THE SPAR GROUP LTD

2022

SUMMARISED CONSOLIDATED GROUP RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022
AND CASH DIVIDEND DECLARATION

SALIENT FEATURES

+6.0%

Group turnover[1]
R135.6 billion
2021: R127.9 billion

+1.1%

Operating profit
R3 428.7 million
2021: R3 392.6 million

+19.5%

Net asset value per share
5 201.0 cents
2021: 4 350.5 cents

-2.9%

Diluted headline earnings per share
1 159.1 cents
2021: 1 193.7 cents

400 cents

Dividend per share
2021: 816 cents

+41

Net new stores

[1] *Turnover represents revenue from the sale of merchandise.*

CONTENTS

COMMENTARY

SUMMARY OF KEY INFORMATION

GROUP

- Robust turnover growth of 6.0%; resilient performance despite ongoing challenges

SOUTHERN AFRICA

- Strong turnover growth of 8.4% (including S Buys pharmaceutical business and SPAR Encore)
- Combined core grocery and liquor turnover growth of 9.2%
  - Core grocery business: robust turnover growth of 5.3%
  - TOPS liquor: excellent turnover growth of 42.6% (against pandemic-related liquor restrictions during 2021)
- Build it: industry-leading turnover growth of 3.1%

EUROPEAN REGIONS (IN LOCAL CURRENCY)

BWG GROUP (Ireland & South West England)

- Strong turnover growth of 7.6% and continued impressive performance

SPAR SWITZERLAND

- Turnover declined by 3.0% impacted by Swiss consumers returning to large supermarkets post the pandemic

SPAR POLAND

- Turnover growth of 8.2% despite being negatively impacted by strategic loss of retailers

SALIENT FEATURES

Rmillion	Year ended 30 Sep 2022	Year ended 30 Sep 2021	% Change
Turnover[1]	**135 609.1**	127 940.5	6.0
Operating profit	**3 428.7**	3 392.6	1.1
Earnings per share (cents)	**1 118.2**	1 176.3	(4,9)
Headline earnings per share (cents)	**1 160.5**	1 196.2	(3.0)
Diluted headline earnings per share (cents)	**1 159.1**	1 193.7	(2.9)
Dividend per share[2] (cents)	**400.0**	816.0	(51.0)
Net asset value per share (cents)	**5 201.0**	4 350.5	19.5

[1] *Turnover represents revenue from the sale of merchandise.*

[2] *On 16 February 2022 the board announced a change in the dividend policy for a period of two years to fund, inter alia, the strategic SAP implementation.*

The weighted average number of ordinary shares (net of treasury shares) is 192 445 771 shares (2021: 192 598 768). In respect of diluted headline earnings per share the weighted average number of ordinary shares (net of treasury shares) is 192 678 012 (2021: 192 998 737).

PERFORMANCE OVERVIEW

SPAR delivered a resilient group performance despite various challenges across all regions. Group turnover increased by 6.0% to R135.6 billion. In constant currency, turnover increased by 7.0%. Group profitability continued to be impacted by the consequences of the pandemic in the first half of this financial year and new geopolitical circumstances which has seen all regions experiencing fuel and energy cost pressures. In South Africa these pressures were further exacerbated by the impact of ongoing electricity load shedding. The group delivered an operating profit of R3.4 billion, increasing by 1.1%. Diluted headline earnings per share decreased by 2.9% to 1 159.1 cents per share. The board of directors of SPAR (board) has declared a final dividend of 225.0 cents per share, in line with the temporarily adjusted dividend policy reducing the dividend for a period of two years, to fund, *inter alia*, SPAR's strategic investment in SAP.

SPAR Southern Africa contributed 65.0% of turnover for the group and delivered strong growth in wholesale turnover of 8.4% to R88.1 billion. This increase was assisted by an improved core grocery business performance which generated an increase in sales of 5.3%. SPAR increased its promotional calendar to continue to attract cash-strapped consumers. This increased promotional activity, continued focus on store disciplines, a better fresh offering, as well as major store upgrades were key initiatives during the reporting period. SPAR made excellent progress with its newly developed on-demand shopping platform SPAR2U, having gone live at 87 stores during the second half of the financial year. Feedback from consumers using this new channel has been extremely positive. Against the liquor trading restrictions in 2021, TOPS at SPAR delivered excellent liquor sales growth of 42.6%, rebounding strongly and reaffirming its position as the number one liquor brand in South Africa.

Build it delivered industry-leading turnover growth of 3.1% for the financial year and reported a strong second half performance as Build it retailers increased their market share.

BWG Group (Ireland and South West England) delivered an exceptional performance despite many challenges, with turnover growth of 7.6% in EUR-denominated currency. This business again demonstrated its resilience as it continues to adapt its operations in response to the challenging economic environment. BWG Foods in Ireland reported an impressive year of new store openings, and neighbourhood stores have largely retained the gains made during the pandemic. Foodservices and licenced trade recovered strongly from March 2022 onwards, having suffered further COVID-19 restrictions in the first half of the financial year. The group experienced rising operational costs in fuel, labour and utilities. The business continued to invest in strategic acquisitions and acquired two cash and carry businesses in Ireland and 16 retail stores in South West England during the reporting period.

SPAR Switzerland experienced extraordinary levels of neighbourhood support during the pandemic. As restrictions eased, consumers returned to large supermarkets. Consequently, SPAR convenience stores have seen a retraction in the gains made during the pandemic with turnover declining by 3.0% in CHF-denominated currency, however turnover is 14.4% higher than pre-pandemic levels. Swiss food inflation rates increased substantially during the latter part of the financial year, which has seen cross-border shopping returning to prepandemic levels. While this phenomenon traditionally impacted larger supermarkets more than smaller convenience stores, Swiss consumers will continue to seek cheaper alternatives in neighbouring countries as prices increase. Swiss gastronomy has fully reopened and due to normalised restaurant trading, our TopCC cash and carry business delivered strong turnover growth.

SPAR Poland made a great deal of progress during the reporting period, with decisive steps taken to rapidly facilitate business performance within this market. A key area of focus for 2022 was to address the retailer loyalty issue. Assertive decisions were taken to terminate contracts with a group of SPAR retailers and restructure the distribution centres. A group of 58 retailers with low levels of purchasing loyalty, elected to leave SPAR Poland. The loss of these retailers has negatively impacted turnover growth in the second half of the financial year but despite this, SPAR Poland delivered turnover growth of 8.2% in PLN-denominated currency terms. Operating losses for this region reduced by 9.5% in local currency terms.

GROUP FINANCIAL REVIEW

Summary segment analysis

RMILLION	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
INCOME STATEMENT					
Turnover*	**88 090.9**	**31 295.6**	**13 834.7**	**2 387.9**	**135 609.1**
Gross profit	**8 829.4**	**4 485.1**	**2 547.9**	**436.6**	**16 299.0**
Gross profit margin %	**10.0**	**14.3**	**18.4**	**18.3**	**12.0**
Operating profit/(loss)	**2 451.7**	**970.5**	**409.5**	**(403.0)**	**3 428.7**
Operating margin %	**2.8**	**3.1**	**3.0**	**(16.9)**	**2.5**
Profit/(loss) before taxation	**2 335.6**	**810.4**	**351.1**	**(455.4)**	**3 041.7**
FINANCIAL POSITION					
Total assets	**26 968.1**	**16 104.4**	**12 018.1**	**2 027.6**	**57 118.2**
Total liabilities	**21 784.8**	**12 883.4**	**9 494.0**	**2 946.9**	**47 109.1**

* *Turnover represents revenue from the sale of merchandise.*

Turnover for the group increased by 6.0% to R135.6 billion (2021: R127.9 billion), with 35.0% (2021: 36.5%) of total turnover generated in foreign currency. Foreign entities include BWG Group operating in Ireland and South West England (EUR-denominated), SPAR Switzerland (CHF-denominated) and SPAR Poland (PLN-denominated).

Gross profit margin for the group has remained in line with the prior year at 12.0%. While some regions benefitted from a shift in sales mix into higher margin categories, in South Africa the lifting of COVID-19 restrictions resulted in lower margin category growth which is margin dilutive. In Southern Africa, excluding S Buys and SPAR Encore, the gross margin declined from 9.4% to 9.2%, driven by a change in sales mix due to liquor trading normalising during the reporting year, which is margin dilutive. BWG Group's gross margin percentage increased from 13.5% to 14.3% driven by improved product mix. SPAR Switzerland's gross margin percentage declined from 18.8% to 18.4% due to the growth in margin dilutive sales from TopCC cash and carry business as gastronomy trading normalised post pandemic-related restrictions. SPAR Poland improved its gross margin percentage at both wholesale and retail, resulting in an overall increase from 15.9% to 18.3% arising from improved trade terms with suppliers.

Operating expenses for the group increased by 8.5% to R15.9 billion (2021: R14.6 billion), with considerable increases in fuel and energy costs common to all regions. SPAR Southern Africa operating expenses increased by 11.7% to R6.9 billion (2021: R6.2 billion), excluding S Buys and SPAR Encore. South African employment costs were well contained and increased by 3.1%. Computer costs increased by 38.3% arising on software licences, IT consultancy support for maintenance and technical consultation ahead of the implementation of SAP. Advertising and promotional costs increased by 20.2% due to increased promotional activity across all the brands. Fuel and transport costs increased by 26.2% with direct fuel costs contributing towards the majority of this increase. In respect of the smaller business units, operating expenses for the pharmaceutical business, S Buys, increased by 8.3% mostly driven by increases in logistics and energy costs. SPAR Encore operating expenses increased by 18.6% due to increased employment costs as this business continues to grow, as well as increased marketing and logistics costs.

In Europe, BWG Group saw an increase in operating expenses of 15.8% in EUR-denominated currency (11.0% in reporting currency). In local currency, direct fuel costs increased by 48.4% and energy costs increased by 56.0%. SPAR Switzerland's operating expenses declined by 0.6% in CHF-denominated currency (increased by 1.3% in reporting currency). Despite fuel and energy costs increasing by 18.9% and 22.3% respectively, in local currency for the Swiss region, the business benefitted from the reduction in costs associated with running the Store Services AG stores, as these stores were transferred to independent retailers. SPAR Poland's operating expenses increased by 5.7% in PLN-denominated currency (a decrease of 1.4% in reporting currency) which includes an increase of 21.1% in electricity costs in local currency.

Operating profit for the group increased by 1.1% from R3 392.6 million to R3 428.7 million. Subdued group profitability was predominantly caused by the decline in profitability in Southern Africa. SPAR Southern Africa delivered operating profit of R2 451.7 million (2021: R2 486.2 million), a decline of 1.4% year-on-year, arising on significant increases in operating expenses. In Europe, BWG Group delivered strong operating profit growth of 4.5% in EUR-denominated currency, up 0.2% in reporting currency from R968.4 million to R970.5 million. This is an overall strong performance given the impact of the COVID-19 pandemic in the first quarter and ongoing labour issues in Ireland and the United Kingdom. SPAR Switzerland delivered an operating profit of R409.5 million (2021: R415.2 million) resulting is a decline of 3.3% in CHF-denominated currency and a decline of 1.4% in reporting currency. SPAR Poland's operating losses reduced by 9.5% in PLN-denominated currency, and 15.5% in reporting currency to R403.0 million (2021: R477.2 million).

Profit before tax increased marginally by 0.8% from R3 017.1 million to R3 041.7 million and was impacted by an increase in net finance costs of 6.3% from R362.4 million to R385.2 million.

Profit after tax increased by 0.5% to R2 219.8 million (2021: R2 208.5 million). For the financial period, the group's effective tax rate increased from 26.8% to 27.0%.

Headline earnings per share declined by 3.0% to 1 160.5 cents (2021: 1 196.2 cents). Diluted headline earnings per share decreased by 2.9% to 1 159.1 cents (2021: 1 193.7 cents).

A final **dividend** of 225 cents has been declared, taking the total dividend to 400.0 cents (2021: 816.0 cents) per share for the reporting period to fund, *inter alia*, the strategic SAP implementation. On 16 February 2022, the board announced a temporary change in the dividend policy from annual dividends covered 1.45 times by headline earnings to 2.90 times. The change in policy is effective for two financial years ending 30 September 2022 and 30 September 2023.

Cashflow from operating activities totalled R2.4 billion (2021: R1.8 billion). Together with the reduction in dividends paid, this reflects improved cashflow from operations of R5.0 billion (2021: R4.9 billion). A total of R1.4 billion (2021: R1.8 billion) was paid to shareholders, reflecting in part, the reduced interim dividend paid in line with the temporarily adjusted policy. The group's cash outflow from investing activities was R1 168.6 million (2021: R658.2 million) reflecting in part, the acquisition of retail stores in the United Kingdom and South Africa and two cash and carry businesses in Ireland to the value of R276.5 million, and capital expenditure of R1.8 billion which includes R463.0 million for the group's investment in SAP. Cash outflows from financing activities decreased by R101.8 million to a cash outflow of R2.4 billion (2021: R2.5 billion). The group finished the year with a net overdraft of R1 900.2 million (2021: R770.9 million net overdraft balance).

Net debt includes group borrowings of R7 596.6 million (2021: R7 649.8 million). Approximately 97.7% of the group debt is foreign currency denominated (59.0% EUR-denominated and 38.7% CHF-denominated). Group net debt for covenant purposes totalled R9.8 billion (2021: R8.7 billion), reflecting the increase in bank overdrafts at period end. At the interim and year end reporting dates, the bank covenant measures remained within the required levels set by the financiers. Increased bank overdraft balances, and the weaker ZAR exchange rate used to translate the foreign denominated debt at reporting date, both negatively impacted the leverage ratios, however, the group still maintains adequate headroom under its bank covenants.

GEOGRAPHICAL OPERATIONAL REVIEW

RMILLION	2022	2021	% Change
SPAR – core grocery business	**65 946.9**	62 608.1	5.3
TOPS/Liquor sales	**10 204.3**	7 157.5	42.6
SPAR & TOPS	**76 151.2**	69 765.6	9.2
Build it	**10 137.9**	9 836.3	3.1
SOUTH AFRICA	**86 289.1**	79 601.9	8.4
S Buys – Pharmaceutical business*	**1 290.9**	1 175.0	9.9
SPAR Encore*	**510.9**	484.5	5.4
TOTAL SOUTHERN AFRICA	**88 090.9**	81 261.4	8.4
Ireland	**31 295.6**	30 332.1	3.2
Switzerland	**13 834.7**	13 983.2	(1.1)
Poland	**2 387.9**	2 363.8	1.0
TOTAL GROUP	**135 609.1**	127 940.5	6.0

* *Adjusted for intergroup sales.*

SPAR South Africa reported wholesale turnover of R88.1 billion (2021: R81.3 billion). The increase of 8.4% was assisted by an improved performance for the core grocery business. SPAR increased its promotional calendar to continue to attract cash-strapped consumers. Increased promotional activity, continued focus on store disciplines, a better fresh offering, and major revamps were key initiatives during the reporting period. Normalised liquor trading in 2022, against liquor bans in 2021, also helped increase footfall to SPAR grocery stores during 2022. On a combined basis, SPAR core grocery and liquor business generated turnover growth of 9.2% to R76.2 billion (2021: R69.8 billion).

SPAR core grocery business reported turnover growth of 5.3% to R65.9 billion (2021: R62.6 billion), demonstrating a meaningful recovery on the prior year. Consumers have largely returned to normal daily activities and convenience-based shopping habits have returned. The stores in the coastal regions have reported a noticeable increase in trading, largely owing to greater flexibility in working arrangements post the pandemic. Case volumes (including liquor) handled through the six distribution centres reflect an increase in volumes of 5.0% from 228.3 million to 239.7 million cases. Internally measured wholesale inflation during the period was 6.9%. Turnover during the period remained impacted by stores still closed due to the civil unrest in July 2021. The group continues to work closely with the affected retailers to open these remaining stores as soon as possible. During the period, the group recognised R65.0 million in insurance claims relating to the civil unrest. Additional claims will be submitted as and when the remaining stores reopen.

SPAR launched SPAR2U, in the first half of the reporting period. SPAR2U is SPAR's consumer facing on-demand shopping platform for groceries and liquor. Interest levels from SPAR retailers to utilise the new platform remain high and this is expected to enhance SPAR's ability to assist retailers in driving improved consumer service and engagement going forward. Rapid progress has been made with the onboarding of 87 sites as at 30 September 2022 and is about to reach critical mass. This 'as-a-service solution' is uniquely tailor-made for the SPAR interdependent retail model and takes all of the onerous effort out of our retailers' hands, allowing them to focus on trading.

In July 2021, severe damage was caused to factories of key private-label suppliers, including SPAR's largest supplier of SPAR-branded cold meats. This hampered private label growth in the meat category during the period, among other categories. SPAR private label turnover increased by 3.7% during the period, representing 15.5% of core turnover (2021: 16.7%). Growth in all house brands (which includes SPAR private label) outperformed the growth for the core business with turnover increasing by 6.5% to R16.2 billion, representing 24.6% (2021: 24.3%) of core SPAR turnover.

TOPS at SPAR liquor sales experienced excellent levels of growth during the period. The prior comparative period lost many days of trading owing to COVID-19 regulatory liquor bans. There were no liquor bans during the reporting period, with wholesale liquor turnover subsequently increasing by 42.6% for the period to R10.2 billion (2021: R7.2 billion).

Build it delivered commendable growth for the period considering the rapid slowdown in the demand for building materials after the levels of extraordinary demand seen during the height of the pandemic. Despite the slowdown, this business delivered turnover growth of 3.1% to R10.1 billion (2021: R9.8 billion). Heavy rainfall in the first half of the period further impacted construction in certain areas such as Limpopo, the Lowveld, and KwaZulu-Natal (KZN), further exacerbated by extreme flooding in KZN in April and May 2022. Internally generated inflation in building materials during this period measured at 6.0%.

During the period, the total Southern African store network grew to 2 509 stores, with 69 net new stores opened across all brands during the period. The group completed 314 store upgrades (166 SPAR stores) demonstrating retailers desire to continue to invest in the brand.

Comparison of wholesale and retail turnover growth – Southern Africa

The following table is a comparison between SPAR's wholesale turnover for the reporting year versus retail turnover for SPAR's independent retailers.

	SPAR CORE (Groceries)			TOPS AT SPAR (Liquor)			BUILD IT (Building materials)		
Rmillion	**FY22**	FY21	%	**FY22**	FY21	%	**FY22**	FY21	%
Wholesale	**65.9**	62.6	+5.3	**10.2**	7.2	+42.6	**10.1**	9.8	+3.1
Retail	**96.0**	92.3	+4.1	**16.7**	11.3	+47.9	**17.6**	17.0	+3.7
Retail LFL			+4.9			+47.4			+2.6

SPAR Encore delivered an increase in turnover of 5.4% to R510.9 million (2021: R484.5 million). SPAR Encore procures products from over 200 local manufacturers and 65 local packaging producers. Ongoing loadshedding has curtailed production efficiencies for suppliers. Despite this, SPAR Encore achieved service levels on dry and perishables groceries of 91% and 93%, respectively.

S Buys pharmaceutical business delivered a pleasing performance backed by continued growth from Scriptwise in the specialised medications market. This resulted in increased turnover of 9.9% to R1 290.9 million (2021: R1 175.0 million). Pharmacy at SPAR loyalty continued to increase during the period.

BWG Group (Ireland and South West England)

Turnover increased by 3.2% to R31.3 billion (2021: R30.3 billion). In local currency, turnover increased by 7.6%. Turnover demonstrated a shift in sales mix into higher margin categories due to lower alcohol and tobacco sales. In Ireland, trading for the period was initially impacted by the increased restrictions to combat the Omicron variant in November and December 2021. However, this was followed by a recovery from February 2022 onwards, as restrictions were eased. During the second half of the reporting period, the business benefitted from strong growth in impulse grocery and retail foodservice across all retail brands as the economy reopened. The prolonged period of good weather through the fourth quarter was a positive factor for convenience stores. Sales in non-retail foodservice also rebounded strongly with the reopening of the economy and elimination of COVID-19 restrictions. This business continues to win share in the hospitality sector where growth of this business is outperforming the overall growth in the sector. In the first half of the reporting period, Appleby Westward in South West England benefitted from the growth in company owned stores. Performance in the second half was solid, despite retail outlets benefitting from increased 'staycations' during the summer months of 2021, as COVID-19 lockdown measures were eased. Labour challenges continued in this market. The unemployment rate in the United Kingdom stands at its lowest level since 1974. The shortage of labour caused unreliable staffing levels, supply chain disruption and rising staff costs. On a combined basis, the total store network of BWG Group increased to 1 439 stores, a net increase of 33 stores for the year.

SPAR Switzerland

In reporting currency this business delivered a decline in turnover of 1.1% from R14.0 billion to R13.8 billion. Switzerland had less severe COVID-19 restrictions during the festive trading period in 2021, which caused a slowdown in the extraordinary levels of support for local community stores experienced in the prior comparative period when increased levels of home consumption saw consumers shopping nearer to home. The elimination of lockdown regulations in Switzerland led to a return of pre-pandemic consumer behaviour, including the return to large shopping centres and cross-border shopping. Many of the Store Service AG stores acquired in the prior reporting period, have been transferred to independent retailers, resulting in costs savings for the group but also negatively impacting turnover for the period. TopCC cash and carry business has seen increased levels of trading and reported an increase of 2.4% in turnover in local currency. This is a robust overall trading performance for SPAR Switzerland as the business continues to adjust to a post-pandemic new normal. Latest market share data indicates a positive trend for SPAR Switzerland with market share reaching an estimated 2.9% (2021: 2.7%). SPAR Switzerland's total store network had 372 stores (a net decrease of 14 stores) during the period.

SPAR Poland

This business delivered turnover growth of 8.2% in PLN-denominated terms. A key area of focus for 2022 was to address the retailer loyalty issue in the south. Consequently, during the first quarter, a group of retailers in the south of the country were placed on notice to renew their contractual terms with SPAR. While the easing of pandemic related restrictions has facilitated building improved relationships with retailers, 58 retailers still elected to leave the group on 1 July 2022. For the six months ended 31 March 2022, wholesaler turnover from this group of retailers represented 11.7% of the turnover for SPAR Poland. The new contracts required a minimum level of retailer loyalty and consequently retailer loyalty for the retailers in the south reached 40% from 27% in the prior period as at 30 September 2022.

During the period, management decided to close the Warsaw distribution centre. This warehouse will no longer be in use from November 2022 onwards. This will streamline logistics, increase efficiencies, and reduce unnecessary costs. SPAR Poland operations will focus on two regional distribution centres. The distribution centre in Poznań will service the retailers in the north of the country and the distribution centre in Czeladź will service the retailers in the south of the country. The expansion of the Czeladź distribution centre was completed post financial year end and will be operational by the end of November 2022. This expansion, undertaken by the landlord, will allow for an increase in the range of dry and perishable groceries and will enhance the overall service levels for SPAR retailers in the south of the country.

SPAR Poland's strategic partnership with AVIA in respect of petro-convenience stores, resulted in 19 new stores opening during the 4th quarter on the back of the success of the initial group of trial stores opened. The total number of stores opened with Avia stands at 26 stores. The Polish store network stands at 180 stores at 30 September 2022, with a net loss of 47 stores year-on-year.

UPDATE ON SAP

As part of the group's digital transformation, the group-wide SAP implementation commenced smoothly, with the successful launch of the new system at the Southern African central office in October 2022. The distribution centre in KwaZulu-Natal (KZN) is due to launch the new system early in 2023, post the busy Christmas-trading period. The remaining distribution centres in South Africa will follow individually after KZN, to minimise potential business disruption. The foreign regions are preparing their businesses for the SAP implementation, in line with the group implementation plan.

OUTLOOK

During the year, management announced a new leadership structure which will drive greater collaboration and alignment across the group. The structure includes a new chief executive officer (CEO) for the South African business, reporting to the CEO of the group. The leadership changes have brought renewed energy and focus to the Southern African business and a medium-term plan to drive growth is underway. In South Africa, against the backdrop of a constrained consumer, low economic growth and subdued business confidence, the trading environment is expected to remain unchanged in the short to medium term; however, our national and regional marketing teams have innovative promotional programmes geared towards helping SPAR support price-conscious consumers and the needs of their communities.

BWG Group management remains cautious in their outlook for Ireland and South West England. There is a real concern around the quantum and level of price increases that are coming through as global energy markets continue to be volatile, driving energy-led price inflation throughout the supply chain. There is also concern that consumer demand will weaken as the cost of living increases into the winter months. A core skill within BWG Group is taking corrective action to compensate for inevitable shortfalls that might occur.

The Swiss team is cautiously confident about the new financial year. We continue to develop relationships with potential partners in the petro-convenience sector and management is excited about the opportunity to launch another four large EUROSPAR supermarket formats in the year ahead. These initiatives will contribute towards growing SPAR's presence in this country.

In Poland, management will focus on driving new business and improving retailer purchasing loyalty rates through the increased product ranges in our distribution centres. While the economic situation remains challenging, given Poland's proximity to Ukraine, management remain firm in their belief in the opportunity within this market. SPAR Poland's strategy execution and performance are closely monitored by the board.

We extend our sincere gratitude to our people for everything they do to inspire others to do and be more, in line with SPAR's purpose. We are humbled by the dedication, sacrifices made, and commitment of our retailers, to embed the SPAR brand at the heart of our communities. We are better and stronger together.

RESULTS PRESENTATION WEBCAST

A live webcast of the results presentation will be broadcast at 12h00 noon (SAST) today, Wednesday, 16 November 2022. A registration link for the webcast is available at https://thespargroup.com/. The slides for the results presentation will be made available on the company's website prior to the commencement of the webcast.

INTEGRATED ANNUAL REPORT AND NOTICE OF 2023 ANNUAL GENERAL MEETING

Shareholders are advised that the company's 2022 Integrated Annual Report which incorporates the notice of the 2023 annual general meeting and summarised consolidated group results, will be distributed to shareholders on or about Wednesday, 21 December 2022.

Graham O'Connor
Chairman

Brett Botten
Chief Executive Officer

16 November 2022

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	2022	2021
		Year ended September	
Revenue – sale of merchandise	6.0	**135 609.1**	127 940.5
Cost of sales		**(119 310.1)**	(112 581.5)
Gross profit		**16 299.0**	15 359.0
Revenue – other		**2 727.5**	2 454.5
Other income		**298.7**	226.3
Net operating expenses	8.5	**(15 896.5)**	(14 647.2)
Operating profit	1.1	**3 428.7**	3 392.6
Other non-operating items		**(9.1)**	(6.4)
Finance income		**599.0**	573.0
Finance costs		**(984.2)**	(935.4)
Share of equity-accounted associate profits/(losses)		**7.3**	(6.7)
Profit before taxation	0.8	**3 041.7**	3 017.1
Taxation		**(821.9)**	(808.6)
Profit after taxation		**2 219.8**	2 208.5
Attributable to:			
Equity holders of the company		**2 152.0**	2 265.5
Non-controlling interests		**67.8**	(57.0)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-retirement medical aid		**(0.3)**	(9.2)
Deferred tax relating to remeasurement of post-retirement medical aid		**0.1**	2.5
Remeasurement of retirement funds		**551.0**	537.4
Deferred tax relating to remeasurement of retirement funds		**(76.3)**	(76.6)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences from translation of foreign operations		**374.2**	(218.8)
Total comprehensive income	25.6	**3 068.5**	2 443.8
Attributable to:			
Equity holders of the company		**3 000.7**	2 493.8
Non-controlling interests		**67.8**	(50.0)
Earnings per share (cents)			
Basic	(4.9)	**1 118.2**	1 176.3
Diluted	(4.8)	**1 116.9**	1 173.8

SUMMARISED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	Year ended September 2022	2021
ASSETS			
Non-current assets		**31 132.5**	28 419.0
Property, plant and equipment		**8 996.7**	8 192.5
Right-of-use assets		**8 320.5**	7 135.5
Lease receivable		**5 006.8**	5 120.7
Goodwill and intangible assets		**7 575.6**	6 837.1
Investment in associates and joint ventures		**130.7**	94.6
Other investments		**15.7**	14.5
Operating lease receivables		**8.2**	7.6
Loans and other receivables		**777.2**	700.3
Block discounting loan receivable		**47.5**	87.9
Deferred taxation asset		**253.6**	228.3
Current assets		**25 962.8**	23 618.3
Inventories		**6 554.0**	5 303.4
Trade and other receivables		**16 881.5**	15 327.9
Prepayments		**257.4**	226.9
Loans and other receivables		**207.2**	199.5
Current portion of block discounting loan receivable		**53.8**	114.4
Income tax receivable			25.4
Current portion of lease receivable		**896.1**	776.2
Cash and cash equivalents – SPAR		**862.0**	1 370.7
Cash and cash equivalents – Guilds and trusts		**250.8**	273.9
Assets held for sale		**22.9**	29.5
Total assets		**57 118.2**	52 066.8
EQUITY AND LIABILITIES			
Capital and reserves		**10 009.1**	8 379.1
Stated capital		**2 231.5**	2 231.5
Treasury shares		**(30.9)**	(13.3)
Reserves		**937.1**	576.4
Non-controlling interests		**226.7**	177.6
Retained earnings		**6 644.7**	5 406.9
Non-current liabilities		**20 792.4**	20 571.2
Deferred taxation liability		**435.5**	312.1
Post-employment benefit obligations		**248.8**	810.9
Financial liabilities	5		50.1
Long-term borrowings		**7 041.9**	7 256.4
Block discounting loan payable		**48.4**	89.8
Lease liability		**13 017.8**	12 051.9
Current liabilities		**26 316.7**	23 116.5
Trade and other payables		**20 553.1**	18 266.4
Current portion of financial liabilities	5	**54.4**	
Current portion of long-term borrowings		**554.7**	393.4
Current portion of block discounting loan payable		**55.6**	117.4
Provisions		**45.9**	27.3
Current portion of lease liability		**1 976.6**	1 824.5
Income tax payable		**63.4**	72.0
Bank overdrafts		**3 013.0**	2 415.5
Total equity and liabilities		**57 118.2**	52 066.8

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
Balance at 30 September 2020	2 231.5	(15.3)	557.9	298.3	5 153.5	(237.7)	(28.2)	(70.3)	7 889.7
Profit for the year					2 265.5			(57.0)	2 208.5
Remeasurement of post-retirement medical aid					(6.7)				(6.7)
Remeasurement of retirement funds					460.8				460.8
Recognition of share-based payments				23.9					23.9
Take-up of share options		80.2		(36.1)					44.1
Transfer arising from take-up of share options				36.1	(36.1)				–
Settlement of share-based payments		56.2		(22.9)	(33.3)				–
Treasury shares acquired		(134.4)							(134.4)
Dividends paid					(1 819.5)			(17.9)	(1 837.4)
Additional shareholding acquired from non-controlling interest					(391.1)			315.8	(75.3)
Equity reserve transferred to retained earnings					(186.2)	186.2			–
Exchange rate translation			(225.8)			24.7		7.0	(194.1)
Balance at 30 September 2021	2 231.5	(13.3)	332.1	299.3	5 406.9	(26.8)	(28.2)	177.6	8 379.1
Profit for the year					**2 152.0**			**67.8**	**2 219.8**
Remeasurement of post-retirement medical aid					**(0.2)**				**(0.2)**
Remeasurement of retirement funds					**474.7**				**474.7**
Recognition of share-based payments				**(1.9)**					**(1.9)**
Take-up of share options		**17.3**		**(7.6)**					**9.7**
Transfer arising from take-up of share options				**7.6**	**(7.6)**				**–**
Settlement of share-based payments		**24.7**		**(11.6)**	**(13.1)**				**–**
Treasury shares acquired		**(59.6)**							**(59.6)**
Dividends paid					**(1 368.0)**			**(18.7)**	**(1 386.7)**
Exchange rate translation			**374.2**						**374.2**
Balance at 30 September 2022	**2 231.5**	**(30.9)**	**706.3**	**285.8**	**6 644.7**	**(26.8)**	**(28.2)**	**226.7**	**10 009.1**

SUMMARISED CONSOLIDATED
STATEMENT OF CASH FLOWS

Rmillion	Notes	Year ended September 2022	2021
CASHFLOWS FROM OPERATING ACTIVITIES		**2 444.3**	1 783.4
Operating profit before:		**3 428.7**	3 392.6
Non-cash items		**2 377.4**	2 122.7
Net loss on disposal of property, plant and equipment and intangible assets		**10.5**	53.4
Net working capital changes		**(789.7)**	(693.2)
– Increase in inventories		**(1 049.0)**	(110.9)
– Increase in trade and other receivables		**(2 196.4)**	(688.9)
– Increase in trade payables and provisions		**2 455.7**	106.6
Cash generated from operations		**5 026.9**	4 875.5
Finance income received		**566.5**	542.4
Finance costs paid		**(932.8)**	(872.8)
Taxation paid		**(829.6)**	(924.3)
Dividends paid		**(1 386.7)**	(1 837.4)
CASHFLOWS FROM INVESTING ACTIVITIES		**(1 168.6)**	(658.2)
Acquisition of businesses/subsidiaries	4.4	**(349.2)**	(208.7)
Proceeds from disposal of businesses	4.2	**9.6**	137.6
Proceeds on disposal of assets held for sale		**1.8**	5.1
Investment to expand operations		**(1 190.8)**	(978.4)
Investment to maintain operations		**(454.8)**	(394.7)
– Replacement of property, plant and equipment and intangible assets		**(592.6)**	(463.9)
– Proceeds on disposal of property, plant and equipment and intangible assets		**137.8**	69.2
Principal elements of lease receipts		**819.8**	716.8
Cash inflows on loans and investments		**364.7**	557.1
Cash outflows on loans and investments		**(369.7)**	(493.0)
CASHFLOWS FROM FINANCING ACTIVITIES		**(2 439.5)**	(2 541.3)
Proceeds from exercise of share options		**9.7**	44.1
Settlement of financial liability			(1 962.1)
Principal element of lease payments		**(1 885.8)**	(1 739.3)
Proceeds from borrowings		**377.4**	2 284.7
Principal element of repayments of borrowings		**(881.2)**	(959.0)
Non-controlling interest share repurchases			(75.3)
Treasury shares acquired		**(59.6)**	(134.4)
Net decrease during the year		**(1 163.8)**	(1 416.1)
Net (overdrafts)/cash balances at beginning of year		**(770.9)**	723.1
Exchange rate translation		**34.5**	(77.9)
Net overdraft at end of year		**(1 900.2)**	(770.9)

NOTES TO THE SUMMARISED CONSOLIDATED FINANACIAL RESULTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The summarised consolidated group results for the year ended 30 September 2022 have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act, No. 71 of 2008 (as amended) (Companies Act). The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 30 September 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 30 September 2021.

The presentation currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The summarised group results have been prepared under the supervision of the Chief Financial Officer, Mr MW Godfrey, CA(SA), on behalf of The SPAR Group Ltd.

This report is extracted from underlying 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 on the company's website and 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	2022	2021
Salient statistics				
Headline earnings per share	(cents)	(3.0)	**1 160.5**	1 196.2
Diluted headline earnings per share	(cents)	(2.9)	**1 159.1**	1 193.7
Dividend per share	(cents)	(51.0)	**400.0**	816.0
Net asset value per share	(cents)	19.5	**5 201.0**	4 350.5
Operating profit margin	(%)		**2.5**	2.7
Return on equity	(%)		**23.4**	27.9
Headline earnings reconciliation				
Profit for the year attributable to equity holders of the company			**2 152.0**	2 265.5
Adjusted for:				
Loss on disposal of property, plant and equipment and intangible assets			**8.9**	49.4
Loss on disposal of assets held for sale				0.1
Impairment of assets held for sale			**4.9**	3.8
Profit on disposal of associates				(5.3)
Impairment to right-of-use asset			**7.5**	
Impairment of goodwill			**46.3**	3.4
Impairment of PPE			**10.2**	1.6
Loss/(profit) on disposal of businesses			**3.6**	(14.6)
Headline earnings			**2 233.4**	2 303.9

3. SEGMENT REPORTING

Segment accounting policies 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 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.

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 2022	Southern Africa	Ireland	Switzerland	Poland	Consolidated Total
Statement of profit or loss					
Revenue from contracts with customers	**89 076.1**	**31 815.5**	**15 052.3**	**2 392.7**	**138 336.6**
Depreciation and amortisation	**462.4**	**624.4**	**825.2**	**82.9**	**1 994.9**
Total employment costs	**2 890.8**	**1 950.8**	**1 618.7**	**309.3**	**6 769.6**
Impairment of goodwill		**46.3**			**46.3**
Delivery costs – fuel	**840.4**	**535.1**	**163.2**	**95.4**	**1 634.1**
Advertising	**984.4**	**215.7**	**291.6**	**38.2**	**1 529.9**
Operating profit/(loss)	**2 451.7**	**970.5**	**409.5**	**(403.0)**	**3 428.7**
Profit/(loss) before tax	**2 335.6**	**810.4**	**351.1**	**(455.4)**	**3 041.7**
Finance income	**552.4**	**10.6**	**7.8**	**28.2**	**599.0**
Finance costs	**671.6**	**165.8**	**66.2**	**80.6**	**984.2**
Share of equity-accounted associate profits	**3.1**	**4.2**			**7.3**
Taxation	**682.7**	**89.6**	**53.8**	**(4.2)**	**821.9**
Statement of financial position					
Total assets	**26 968.1**	**16 104.4**	**12 018.1**	**2 027.6**	**57 118.2**
Total liabilities	**21 784.8**	**12 883.4**	**9 494.0**	**2 946.9**	**47 109.1**
2021					
Statement of profit or loss					
Revenue from contracts with customers	82 103.8	30 838.9	15 083.9	2 368.4	130 395.0
Depreciation and amortisation	449.3	616.6	789.1	110.4	1 965.4
Total employment costs	2 806.5	1 793.3	1 671.3	318.2	6 589.3
Impairment of goodwill	3.4				3.4
Delivery costs – fuel	647.7	409.5	136.5	109.6	1 303.3
Advertising	818.0	207.2	274.8	57.3	1 357.3
Operating profit/(loss)	2 486.2	968.4	415.2	(477.2)	3 392.6
Profit/(loss) before tax	2 371.3	793.2	379.2	(526.6)	3 017.1
Finance income	515.6	13.3	4.6	39.5	573.0
Finance costs	623.8	183.8	38.9	88.9	935.4
Share of equity-accounted associate losses	6.7				6.7
Taxation	678.3	80.4	57.9	(8.0)	808.6
Statement of financial position					
Total assets	25 006.5	14 917.5	9 965.0	2 177.8	52 066.8
Total liabilities	19 888.4	12 625.1	8 258.3	2 915.9	43 687.7

A segment view of total employment costs for 2022 and 2021 has been provided in accordance with IFRS 8.23(f).

3. SEGMENT REPORTING continued

	2022	2021
Disaggregated Revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	**88 090.9**	81 261.4
SPAR	**65 946.9**	62 608.1
TOPS at SPAR	**10 204.3**	7 157.5
Build it	**10 137.9**	9 836.3
S Buys	**1 290.9**	1 175.0
Encore	**510.9**	484.5
Revenue – other	**985.2**	842.4
Revenue from contracts with customers	**89 076.1**	82 103.8
Ireland		
Revenue – sale of merchandise	**31 295.6**	30 332.1
BWG	**26 672.0**	26 065.5
Appleby Westward	**4 623.6**	4 266.6
Revenue – other	**519.9**	506.8
Revenue from contracts with customers	**31 815.5**	30 838.9
Switzerland		
Revenue – sale of merchandise	**13 834.7**	13 983.2
Wholesale	**6 268.5**	6 333.6
TopCC	**5 256.6**	5 035.8
Retail	**2 309.6**	2 613.8
Revenue – other	**1 217.6**	1 100.7
Revenue from contracts with customers	**15 052.3**	15 083.9
Poland		
Revenue – sale of merchandise	**2 387.9**	2 363.8
Wholesale	**2 072.8**	2 032.1
Retail	**315.1**	331.7
Revenue – other	**4.8**	4.6
Revenue from contracts with customers	**2 392.7**	2 368.4
Total Revenue – sale of merchandise	**135 609.1**	127 940.5
Total Revenue – other	**2 727.5**	2 454.5
Total Revenue from contracts with customers	**138 336.6**	130 395.0

4. BUSINESS COMBINATIONS

4.1 Acquisitions

RETAIL STORES ACQUIRED

During the financial year, SPAR acquired the assets of 11 (2021: four) retail stores in South Africa and the BWG Group acquired the assets of 16 stores in the United Kingdom (UK) (2021: 13 stores in the UK) and two cash and carry businesses in Ireland (2021: zero cash and carrys). The principal activity of these acquisitions is that of retail trade and all its aspects. The retail stores were purchased as part of the strategy for growth in the UK, and the goodwill arising on the business combinations is indicative of future turnover expected to be made by the group as a result of wholesale sales to these acquired stores as well as net profits to be made by the stores. The cash and carrys were acquired to access their customer base and new markets, and to avail of economies of scale and synergies. These acquisitions were funded from available cash resources.

Assets acquired and liabilities assumed at date of acquisition

	2022			
Rmillion	**Ireland cash and carrys**	**UK retail stores**	**SA retail stores**	**Total**
Assets	**14.7**	**224.8**	**35.3**	**274.8**
Property, plant and equipment	0.4	10.9	35.3	46.6
Right-of-use assets		205.0		205.0
Inventories	14.3	8.9		23.2
Liabilities		**(205.0)**		**(205.0)**
Lease liability		(205.0)		(205.0)
Total identifiable net (liabilities)/assets at fair value	14.7	19.8	35.3	69.8
Goodwill arising from acquisition	67.0	81.5	86.0	234.5
Purchase consideration	81.7	101.3	121.3	304.3
Business acquisition costs		9.1		9.1
Contingent consideration (note 4.5)	(36.9)			(36.9)
Net cash outflow on acquisition	44.8	110.4	121.3	276.5

4.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to four South African retail stores (2021: ten retail stores), zero retail stores in Poland (2021: three), and zero retail stores in the UK (2021: two).

	2022
Rmillion	**SA retail stores**
Assets	**13.2**
Property, plant and equipment	3.4
Trade and other receivables	1.7
Goodwill	8.1
Loss on disposal of businesses	(3.6)
Proceeds	**9.6**
Net cash inflow on disposal	9.6

4. BUSINESS COMBINATIONS continued

4.3 Contribution to results for the year

Rmillion	Ireland cash and carrys	UK retail stores	SA retail stores	Total
Revenue	54.7	137.5	172.1	364.3
Operating profit/(loss)		4.6	(9.5)	(4.9)

Had all acquisitions been consolidated from the beginning of the financial year, the contribution to the result would have been as follows:

Rmillion	Ireland cash and carrys	UK retail stores	SA retail stores	Total
Revenue	515.8	345.2	203.5	1 064.5
Operating profit/(loss)	32.4	22.0	(12.5)	41.9

Revenue figures included are those contributed by the business inclusive of inter-company sales to SPAR.

4.4 Cash flow on acquisition of business/subsidiaries

The cash flow on acquisition of businesses/subsidiaries is noted as being the amount disclosed in note 4.1 and the contingent consideration and deferred consideration as described below.

Rmillion	2022	2021
Net cash outflow	276.5	149.4
Contingent consideration cash outflow on prior year business combinations	72.7	52.6
Deferred consideration on retail stores acquired in 2020		6.7
Total net cash outflow relating to acquisitions	349.2	208.7

4.5 Contingent and deferred consideration

The contingent consideration of R36.9 million for the cash and carrys in Ireland is based on 12 months' sales performance of which the measurement period commences in March 2023.

The prior year contingent consideration payable on the Store Service AG acquisition was settled during October 2021 at an amount of R57.4 million, based on the contractual agreement at a fixed price, which was dependent on the recoverability of the acquired balances.

The 2020 contingent consideration for the Heaney Meats acquisition was settled during the period at an amount of R15.3 million. The balance is no longer payable following settlement of the contingent consideration and termination of the share purchase agreement with the vendors, and has been released to the statement of profit or loss at an amount of R59.3 million.

5. FINANCIAL LIABILITIES

Rmillion	2022	2021
Present value		
S Buys Holdings (Pty) Ltd	54.4	50.1
Total financial liabilities	54.4	50.1
Less: Short-term portion of financial liabilities	(54.4)	–
Long-term portion of financial liabilities	–	50.1
Undiscounted value		
S Buys Holdings (Pty) Ltd	55.9	55.9
Difference between undiscounted value and the carrying amount of the financial liabilities	1.5	5.8

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.

5. FINANCIAL LIABILITIES continued

S Buys Holdings (Pty) Ltd

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 2022, the financial liability was valued at R54.4 million (2021: R50.1 million).

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.

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:

S Buys Holdings (Pty) Ltd **Rmillion**	**2022**	2021
Carrying value at beginning of year	**50.1**	49.7
Finance costs recognised in profit or loss	**4.3**	0.4
Carrying value at end of year	**54.4**	50.1

6. FINANCIAL RISK MANAGEMENT

Rmillion	**2022**	2021
Financial instruments classification		
Financial assets held at amortised cost		
Loans and other receivables	**984.4**	899.8
Block discounting loan receivable	**101.3**	202.3
Lease receivable	**5 902.9**	5 896.9
Trade and other receivables	**16 881.5**	15 327.9
Financial liabilities at amortised cost		
Net bank overdrafts	**(1 900.2)**	(770.9)
Block discounting loan payable	**(104.0)**	(207.2)
Lease liability	**(14 994.4)**	(13 876.4)
Trade and other payables	**(20 553.1)**	(18 266.4)
Borrowings	**(7 596.6)**	(7 649.8)
Financial assets and liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	**(54.4)**	(50.1)

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 primarily based 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 mainly comprise 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.

6. FINANCIAL RISK MANAGEMENT continued

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
2022				
Financial liabilities at fair value through profit or loss	**(54.4)**			**(54.4)**
Total	**(54.4)**			**(54.4)**
2021				
Financial liabilities at fair value through profit or loss	(50.1)			(50.1)
Total	(50.1)			(50.1)

LEVEL 3 SENSITIVITY INFORMATION – S BUYS HOLDINGS (PTY) LTD

The fair value of the level 3 financial liabilities of R54.4 million (2021: 50.1 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 assumed future profit targets for the 2022 financial year and the discount rates applied from payment date. As the 2022 financial year has concluded, no further fair value adjustments are expected, and the liability will be settled at an amount of R55.9 million in November 2022.

7. COMMITMENTS

Rmillion	2022	2021
Capital commitments		
Contracted	**810.5**	907.5
Approved but not contracted	**1 018.1**	388.0
Total capital commitments	**1 828.6**	1 295.5
Analysed as follows:		
Property, plant and equipment	**670.3**	976.4
Intangible assets	**1 158.3**	319.1

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 company has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of EUR297.2 million (2021: EUR302.2 million), and the SPAR Holding AG borrowing facilities to the value of CHF48 million (2021: CHF56 million).

The SPAR Group Ltd had a facility with Wesbank where SPAR undertook to stand guarantee for loans issued to retailers up to a limit of R1.0 billion. This new facility arrangement was concluded in July 2019 under a direct deal basis which meant that the retailer signed the loan agreement directly with the bank and SPAR signed a separate guarantee for this loan. Exposure on the direct deals facility is disclosed as a financial guarantee and is not recognised on our balance sheet. The balance disclosed in the statement of financial position as at September 2022 relate to the full recourse deals.

8. FINANCIAL GUARANTEES continued

The company has also provided a financial guarantee on the NPI Sp z.o.o bank facilities to the value of EUR105.0 million (2021: EUR85.0 million).

The board has limited the guarantee facility to R220.0 million (2021: R220.0 million) relating to Numlite (Pty) Ltd. 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, exposing the group to credit risk in the event that Numlite (Pty) Ltd defaults on its loan facility payments. At year end, 1 052 SPAR stores (2021: 1 039), 725 TOPS at SPAR stores (2021: 699), 66 Pharmacy at SPAR stores (2021: 69) and 114 Build it stores (2021: 88) were participants in the IT retail scheme, with an average debt of R106 342 (2021: R106 630) per store.

The table below represents the full exposure of the group in relation to utilisation on these financial guarantees as at 30 September:

Rmillion	2022	2021
Guarantee of Wesbank direct deal loan agreements	**428.2**	461.4
Guarantee of retailer finance obligation*	**36.5**	41.7
Guarantee of Numlite (Pty) Ltd finance obligations	**208.1**	202.1
	672.8	705.2

* *The 2021 balance has been updated to reflect the guarantee exposure relating to the retailer finance obligation.*

9. EVENTS AFTER THE REPORTING DATE

9.1 Acquisition of S Buys Holdings (Pty) Ltd

During November 2022, the company settled its obligation to purchase the remaining shareholding in S Buys Holdings (Pty) Ltd for R55.9 million.

9.2 Acquisition of SPAR Encore Ltd

The SPAR Group Ltd acquired a controlling 50% interest in SPAR Encore Ltd (previously Monteagle Africa Ltd) in February 2020. The board has approved the acquisition of the remaining shares in SPAR Encore Ltd, subject to Competition Commission approval.

10. CONTINGENT LIABILITY

Summons has been served on the company by one of it's larger retailers for damages relating to a membership dispute. The company has engaged senior counsel to consider the validity of the claim.

11. CHANGES TO THE BOARD

HK Mehta retired as an independent non-executive director effective 15 February 2022.

ST Naran was appointed as an independent non-executive director and as a member of the Risk and Audit Committees effective 15 February 2022.

LM Koyana was appointed as a member of the Audit Committee, M Mashologo was appointed as a member of the Nomination and Remuneration Committees and P Mnganga was appointed as the Chairperson of the Remuneration Committee effective 15 February 2022.

KJ O'Brien was appointed as the Company Secretary effective 16 March 2022.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a gross final cash dividend of 225 cents (2021: 536 cents) per share has been declared by the board in respect of the year ended 30 September 2022. The dividend has been declared out of income reserves. This brings the total gross dividend for the year to 400 cents (2021: 816 cents) per ordinary share.

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

Last day to trade *cum*-dividend	Tuesday, 6 December 2022
Shares to commence trading *ex*-dividend	Wednesday, 7 December 2022
Record date	Friday, 9 December 2022
Payment of dividend	Monday, 12 December 2022

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 7 December 2022 and Friday, 9 December 2022, both days inclusive.

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

- The South African local dividend tax rate is 20%
- The net local dividend amount is 180.0 cents per share for shareholders liable to pay tax on dividends, and 225.0 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
- The SPAR Group Ltd's tax reference number is 9285/168/20/0

By order of the board

KJ O'Brien
Company Secretary

Pinetown
16 November 2022

CORPORATE INFORMATION

DIRECTORS

GO O'Connor** (Chairman), BW Botten (Chief Executive Officer), MW Godfrey, LM Koyana*, M Mashologu*, P Mnganga*, JA Canny*, ST Naran*, AG Waller* (Lead independent)

(Independent non-executive) (** Non-executive)*

COMPANY SECRETARY

KJ O'Brien

THE SPAR GROUP LTD

(SPAR) or (the company) or (the group)

REGISTRATION NUMBER:

1967/001572/06

ISIN: ZAE 000058517

JSE SHARE CODE: SPP

REGISTERED OFFICE

22 Chancery Lane
PO Box 1589
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3600

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2000

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Heliport
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Jukskei View
Midrand
2090

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Illovo
2196

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Umhlanga Rocks
4021

ATTORNEYS

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