to the uncertainty of finalising the acquisition. The financial targets also ignored any impact from this business. After adjusting for the Polish result, the group reported a 21.7% increase in normalised headline earnings – an exceptional result.

Employment equity management appointments

To achieve the group transformation objectives, management has been challenged to fill at least 50% of all available management positions (graded DL to EU) with equity candidates. During the year eight positions were identified at the group's head office and five of these were successfully filled with designated managers. Despite this being more than 50% of the total positions filled, the measurement also considers each of the grade bands, i.e. DL, DU and E and, as the single DU appointment was not achieved only two-thirds of the available score was earned.

Enterprise development – store ownership

Management has strategically focused on developing equity ownership within the South African retail formats. This objective awards points on a weighted format basis to all stores owned by designated groups. This has been an extremely satisfying result as reported ownership increased to 399 stores across all retail formats, an increase of 5.6% in the year.

Personal objectives

The executive directors' personal objectives are fundamentally set to drive strategic initiatives. Each agrees a minimum of three personal objectives with the committee. These are generally equally weighted but may be adjusted to recognise more significant matters. No adjustments were made to the personal objectives of the executive directors in the 2020 financial year. The broad objectives and achievements of executive directors in the 2020 financial year were:

GO O'Connor

- Further develop and implement the new strategy for the Southern Africa business
(Details can be found on page 50) 33.3%
- Manage the Executive Committee succession appointments within the group to
ensure these changes are effective 33.3%
- Finalise the targeted Polish acquisition 33.3%

Score achieved 100.0%

MW Godfrey

- Finalise second Irish Promoter minority exit legal arrangements and implement necessary funding 33.3%
- Polish acquisition – deal finalisation and secure new funding requirements
(Details can be found on page 58) 33.3%
- Prepare for and implement IFRS 16: Leases accounting across the group
(Details can be found on page 87) 33.3%

Score achieved 100.0%

Remuneration Committee report (continued)

While both executive directors successfully achieved their personal objectives and this was confirmed by the committee, it was decided to acknowledge and reward the senior managers participating in the STI for their fantastic contributions to managing the business through the extremely difficult times caused by the COVID-19 pandemic by awarding 100% personal objective scores to them all.

EXECUTIVE LTIs

SOP

The SOP closed in 2014 and no options have been allocated since 7 February 2014. There are no performance criteria in this scheme and as the scheme is now closed, none can be introduced.

Options held over shares in the company

	Date of option issue	Option price R	Number of options held	
			2020	2019
Executive directors				
GO O'Connor	07/02/2014	124.22	50 000	50 000
Total			50 000	50 000
WA Hook	10/11/2009	66.42	55 000	50 000
	08/12/2010	99.91		50 000
	08/11/2011	96.46		55 000
	13/11/2012	122.81		60 000
Total			115 000	215 000
R Venter	08/11/2011	96.46		11 800
	13/11/2012	122.81		30 000
	12/11/2013	126.43		30 000
Total				71 800
MW Godfrey	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			120 000	120 000
Total options held by directors			285 000	456 800

Options exercised

	Date of options exercised	Number of options exercised	Option price R	Market price on exercise R	Gain R'000
WA Hook	13/11/2019	32 000	66.42	200.96	4 305
	22/11/2019	18 000	66.42	200.96	2 422
	31/03/2020	50 000	99.91	180.00	4 005
					10 732
R Venter	07/05/2020	11 800	96.46	187.01	1 069
	07/05/2020	23 601	122.81	187.01	1 515
	18/09/2020	6 399	122.81	190.00	430
	07/05/2020	20 000	126.43	187.01	1 212
	18/09/2020	10 000	126.43	190.00	636
					4 862

CSP

The CSP is summarised on page 111.

Details of unvested CSP awards held by directors

		Share price on date of grant R	Number of shares	
	Award date		2020	2019
Executive directors				
GO O'Connor	07/02/2017	183.55		14 600
	07/02/2018	190.25	30 700	30 700
	12/02/2019	190.21	33 100	33 100
	11/02/2020	193.80	45 100 ¹	
Total			108 900	78 400
WA Hook	07/02/2017	183.55		7 500
	07/02/2018	190.25		13 000
	12/02/2019	190.21		15 800
Total				36 300
R Venter	07/02/2017	183.55		7 500
	07/02/2018	190.25		15 000
	12/02/2019	190.21		15 200
Total				37 700
MW Godfrey	07/02/2017	183.55		9 000
	07/02/2018	190.25	17 500	17 500
	12/02/2019	190.21	20 800	20 800
	11/02/2020	193.80	20 800 ²	–
Total			59 100	47 300
Total directors' interest in the CSP			168 000	199 700

¹ Awarded in 2020: 25 100 performance shares and 20 000 retention shares.

² Awarded in 2020: 12 400 performance shares and 8 400 retention shares.

Details of vested award shares held by directors

In line with the committee's view that senior executives should be exposed to the share price post the vesting of their LTIs, the following executives elected to subject their CSP shares to a further agreed upon holding period of three years. On retirement, and in accordance with the MSR policy, Wayne Hook and Roelf Venter terminated their extended holding periods and were authorised to trade in these shares.

	Award date	Total number granted	% vested	Total vested
2020				
GO O'Connor	07/02/2017	14 600	51.67	7 544
WA Hook	07/02/2017	7 500	51.67	3 875
R Venter	07/02/2017	7 500	51.67	3 875
MW Godfrey	07/02/2017	9 000	51.67	4 650
2019				
GO O'Connor	09/02/2016	20 000	49.43	9 886
WA Hook	09/02/2016	7 500	49.43	3 707
R Venter	09/02/2016	9 600	49.43	4 745
MW Godfrey	09/02/2016	11 000	49.43	5 437

Special vesting in 2020 arising from 'good leaver' retirements

	Award date	Total number granted	% vested	Total vested
WA Hook	07/02/2018	13 000	59.43	7 727
	12/02/2019	15 800	48.30	7 631
R Venter	07/02/2018	15 000	58.70	8 805
	12/02/2019	15 200	47.78	7 262

NON-EXECUTIVE DIRECTORS' REMUNERATION

The policy for non-executive directors' fees is summarised on page 112.

R'000	2020	2019
Fees for services as non-executive directors		
MJ Hankinson (Chairman) ^b	1 532	1 385
M Mashologu ^{ac}	681	544
HK Mehta ^{abc}	918	848
P Mnganga ^{bd}	791	741
AG Waller ^{ac}	761	631
LM Koyana ^{cd}	641	185
CF Wells ^{acd*}	371	875
MP Madi	–	213
Total fees	5 695	5 422

^a Member of Audit Committee.

^b Member of Remuneration and Nomination Committees.

^c Member of Risk Committee.

^d Member of Social and Ethics Committee.

* Chris Wells retired as a non-executive director during February 2020.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

Number of shares	2020	2019
Directors' interests in the share capital of the company		
Executive directors		
GO O'Connor – direct beneficial holding	61 178	53 634
MW Godfrey – direct beneficial holding	23 617	18 967
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	9 000	10 000
AG Waller – direct beneficial	3 200	3 200

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

INDICATION OF EXECUTIVE DIRECTORS' SHAREHOLDING AGAINST THE PROPOSED TARGET MINIMUM SHAREHOLDING REQUIREMENT

GO O'Connor

Direct beneficial holding
Market value at 30 September 2020
As a percentage of 2020 guaranteed basic salary
Target for Group CEO

61 178 shares
R11 602 308
142%
200%

MW Godfrey

Direct beneficial holding
Market value at 30 September 2020
As a percentage of 2020 guaranteed basic salary
Target for executives

23 617 shares
R4 478 964
85%
150%

DECLARATION OF DISCLOSURE

The company enters into arms-length transactions in the ordinary course of business with certain entities in which executive director Graham O'Connor, or his direct family members, have both a controlling interest or significant influence. These interests are in the form of shareholdings in food service and retail stores and are disclosed in an annual declaration of directors' interests to the company. Transactions between the company and businesses where control has been demonstrated by Graham O'Connor or his direct family members, for the period ended 30 September 2020, comprise wholesale sales of R217.1 million and trade account balances at year end of R16.1 million.

All transactions between these entities and the group were insignificant in terms of the group's total operations for the year.

Other than that disclosed above and in note 36 to the annual financial statements, 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 2020.

RISK COMMITTEE REPORT

The Risk Committee (the committee) presents the following report for the 2020 financial year.

COMMITTEE GOVERNANCE

COMPOSITION

Members of the committee for the financial year were independent non-executive directors Marang Mashologu (Chairperson), Lwazi Koyana, Harish Mehta and Andrew Waller and executive directors Graham O'Connor and Mark Godfrey.

The following changes are noted in respect of the committee for the 2021 financial year:

- Graham O'Connor will retire as a member of the committee with effect from the conclusion of the 2021 AGM
- Brett Botten will replace Graham as a member of the committee, subject to the approval by shareholders of his appointment as the Group CEO of the company at the 2021 AGM

Members' qualifications and experience are available on pages 92 and 93.

MEETINGS

The committee met formally twice during the financial year. Members' attendance at meetings is recorded on page 97. Permanent invitees at committee meetings are the 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 also acts as the secretary of the committee).

EVALUATION OF THE COMMITTEE

The effectiveness of the committee is assessed by way of a self-assessment evaluation review every two years and will be undertaken again in 2021.

ROLE AND RESPONSIBILITIES

The committee's roles and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. The board allocated 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 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.

The committee receives feedback on all relevant matters in its terms of reference from the following committees:

- Audit Committee
- Social and Ethics Committee

The committee is satisfied it fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

RISK GOVERNANCE

Kevin O'Brien is the 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 are in place and were reviewed during the 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 the same at its August 2020 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.

During the financial year, the risk team focused on providing leadership to the company on dealing effectively and impactfully with the COVID-19 pandemic. Early in March 2020, the risk function commenced preparations for the mitigation and management of the spread of COVID-19 at retail and

wholesale operations. Sophisticated protocols were drafted and implemented for the protection of employees and consumers. The risk function also worked closely with industry bodies and government to guide and formulate regulations to deal with the spread of COVID-19.

The focus on mitigating the risks presented by the pandemic meant that the risk function deferred the following items contained in the roadmap for risk agreed to by the board in October 2019:

- Finalisation of key performance indicators (KPIs) in relation to the revised group strategy
- Completion of data and reporting dashboards for key risk indicators (KRIs)
- Finalisation of the implementation of a new enterprise risk management system across the group
- Finalisation of the Combined Assurance Forum and the revised Combined Assurance Framework

Focus areas for the 2021 financial year will be to:

- Review ERM framework and policy and combined assurance framework and policy in light of new strategic risks and corresponding operational risks agreed and rated prior to the end of September 2020
- Finalise all risk management plans, KPIs and KRIs identified in terms of the new strategic and corresponding operational risks
- Finalise amended combined assurance framework and have it signed off by the Combined Assurance Forum
- Roll out ERM software into all distribution centres, thereby creating a fully integrated system to monitor risk mitigation and performance against KRIs and KPIs
- Review and implement changes to crisis management plans and business continuity plans across the business
- Achieve an overall maturity rating of 'Managed'* by the end of the 2021 financial year end

* Risk maturity rating levels: 1. Initial; 2. Repeatable; 3. Defined; 4. Managed; and 5. Optimised



IT GOVERNANCE

Mark Huxtable 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 is in place and was enriched during the financial year to include drivers for best practice and standardisation across the group and to create value and leverage shared centres of excellence.

A security programme was formalised during the financial year, with key projects, including the NIST Cybersecurity Framework, PCI and data privacy compliance, under way. This programme together with the IT strategy initiatives are aimed at addressing the technology and information governance requirements as set out in the Risk Committee terms of reference mandated by the board.

SPAR detected cyber attacks in the past year within the retail and distribution centre environments but did not experience any loss, damage or significant impact as a result. Due to the rising risks in cyber demand, a vigilant approach is necessary to ensure the appropriate security measures are constantly being upgraded.

The modernisation version of SAP will be rolled out to complete the inland distribution centres in the first half of next year. This ensures business efficiencies and employee training momentum continues.

SPAR is engaged in the exploration and build phase of a global SAP template. The template will drive enhanced governance and security, simplified management, improved agility, support business growth in the digital transformation journey and leverage IT to gain competitive advantage.

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 to ensure compliance with legislative and regulatory requirements, and a formal integrated management software solution is currently in pilot phase to better assist management with the monitoring of compliance throughout the group.

Focus areas for the 2021 financial year will be to:

- Roll out the integrated management software solution throughout the group, including compliance with international regulations
- Review the compliance policy and framework

In addition to the key focus areas detailed above, the committee received feedback from management on the group's insurance and operational risk matters (logistic risks, human resource risks, food safety risks, climate change risks and financial risks).

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.

Marang Mashologu

Chairperson of the Risk Committee

14 December 2020

Strategic risks and opportunities can be found on page 55.



SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (the committee) presents the following report to shareholders for the 2020 financial year, in accordance with the requirements of the Companies Act.

COMMITTEE GOVERNANCE

COMPOSITION

Members of the committee for the financial year were independent non-executive directors Phumla Mnganga (Chairperson) and Lwazi Koyana, and executive director Graham O'Connor.

The following changes are noted in respect of the committee for the 2021 financial year:

- Graham O'Connor will retire as a member of the committee with effect from the conclusion of the 2021 AGM
- Brett Botten will replace Graham as a member of the committee, subject to the approval by shareholders of his appointment as the Group CEO of the company at the 2021 AGM

Members' qualifications and experience are available on pages 92 and 93.

MEETINGS

The committee met formally twice during the financial year. Members' attendance at meetings is recorded on page 97. Permanent invitees at meetings are the Chairman of the board, the Risk and Sustainability Executive, the Group Human Resources Executive and the Company Secretary (who acts as the secretary of the committee).

EVALUATION OF THE COMMITTEE

The effectiveness of the committee is assessed by way of a self-assessment evaluation review every two years and will be undertaken again in 2021.

ROLE AND RESPONSIBILITIES

The committee's role and responsibilities are governed by its terms of reference as reviewed and approved annually by the board. The board allocated oversight of, and reporting on, 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 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.

The committee receives feedback on all relevant matters in its terms of reference from the following committees:

- 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 it fulfilled its responsibilities in accordance with its terms of reference, a copy of which can be found online.

KEY FOCUS AREAS

POLICY REVIEW

The committee is responsible for reviewing the group's policies relating to ethics, social and economic development, good corporate citizenship, sustainable development and stakeholder relationships. During the financial year the committee considered and recommended to the board for approval the social media guidelines, which are contained in SPAR's IT policy.

Going into the 2021 financial year the committee will continue to review the various policies in place dealing with ethics, social and economic development, good corporate citizenship and sustainable development, and implement a formal corporate compliance programme to monitor the company's activities in this regard.

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 is 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 any 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 financial year 13 reports (2019: 12) were received. All reports were investigated and of the 13 reports received, four were in respect of independently owned SPAR stores and referred to the respective retailers for further investigation. Out of the nine relating to the company, two led to the dismissal of the employees concerned and the remaining reports were found to be untrue.

Disciplinary action is taken where employees are found to have transgressed and corrective actions implemented where necessary to improve controls and prevent a recurrence of the incident.

An Ethical Culture Assessment was performed during the 2018 financial year by The Ethics Institute (TEI). Management has undertaken to implement the recommendations by the TEI to establish a comprehensive ethics management programme to create ethics awareness and improve employee relations.

CORPORATE CITIZENSHIP

The committee is mandated to consider not only the impact the company's performance has on shareholders, but also on its employees, society, the economy and the natural environment. Accordingly, during the financial year, the committee received feedback from management on the following matters:

- BBBEE
- YES programme
- Trade union activity
- CSI
- SPAR's CDP submission
- Staff benefits for retail staff members
- SPAR's rural hub
- Sustainability initiatives undertaken by SPAR, such as packaging, nutrition and wellness
- COVID-19 preparedness and implications on employees, retailers and consumers

Detailed feedback on a number of the abovementioned matters can be found in our environmental and social supplementary report online.

Due to the strategic importance of transformation and diversity, a workshop titled Transformation: Creating an Imperative for Change coincided with the November 2020 meeting of the committee and all board members and members of the company's Executive Committee attended this externally facilitated workshop.



STAKEHOLDER RELATIONSHIPS

The committee has oversight of stakeholder engagement and monitors a stakeholder-inclusive model throughout SPAR.

SPAR continues to:

- Engage with suppliers to form strategic alignments where possible
- Collaborate with government in assisting to address various sustainable development issues

In addition to the key focus areas above, the committee considered the sustainability content included online and recommended it to the board for approval. The committee is required to report through one of its members to the company's shareholders on the matters

within its mandate at the company AGM to be held on 16 February 2021. Any specific questions relating to the report may be sent to the Company Secretary prior to the meeting.

Thanks go to the members of the committee for their dedicated and constructive contributions to its functioning.

Phumla Mnganga
Chairperson of the Social and Ethics Committee

14 December 2020

ANALYSIS OF ORDINARY SHAREHOLDERS

Rmillion	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	15 614	75.19	4 470 462	2.32
1 001 – 10 000	3 900	18.78	11 951 035	6.21
10 001 – 100 000	996	4.80	32 452 564	16.85
100 001 – 1 000 000	234	1.13	69 155 873	35.91
Over 1 000 000	23	0.11	74 572 421	38.72
Total	20 767	100.00	192 602 355	100.00
Distribution of shareholders				
Insurance Companies	242	1.17	7 706 055	4.00
Mutual Funds	1 305	6.28	93 986 975	48.80
Private Investors	18 442	88.80	65 937 307	34.23
Retirement Funds	778	3.75	24 972 018	12.97
Total	20 767	100.00	192 602 355	100.00
SHAREHOLDER TYPE				
Non-public shareholders				
	10	0.05	24 990 477	12.98
Directors and associates	6	0.03	101 795	0.05
Government Employees Pension Fund	1	0.00	24 719 915	12.83
Share schemes	2	0.01	72 397	0.04
Treasury	1	0.00	96 370	0.05
Public shareholders	20 757	99.95	167 611 878	87.02
Total	20 767	100.00	192 602 355	100.00
Fund managers with a holding greater than 5% of the issued shares				
Coronation Fund Managers			33 253 446	17.27
Public Investment Corporation			27 980 523	14.53
Total			61 233 969	31.79
Beneficial shareholders with a holding greater than 5% of the issued shares				
Government Employees Pension Fund			35 411 156	18.39
Coronation Fund Managers			14 562 025	7.56
Total			49 973 181	25.95

SPAR (SPP) vs General Retail Index (J537) vs JSE All Share Index (J203) vs Food and Drug Index (J533)



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to shareholders that the annual general meeting (**AGM**) 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, 16 February 2021 at 09:00 for the purpose of conducting the following items of business:

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 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. ORDINARY RESOLUTION NUMBER 1 – ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS

"Resolved that the annual financial statements for the year ended 30 September 2020, incorporating the directors' report, Audit Committee report and independent auditor's report, be and are hereby adopted."

The annual financial statements of the company are available on the company's website at <http://investor-relations.spar.co.za>

2. ORDINARY RESOLUTION NUMBER 2 – APPOINTMENT OF AN EXECUTIVE DIRECTOR

"Resolved that the appointment of Brett Botten, the current Managing Director of SPAR South Rand, as the Group CEO with effect from 1 March 2021, be and is hereby confirmed."

The Nomination Committee conducted an assessment of the eligibility of Brett as a member of the board of directors (**board**) and Group CEO and the board accepted the results of the assessment. Accordingly, the board recommends his appointment to shareholders.

A brief *curriculum vitae* for Brett can be found on page 103 of the integrated report of which this notice of AGM (**notice**) forms part.

3. ORDINARY RESOLUTION NUMBER 3 – APPOINTMENT OF A NON-EXECUTIVE DIRECTOR

"Resolved that the appointment of Graham O'Connor as a non-executive director of the company with effect from 1 March 2021, be and is hereby confirmed."

The Nomination Committee assessed the eligibility of Graham as a member of the board and the board accepted the result of the assessment. Accordingly, the board recommends his appointment to shareholders.

A brief *curriculum vitae* for Graham can be found on page 93 of the integrated report of which this notice forms part.

4. ORDINARY RESOLUTION NUMBER 4 – RE-ELECTION OF NON-EXECUTIVE DIRECTOR RETIRING BY ROTATION

It is recorded

- That Mike Hankinson and Marang Mashologu retire as independent non-executive directors of the company in terms of the company's Memorandum of Incorporation (**MOI**)
- That Mike, being eligible does not offer himself for re-election and will retire as an independent non-executive director with effect from the conclusion of the AGM
- That Marang, being eligible offers herself for re-election

"Resolved that Marang Mashologu be and is hereby re-elected."

The Nomination Committee conducted an assessment of the performance of Marang and the board accepted the results of the assessment. Accordingly, the board recommends her re-election to shareholders.

A brief *curriculum vitae* for Marang can be found on page 92 of the integrated report of which this notice forms part.

5. ORDINARY RESOLUTION NUMBER 5 – RE-ELECTION OF THE INDEPENDENT EXTERNAL AUDITOR

"Resolved that PricewaterhouseCoopers Inc., as approved by the Audit Committee and recommended to shareholders, be re-elected as the independent external audit firm of the company, and that Thomas Howatt be appointed as the designated individual audit partner, to hold office for the ensuing financial year."

6. ORDINARY RESOLUTION NUMBER 6 – RE-ELECTION OF THE MEMBERS OF THE AUDIT COMMITTEE

"Resolved that the following independent non-executive directors be and are hereby re-elected, each by way of a separate vote, as members of the Audit Committee of the company with immediate effect, until the conclusion of the next AGM of the company:

6.1 Marang Mashologu, subject to the adoption of the proposed ordinary resolution number 4

6.2 Harish Mehta

6.3 Andrew Waller (Chairman)"

The Nomination Committee conducted an assessment of the performance of each member and the independence of Harish, and the board accepted the results of the assessment. Accordingly, the board recommends their re-election as members of the Audit Committee to shareholders.

Brief *curricula vitae* for Marang, Harish and Andrew can be found on page 92 of the integrated report of which this notice forms part.

7. ORDINARY RESOLUTION NUMBER 7 – AUTHORITY TO ISSUE SHARES FOR THE PURPOSE OF SHARE OPTIONS

Note: The SPAR Group Ltd Employee Share Trust (2004) (the **Trust**) 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 their 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 is 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 the MOI, 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.

8. ORDINARY RESOLUTION NUMBER 8 – AUTHORITY TO ISSUE SHARES FOR THE PURPOSE OF THE CSP

“Resolved 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 is 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 the MOI, 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.

9. ORDINARY RESOLUTION NUMBER 9 – NON-BINDING ADVISORY VOTE ON THE REMUNERATION POLICY

“Resolved that, by way of a non-binding advisory vote, the remuneration policy of the company, as contained in the Remuneration Committee report, be and is hereby endorsed.”

To the extent that 25% or more of the votes cast be against this non-binding advisory resolution, the Remuneration Committee undertakes to engage with shareholders as to the reasons therefore and undertakes to make recommendations based on the feedback received.

10. ORDINARY RESOLUTION NUMBER 10 – NON-BINDING ADVISORY VOTE ON THE REMUNERATION IMPLEMENTATION REPORT

“Resolved that, by way of a non-binding advisory vote, the remuneration implementation report of the company, as contained in the Remuneration Committee report, be and is hereby endorsed.”

To the extent that 25% or more of the votes cast be against this non-binding advisory resolution, the Remuneration Committee undertakes to engage with shareholders as to the reasons therefore and undertakes to make recommendations based on the feedback received.

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 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:

11. SPECIAL RESOLUTION NUMBER 1 – FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES

“Resolved that directors of the company, in terms of provision 45 of the Companies Act, No. 71 of 2008 (as amended) (**Companies Act**), be and 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 2021 to 28 February 2022.”

Reason and effect

This resolution is required in order to comply with the requirements of section 45 of the Companies Act, which provides that a special resolution is required to provide such assistance either for the specific recipient, or generally for a category of potential recipients and the specific recipient falls within that category.

12. SPECIAL RESOLUTION NUMBER 2 – NON-EXECUTIVE DIRECTORS' FEES

"Resolved that the exclusive of VAT (if applicable) fees of non-executive directors of the company for the 12-month period from 1 March 2021 to 28 February 2022, be and are hereby approved, as follows:

	Current R	Proposed R
Board directors		
Chairman (including his participation in all committees)	1 620 000	1 685 000
Lead independent (including his participation in all committees)	–	1 300 000
Member	470 000	489 999
Audit Committee		
Chairman	263 000	274 000
Member	127 000	132 000
Risk Committee		
Chairperson	155 000	161 000
Member	110 000	114 000
Social and Ethics Committee		
Chairperson	151 000	157 000
Member	99 000	103 000
Remuneration Committee		
Chairman	151 000	157 000
Member	98 000	102 000
Nomination Committee		
Chairman	146 000	157 000
Member	98 000	102 000

Reason and effect

This resolution is required in order to comply with the requirements of sections 65(11)(h) and 66(9) of the Companies Act, which provide that a special resolution is required to authorise the basis for compensation to directors of a profit company.

The proposed fees were determined pursuant to a benchmarking exercise undertaken by the Remuneration Committee.

13. TO TRANSACT SUCH OTHER BUSINESS AS MAY BE TRANSACTED AT AN AGM

RECORD DATE

The record date set by the board for the purpose of determining which shareholders are entitled to:

- Receive this notice is Friday, 11 December 2020 (being the date on which a shareholder must be registered in the company's securities register in order to receive this notice).
- Participate in, and vote at, the AGM is Friday, 5 February 2021. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the AGM is Tuesday, 2 February 2021.

COVID-19 PROTOCOLS

The following COVID-19 protocols will be observed at the AGM:

- Do not attend the meeting if you are unwell, have a fever, cough or respiratory symptoms.
- Undertake regular preventative measures such as cough etiquette and regular handwashing and sanitising.
- A COVID-19 visitors form will be completed upon arrival at the offices and temperature will be tested prior to accessing the offices. Should the temperature be in excess of 37.3°C, entrance to the office park will be denied.
- Masks are compulsory.
- Social distancing guidelines will be enforced.

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 AGM 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 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 Friday, 12 February 2021. Thereafter, a form of proxy must be handed to the Chairman of the AGM before the appointed proxy may exercise any rights of the shareholder at the AGM. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with own name registration.

A form of proxy 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 central securities depository participant (**CSDP**) or broker in the manner and time stipulated in their agreement:

- To furnish them with their voting instructions
- 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 Company Secretary on 031 719 1760 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 AGM 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

14 December 2020

FORM OF PROXY

THE SPAR GROUP LTD

Registration number 1967/001572/06

JSE code: SPP

ISIN: ZAE000058517

(**SPAR** or the **company**)

For use by certificated and own name dematerialised SPAR shareholders (shareholders) at the AGM of the company to be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 16 February 2021 at 09:00 for the purpose of conducting the following items of business:

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:

		Insert an 'X' or the number of shares with which you wish to vote		
		For	Against	Abstain
ORDINARY BUSINESS				
1.	Adoption of the annual financial statements			
2.	Appointment of Brett Botten as an executive director			
3.	Appointment of Graham O'Connor as a non-executive director			
4.	Re-election of Marang Mashologu as a non-executive director retiring by rotation			
5.	Re-election of the independent external auditor			
6.	Re-election of the members of the Audit Committee			
6.1	Marang Mashologu;			
6.2	Harish Mehta;			
6.3	Andrew Waller (Chairman).			
7.	Authority to issue shares for the purpose of share options			
8.	Authority to issue shares for the purpose of the CSP			
9.	Non-binding advisory vote on the remuneration policy			
10.	Non-binding advisory vote on the remuneration implementation report			
SPECIAL BUSINESS				
11.	Financial assistance to related or inter-related companies			
12.	Non-executive directors' fees			

Signed at _____ on this _____ day of _____ 2021

Signature _____

NOTES TO THE FORM OF PROXY

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 Friday, 12 February 2021. Thereafter, a form of proxy must be handed to the Chairman of the AGM before the appointed proxy may exercise any rights of the shareholders at the AGM.

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 OF SHAREHOLDERS

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 MOI, 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 required in terms of the Companies Act or such company's MOI 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
- 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
 - » 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
- 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 (Group CEO), MW Godfrey (Group FD), LM Koyana*, M Mashologu*, HK Mehta*, P Mnganga*, AG Waller*

* *Non-executive.*

Company Secretary: MJ Hogan

THE SPAR GROUP LTD (SPAR) or (the company) or (the group)

Registration number: 1967/001572/06

ISIN: ZAE000058517

JSE share code: SPP

Registered office

22 Chancery Lane
PO Box 1589
Pinetown
3600

Transfer secretaries

Link Market Services South Africa (Pty) Ltd
PO Box 4844
Johannesburg
2000

Auditors

PricewaterhouseCoopers Inc.
PO Box 1274
Umhlanga Rocks
4320

Sponsor

One Capital
PO Box 784573
Sandton
2146

Bankers

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

Attorneys

Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

Website

www.spar.co.za

SUPPORT OUR DIGITAL DRIVE

This is why we are going digital:

- To provide stakeholders with more detailed and interactive content, clustered around topical matters
- To save money and resources (which we can use for other value-creating purposes) by not printing or distributing reports

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Certain statements in this 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. These forward looking statements have not been reviewed or reported on by the external auditors.

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