THE SPAR GROUP LTD

PRELIMINARY SUMMARISED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018
AND CASH DIVIDEND DECLARATION

CONTENTS

SALIENT FEATURES

Turnover

+ 5.9% to

R101.0bn

2017: R95.4bn

Dividend per share

+ 8.0% to

729 cents

2017: 675 cents

Operating profit

+ 7.9% to

R2.8bn

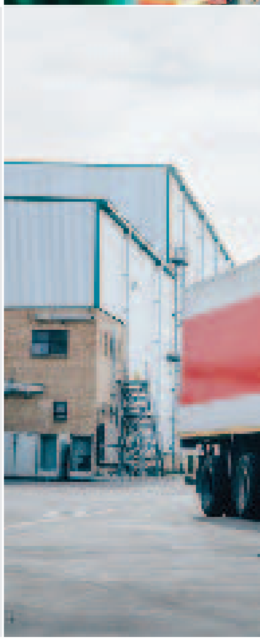
2017: R2.6bn

Net asset value per share

+ 8.4% to

3 692.2 cents

2017: 3 407.0 cents




SPAR


BEANTREE

Summarised consolidated statement of profit or loss and other comprehensive income

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

* *Refer to restatement note 9.*

Summarised consolidated statement of financial position

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

* *Refer to restatement note 9.*

Summarised consolidated statement of changes in equity

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

* *Refer to restatement note 9.*

Summarised consolidated statement of cash flows

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

* *Refer to restatement note 9.*

Restatement of presentation of investing and financing activities.

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

Notes to the summarised consolidated financial statements

1. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The 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, 71 of 2008 (Companies Act) applicable to summary 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

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

* *Refer to restatement note 9.*

3. SEGMENTAL REPORTING

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

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

The Chief Executive Officer (the Chief Operating Decision Maker) (CODM) is of the opinion that the operations of the individual distribution centres within Southern Africa are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. The risks and returns of the Ireland and Switzerland operations are not considered to be similar to those within Southern Africa or each other.

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

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

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

Analysis per reportable segment:

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

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

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

4. BUSINESS COMBINATIONS

4.1 Acquisition of S Buys pharmaceutical wholesaler

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

Purchase of commercial property

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

Retail stores acquired

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

Acquisition of 4 Aces Wholesale Limited (4 Aces)

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

Assets acquired and liabilities assumed at date of acquisition

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

4.2 Assets and liabilities at date of disposal

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

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

4.3 Impact of subsidiaries on the results of the group

Contribution to results for the year

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

4.4 Cash flow on acquisition of business/subsidiaries

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

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

5. FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

6. FINANCIAL RISK MANAGEMENT

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

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

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

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

(4) *Designated as a hedging instrument.*

* *Refer to restatement note 9.*

Fair value hierarchy

The group's financial instruments carried at fair value are classified into three categories, defined as follows:

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 are mainly comprised of other equity investments.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following financial instruments are carried at fair value and are further categorised into the appropriate fair value hierarchy:

Financial instruments

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

Level 2 valuation methods and inputs

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

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R2 042.9 million (2017: R1 700.1 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the estimated future profit targets for TIL JV Ltd and Fifth Season Investments (Pty) Ltd, and the discount rates applied. The estimated profitability was based on historical performances but adjusted for expected growth.

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

TIL JV Ltd
- Discount rate of 6.7% (2017: 7.2%)
- Closing rand/euro exchange rate of 16.46 (2017: 15.96)

SPAR Holding AG
- Discount rate of 2.0% (2017: 2.0%)
- Closing rand/Swiss franc exchange rate of 14.44 (2017: 13.95)

Fifth Season Investments (Pty) Ltd
- Discount rate of 13.3%

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

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

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

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

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

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

7. COMMITMENTS

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

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

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

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

Capital commitments will be financed from group resources.

8. FINANCIAL GUARANTEES

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

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

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

The board has limited the guarantee facility to R190.0 million (2017: R190.0 million) relating to Numlite (Pty) Limited. In 2009, the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams to Numlite (Pty) Ltd, who in turn raises finance via a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility.

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

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

9. PRIOR PERIOD RESTATEMENT AND CORRECTION OF PRESENTATION

9.1 Correction of presentation

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

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

In performing this assessment the following principles were considered:

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

9.2 Prior period restatement

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

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

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

9.3 Prior period restatement and correction of presentation impact

Prior period restatement and correction of presentation impact on statement of profit or loss and other comprehensive income

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

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

Prior period restatement impact on statement of financial position

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

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

Prior period restatement impact on statement of cash flows

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

10. BLOCK DISCOUNTING LOANS

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

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

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

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

Schedule of repayment of borrowings

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

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

* *Refer to restatement note 9.*

11. EVENTS AFTER THE REPORTING DATE

11.1 Acquisition of Roadfield Holdings Ltd

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

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

SALIENT FEATURES

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

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

\# *Headline earnings adjusted for fair value adjustments to, and foreign exchange losses on financial liabilities, and business acquisitions costs.*

OVERVIEW OF TRADING RESULTS

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

- SPAR Southern Africa contributed growth in wholesale turnover of 6.7%. This includes turnover reported by the pharmaceutical business, S Buys, acquired during the year. Excluding S Buys, SPAR Southern Africa produced wholesale turnover growth of 5.3% and stable gross margins, in a tough market environment. The TOPS liquor brand delivered an impressive result with wholesale sales growth of 13.0%. Despite a generally weak building materials sector, Build It increased sales by 7.5% enabled by strategic marketing efforts and grew market share. The SPAR Southern Africa store network increased to 2 236 stores, with 145 new stores opened across all brands. The group completed 276 store upgrades across all brands, compared to 259 upgrades in the prior year.
- The BWG Group (SPAR Ireland) has continued to deliver strong euro-denominated results. The BWG Foodservice business reported impressive double-digit turnover growth, while all of the retail brands enjoyed positive sales growth. The Kilcarbery distribution centre saw warehouse turnover increase by 6.9% as more product was directed through the facility. During May 2018, BWG completed the acquisition of 4 Aces Wholesale Limited which operates three cash-and-carry businesses in central Ireland. This business has been successfully integrated into the BWG Group's wholesale operations. SPAR Ireland's store network increased by a net 41 stores to finish the year at 1 371 stores.
- SPAR Switzerland has made significant progress in addressing the overall business performance, despite the difficult Swiss retail environment. While the reported turnover growth has remained negative, this was largely due to the strategic closure and sale of corporate retail stores during the year. However, this had a marked positive impact on the profitability of the overall business. The core wholesale business continued to record improvements in profitability. SPAR Switzerland's store network grew by the addition of 46 new stores to a total of 315 stores.

GROUP FINANCIAL REVIEW

Rmillion	Southern Africa	Ireland	Switzerland	The SPAR Group Ltd
Income statement				
Turnover	**68 753.4**	**22 495.5**	**9 769.1**	**101 018.0**
Gross profit	**6 190.7**	**2 823.6**	**1 778.7**	**10 793.0**
Operating profit	**2 080.3**	**574.4**	**124.6**	**2 779.3**
Profit before taxation	**1 841.6**	**537.9**	**84.6**	**2 464.1**
Financial position				
Total assets	**16 436.1**	**9 777.5**	**5 041.9**	**31 255.5**
Total liabilities	**12 718.1**	**7 263.5**	**4 164.1**	**24 145.7**

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

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

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

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

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

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

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

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

The budgeted capital expenditure for the year ahead in Southern Africa, amounting to R383.4 million (2017: R666.0 million) is expected to reduce to more normal operating levels, as no further property acquisitions are planned and construction plans for the previously announced distribution facilities have been placed on hold. In Ireland, budgeted capital spends of €32.0 million will continue to address a wide range of retail development commitments, while Spar Switzerland has CHF 25.0 million budgeted for further retail investments and additional improvements to own facilities and infrastructure. It is again anticipated that the foreign subsidiaries will fund all capital expenditure from their own cash flows.

GEOGRAPHICAL REVIEW

SPAR Southern Africa

The turnover of SPAR Southern Africa increased 6.7% to R68.8 billion (2017: R64.4 billion restated), but was positively influenced by the inclusion of the S Buys pharmaceutical business acquired on 1 October 2017. Excluding S Buys, the comparable business increased turnover by 5.3% (2017: 4.5%), reflecting the continued tough retail market which remains underpinned by weak consumer spend. This result was positively boosted by strong liquor turnover growth of 13.0% and a very pleasing increase in the building materials business of 7.5%. The latter remains contrary to a weak building sector performance and reflected increased retailer loyalty and the results of strong marketing investments. Combined food and liquor wholesale turnover growth was recorded at 5.0% and needs to be viewed against internally calculated food inflation of 1.4% This inflation measure has continued to decline from the 1.9% measured at half year and the 6.0% reported in 2017.

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

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

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

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

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

The **S Buys** pharmaceutical wholesale business was acquired with effect from 1 October 2017 and the revenue and profit were consolidated for the first time in this year. This strategic investment provides a full pharmaceutical wholesale service for the Pharmacy at SPAR retailers and management are actively working to convert their purchases to this wholesaler. The S Buys Group reported turnover of R929.0 million for the period, which amounted to a pleasing growth of 13.4%. This performance was driven by impressive increases of 17.1% in the Scriptwise business – catering for high-value speciality scripts – and 11.7% in wholesale sales, which were largely attributed to increased procurement by SPAR pharmacies. The profitability of the business was, however, impacted by a lower than expected government regulated price increase of 1.3% compared to the 7.0% in 2017.

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

SPAR Ireland

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

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

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

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

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

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

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

SPAR Switzerland

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

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

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

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

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

PROSPECTS

Against the backdrop of subdued consumer and business confidence in Southern Africa, the trading environment is expected to remain largely unchanged in the medium term. While food price inflation has recently dropped to extremely low levels, there are discernible signs that the cycle will start to turn. Recent record movements in fuel prices and continued foreign currency weakness also indicate that consumers will remain under pressure, with a constrained spending outlook. In response, SPAR's extensive distribution capability and market-leading brands are well positioned to deliver exceptional value to consumers and to also ensure that its independent retailers remain suitably positioned to meet these economic challenges.

The Irish business outlook, still influenced by Brexit uncertainties, remains positively cautious in both territories where they operate. Management's proactive response to market changes should ensure that SPAR Ireland will deliver a result in line with expectations. The acquisition of the Corrib Food Products wholesale business subsequent to the reporting date will further strengthen the Irish group's growth objectives.

The Swiss business will maintain its focus on driving the identified strategic initiatives to improve the turnover performance. The group continues to recognise that these objectives will take time to realise, but positive changes are being recorded.

The group remains well positioned to continue to create value for shareholders through its growing, diversified business and well-established retail brands.

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive Officer

13 November 2018

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a gross final cash dividend of 459 cents per share has been declared by the board in respect of the year ended 30 September 2018. The dividend has been declared out of income reserves. This brings the total gross dividend for the year to 729 cents (2017: 675 cents) per ordinary share.

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

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

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

In terms of South African taxation legislation effective from 1 April 2012 and the JSE Listing Requirements, the following additional information is disclosed:

- The South African local dividend tax rate is 20% (2017: 20%);
- The net local dividend amount is 367.2 cents per share for shareholders liable to pay tax on dividends and 459 cents per share for shareholders exempt from such dividend tax;
- The issued share capital of The SPAR Group Ltd is 192 602 355 ordinary shares; and
- The SPAR Group Ltd's tax reference number is 9285/168/20/0.

By order of the board

MJ Hogan
Company Secretary

Pinetown
13 November 2018

Directorate and administration

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

* *Non-executive*

Company Secretary: MJ Hogan

THE SPAR GROUP LTD (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

GREYMATTER & FINCH # 12237

www.spar.co.za