The SPAR Group Limited

Procurement | Warehousing | Distribution | Retail Support

INTEGRATED ANNUAL REPORT for the year ended 30 September 2013

Powering independent retailers for 50 years

About this report

Assurance for this report

The financial information contained in this report has been independently audited by Deloitte & Touche. Non-financial data has been self-assured, with the exception of the group's BBBEE verification, which was evaluated independently by Empowerdex for the 2012 year.

Board responsibility statement

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

Mike Hankinson
Chairman

12 November 2013

This integrated annual report for The SPAR Group Limited (JSE: SPP) is aimed at all our stakeholders. It has been compiled to provide meaningful, accurate, complete, transparent and balanced information on the group's financial, environmental, social and governance performance during the 2013 financial year.

We have determined the content of this report by considering our previous reports and the following:

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

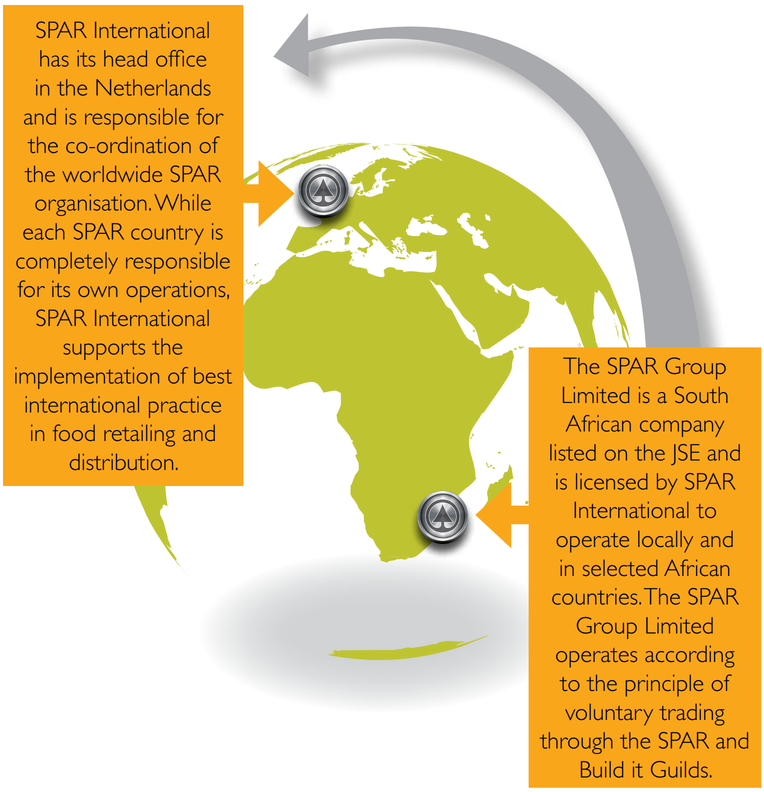
This report covers the financial year from 1 October 2012 to 30 September 2013. In some cases verification certificates cover different periods.

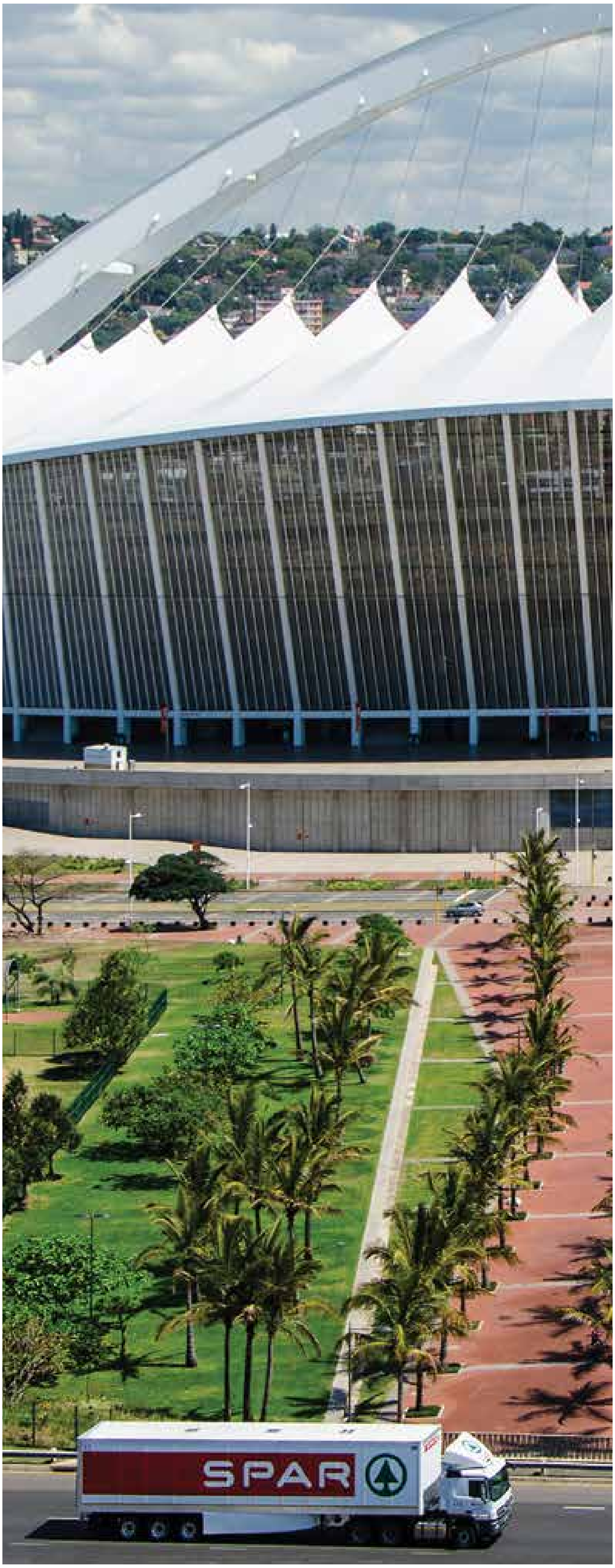
The report includes the operations of the group and its subsidiaries in Southern Africa. It is important for the reader to distinguish between the listed company and its members' operations, which are governed by the SPAR and the Build it Guilds. See below and the business model on page 4 for more detail.

Sustainability information applies to The SPAR Group Limited only.

Although this report is structured differently to the 2012 report, all data remains comparable and consistent, and all relevant material issues have been covered. There have also been no major changes to the business in the last 12 months that could affect comparability of the information disclosed.

This report can be downloaded from the website www.spar.co.za or requested as a printed document from the company secretary, Kevin O'Brien at telephone number 031 719 1811 or kevin.obrien@spar.co.za





Contents

Key highlights

TURNOVER UP BY

9.8%

HEADLINE EARNINGS PER SHARE UP BY

13.0%

ANNUAL DIVIDEND OF 485 CENTS PER SHARE UP BY

12.8%

TOTAL NUMBER OF RETAIL STORES

1 817

CASES DESPATCHED EX-DISTRIBUTION UP BY

4.3%

DISABLING INJURY FREQUENCY RATE

0.19% (no change)

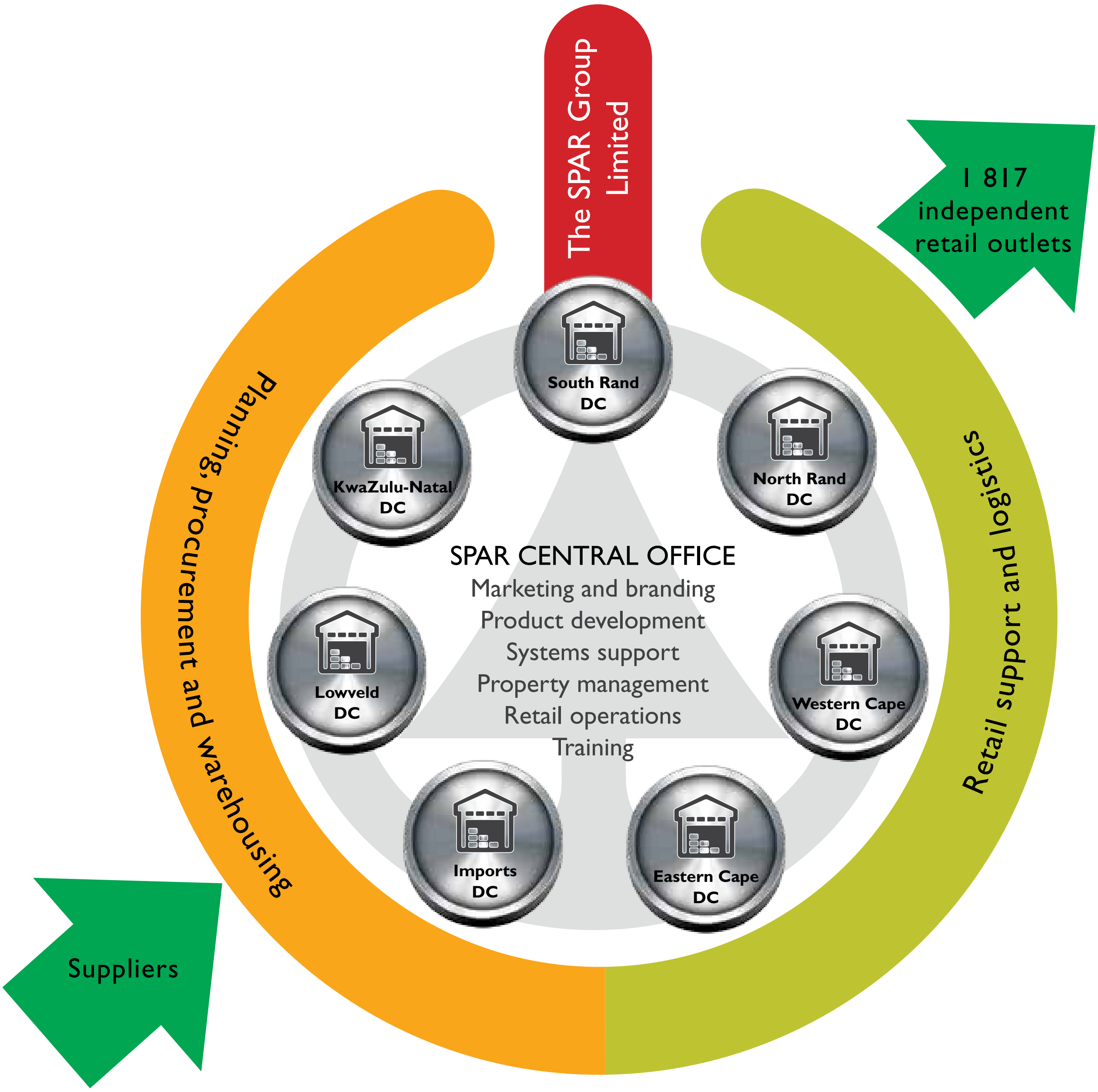
Business profile and model

The SPAR Group Limited (SPAR) is primarily a wholesaler and distributor of goods and services to independent retailers who trade under the SPAR brand as:

- SUPERSPAR
- SPAR
- KWIKSPAR
- SaveMor supermarkets
- Build it building materials outlets
- TOPS at SPAR liquor stores
- Pharmacy at SPAR pharmacy and healthcare outlets

Seven distribution centres (DCs) provide goods and services to retail stores in South Africa, Swaziland, Botswana, Lesotho, Mozambique, Zimbabwe and Namibia. In addition, SPAR wholesales goods to independent SPAR stores in Zambia and Malawi, although these stores do not fall under a licence agreement controlled by SPAR South Africa.

Distribution centres handle 60% of SPAR's turnover, with the remaining 40% of value delivered directly by suppliers to stores under a drop-shipment arrangement with SPAR. While the group's focus is on supporting voluntary trading, SPAR took ownership of 11 SPAR stores in 2011. These stores were purchased primarily for defensive reasons to secure key retail sites and are not intended as long-term assets.



How we create value

SPAR, together with all the independent retailers trading under the SPAR brands are members of either the SPAR or the Build it Guilds.

Spar International, voluntary trading and the Guilds

The concept of voluntary trading is almost a century old and is based on co-operation between independent wholesalers and retailers to the mutual benefit of both parties. SPAR adopted this business model from SPAR International, the owner of the SPAR brand, which grants licences to member countries.

SPAR International has representation in 35 countries. Retail sales in Western Europe account for 65%, with South Africa being the second largest member country.

SPAR International granted a licence to South Africa in 1962, and The SPAR Guild of Southern Africa was established in 1963. The Build it Guild was established in 2001.

The formal agreement between the SPAR and Build it Guilds and their independent retail members is based on a system of voluntary trading. This means that the independent retailers have access to our various brands and support structure, including the procurement and planning services of the group. They are not obliged to procure all their products from the group's DCs.

The voluntary trading business model is based on united co-operation between the DCs and SPAR/Build it retailers. Its success lies in the relationships that are built between the wholesaler and retailers.

The SPAR and The Build it Guilds of Southern Africa are non-profit companies, their purpose being to serve as custodian of the SPAR and Build it brands, to drive growth in South Africa and to grant membership. The Guilds are made up of two types of members: independent retailers and representatives of The SPAR Group Limited.

All retailer members contribute a percentage of turnover, as well as an administrative fee to run the guilds. The SPAR Guild currently has 873 members and the Build it Guild 298 members.

The SPAR Guild pays a membership fee to SPAR International, and SPAR South Africa is represented on the board of SPAR International by the Group CEO. As a member, the group benefits from the sharing of best international practice, information and know-how within the international SPAR network.

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

RETAILERS

- Ability to attract progressive, aggressive and passionate entrepreneurs into the voluntary trading system
- Leadership, selling ideas and concepts to retailers
- Strong relationship management

BRAND VALUE

- Strength of brand in minds of consumers and retailers
- Community support of brands

COMPETENCIES

- Relationship development and management
- Develop competent people
- Procurement
- Logistics
- Retail operations
- Leveraging competencies into other areas and businesses
- Marketing
- Systems

SCALE AND EFFICIENCIES

- Store footprint
- Procurement scale
- Supply chain optimisation
- Operational efficiencies

Historical timeline

The SPAR brand celebrated 50 years of existence in South Africa in 2013. Key milestones along the way include:

1962

SPAR International granted the SPAR rights to South Africa – the first country outside Europe to join the SPAR organisation.

Six wholesalers become inaugural shareholders of a new company, SPAR SA (Pty) Ltd

1963

SPAR South Africa launched – the controlling company and the Guild are set up in Cape Town

1970

Stores are split into SPAR Foodmarkets and SPAR Foodliners

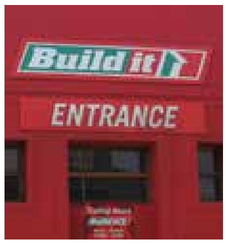
1978

Tiger Oats takes control of SPAR Western Cape and SPAR Southern Transvaal.

The Brown Group is created through the merger of a number of wholesalers, with Tiger Oats gaining a 30% shareholding in the group

1984

Build it stores are launched



1988

Tiger Oats acquires the entire shareholding of the Brown Group

1990

KWIKSPAR stores are introduced

1991

The Brown Group changes its name to The SPAR Group Limited

1991

A new East Rand distribution centre is opened and stores reallocated into three regions: SPAR East Rand, SPAR Northern Transvaal and SPAR West Rand

1993

A new Guild is established in Port Elizabeth

1995

The inland guild is split into SPAR North Rand and SPAR South Rand

2000

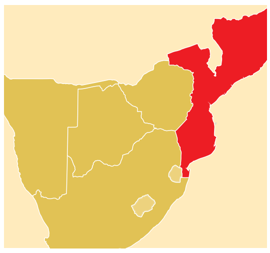
Wine departments are expanded into full liquor stores under the TOPS at SPAR brand

1998

SUPERSPAR stores are launched

2004

The SPAR Group Limited is unbundled from Tiger Brands Limited and listed on the JSE



2012

SPAR International grants SPAR South Africa the licence for Mozambique

2011

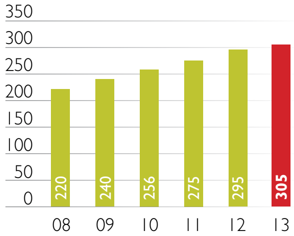
Pharmacy at SPAR stores are launched

Store format overview

SUPERSPAR

- Selling areas of 1 300 m² +
- Full range of value added services
- Aggressively priced
- Friendly and professional service
- Full range of groceries and general merchandise
- Extensive service departments, such as fresh produce, in-store bakery, butchery, deli and meal solutions

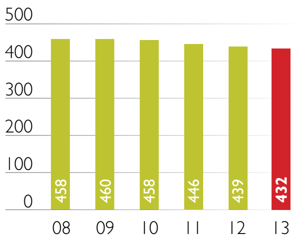
Number of stores



SPAR

- Selling areas of 700 m² +
- Neighbourhood/rural supermarket shopping focus
- Competitively priced
- Friendly and professional service
- Comprehensive range of groceries
- Fresh produce, in-store bakery, butchery, deli and home-meal replacement departments

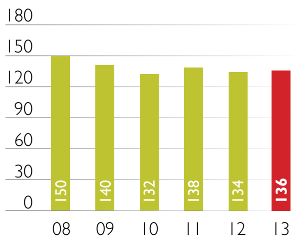
Number of stores



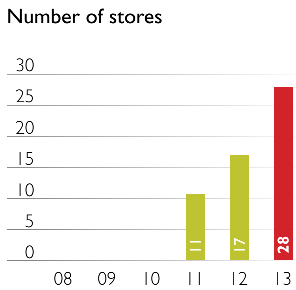
KWIKSPAR

- Selling areas of 300 m² to 700 m²
- Range of products offering good value
- Focus on convenience with emphasis on speed
- Friendly and professional service
- Fresh produce, baked goods, meat and take-out foods

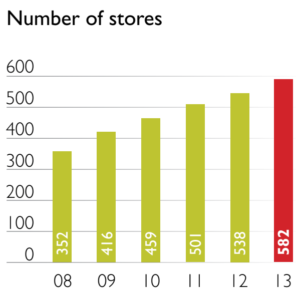
Number of stores



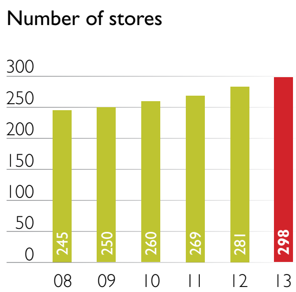
- Selling areas of 300 m^2
- Emerging market focus
- Limited range of products
- Limited fresh offering
- Competitively priced on commodity products



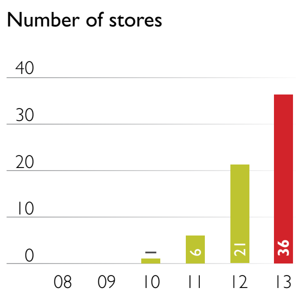
- Stand-alone liquor stores
- Full range of liquor products
- Located in close proximity to SPAR member's store
- Membership limited – an extension of The SPAR Guild of Southern Africa



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



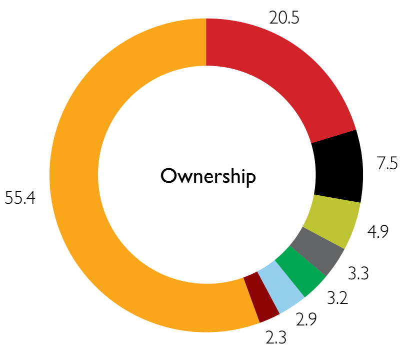
- Stand-alone or in-store pharmacy
- Full range of pharmaceutical and health products
- Located in close proximity to SPAR member's store
- Membership open – controlled by The SPAR Guild of Southern Africa



Ownership profile

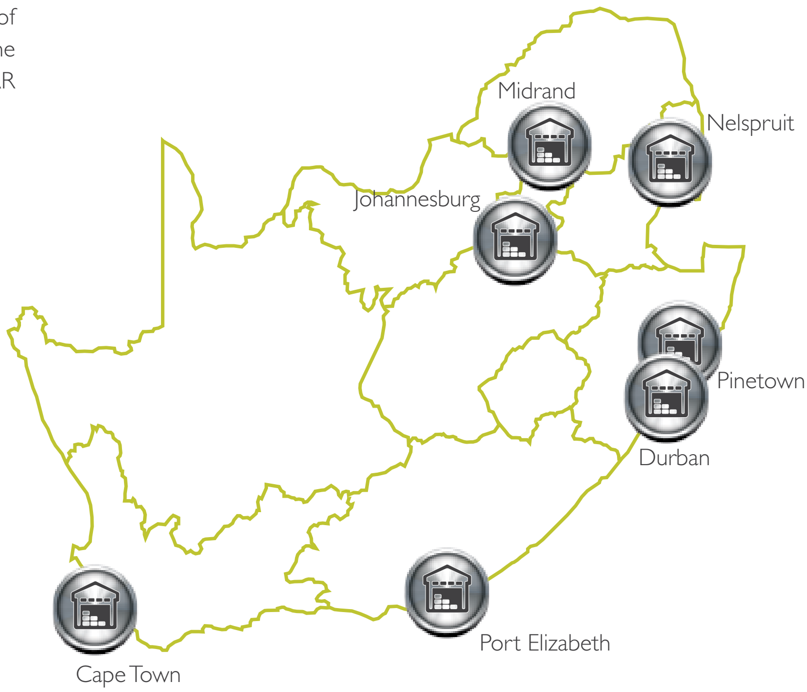
SPAR listed on the JSE in 2004 and has a broad range of shareholders, none of whom holds more than 21% of the total shares. As at September 2013, almost 40% of SPAR shares were held offshore.

Analysis of significant shareholding as at 19 September 2013



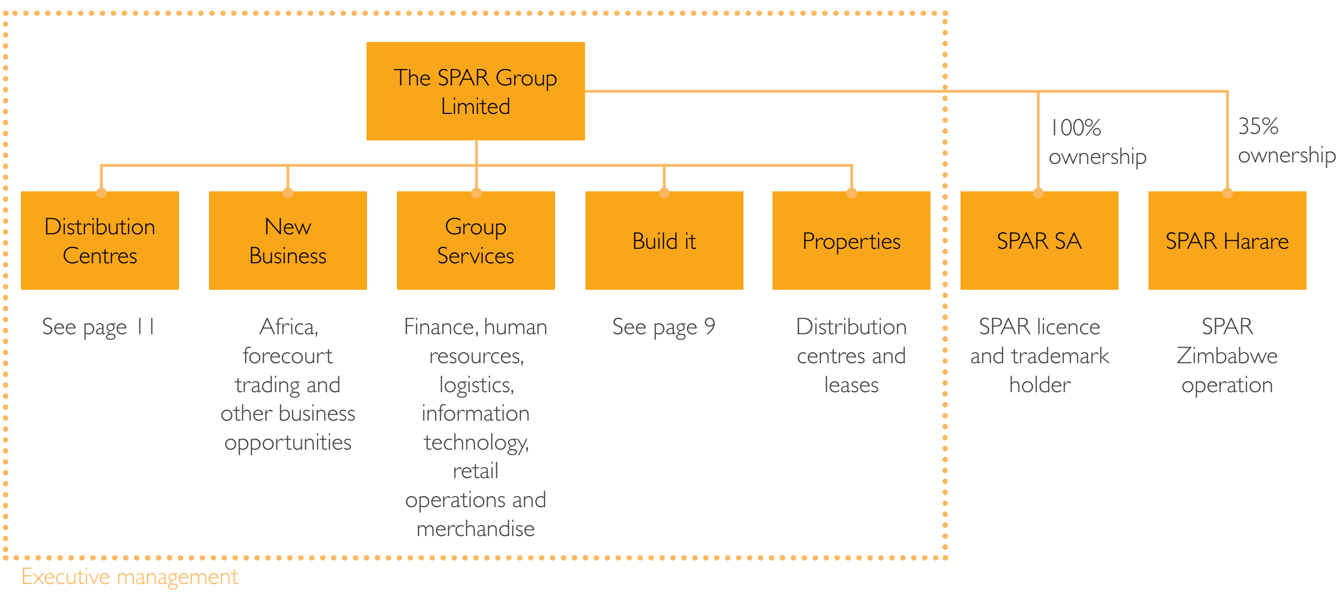
- Government Employees Pension Fund
- First State Investments
- Government of Singapore Investment Corporation
- Coronation Fund Managers
- BNP Paribas
- Vanguard
- iShares
- Other

Geographic profile



Organisational structure

SPAR GROUP OPERATIONAL STRUCTURE



Distribution centres

Key facts

South Rand DC

Square metres

61 000

Number of cases

52 370 000

SUPERSPAR	77	TOPS	136
SPAR	137	Build it	70
KWIKSPAR	39	Pharmacy	6
SaveMor	3	**Total**	**468**

North Rand DC

Square metres

31 460

Number of cases

35 440 000

SUPERSPAR	54	TOPS	107
SPAR	80	Build it	35
KWIKSPAR	13	Pharmacy	15
SaveMor	4	**Total**	**308**

KwaZulu-Natal DC

Square metres

57 000

Number of cases

50 640 000

SUPERSPAR	77	TOPS	121
SPAR	63	Build it	77
KWIKSPAR	26	Pharmacy	9
SaveMor	5	**Total**	**378**

Western Cape DC

Square metres

33 550

Number of cases

28 660 000

SUPERSPAR	44	TOPS	111
SPAR	79	Build it	41
KWIKSPAR	37	Pharmacy	3
SaveMor	0	**Total**	**315**

Eastern Cape DC

Square metres

22 680

Number of cases

25 340 000

SUPERSPAR	35	TOPS	81
SPAR	44	Build it	39
KWIKSPAR	21	Pharmacy	1
SaveMor	4	**Total**	**225**

Lowveld DC

Square metres

21 400

Number of cases

11 100 000

SUPERSPAR	18	TOPS	26
SPAR	29	Build it	36
KWIKSPAR	0	Pharmacy	2
SaveMor	12	**Total**	**123**

Industry landscape and trends

SPAR operates within a highly competitive fresh food and groceries industry in South Africa. The landscape is characterised by aggressive competitor marketing activity, new entrants and increasing consumer legislation. Consumers are experiencing increasing pressure on disposable income, with increases in the cost of living being experienced by all sectors of society.

Demand for retail goods is showing a steady increase with a shift away from traditional, informal retailers to a modern shopping mall experience. The uptake of online grocery shopping remains slow and is not expected to improve significantly in the medium term.

Rising utility costs have had a significant impact on operational costs and industry margins remain under pressure. Although the retail sector continues to create employment, it struggles to attract and secure black entrepreneurs.

Crime and security issues also remain a concern.

During the past few years, new legislation, including the Consumer Protection Act, the Liquor Act, BBBEE legislation and labelling requirements has changed many aspects of retailing. This has resulted in a more challenging retail environment in South Africa.

A reach truck operator at the new KwaZulu-Natal facility

Investment case

SPAR's attractiveness as an investment is of interest to providers of financial capital (shareholders) and those who invest in the brand as Guild members (retailers). Both groups share in the benefits created by a business model based on voluntary trading.

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

SUPPLY CHAIN EFFICIENCIES

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

INFORMATION SHARING NETWORK

- International – All SPAR International members meet regularly to share brand, marketing, logistics and operational expertise and best practice.
- Locally – Information sharing enables optimised planning, procurement and new product development between SPAR and retailers and between SPAR and major suppliers.

CENTRALISED PROCUREMENT, WAREHOUSING AND DISTRIBUTION

- This gives the independent retailer the benefit of economies of scale and procurement power. It gives collective responsibility to security of supply and the mitigation of risk in the supply chain.
- The SPAR business model further allows independent retailers the freedom to source locally and regionally to best fit their unique consumer profile and requirements. Currently, SPAR retailers buy an average of 80% of their goods through the SPAR procurement system.

STORE FOOTPRINT

- With more than 1 817 stores nationally, SPAR has a strong presence, especially in urban residential areas (nearly twice as many stores as the closest competitor). The group also has a strong focus on new business development.

STORE OWNERSHIP AND FOCUS

- SPAR stores are predominantly owner-managed. Owners are entrepreneurial in their approach and have a vested interest in the success of their store. Their investment includes securing the site, fitting out the store according to the SPAR brand guidelines and carrying all operational expenses.

FRESH COMBINED WITH SERVICE

- Approximately 30% of a SPAR store's turnover is generated by fresh, butchery and bakery food service departments. These typically have higher gross margins and are growing due to consumer demand for fresh and convenience.

MARKET POSITIONING

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

MARKETING SUPPORT

- The SPAR brand is strengthened by national and regional campaigns funded by the SPAR and Build it Guilds and the SPAR group. These campaigns are supported by promotions and communication strategies through a wide spread of media channels.
- SPAR sponsorships of the SPAR Womens 10km Race, the South African netball team and the AmaZulu Football Club further support awareness and loyalty to the SPAR brand.

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

SPAR stakeholder communities

Following the review of SPAR's strategy and sustainability commitments (see page 34), the group launched a stakeholder review process which included a diverse range of stakeholders. A summary of the primary stakeholder issues and engagement outcomes is included below:

STAKEHOLDER	ISSUES AND AIM OF ENGAGEMENT	OUTCOME OF ENGAGEMENT
Consumer communities	• Appropriate product range and offering • Delivery of value and competitive pricing • Accessibility and convenience	• SPAR as the retailer of choice • SPAR understanding consumer needs • Loyalty • Sense of ownership (My SPAR) • Brand ambassadors
SPAR retailers	• Increasing SPAR wholesale scale and improving service offering • Building the SPAR brand • Product innovation • Mutual profitability	• Working together to become first choice brand/retailer in community • Commitment to long-term vision of group
Employees	• Income and benefits • Working conditions • Careers and performance • SPAR contribution to society	• SPAR as an employer of choice • Employee satisfaction leading to loyalty, high levels of motivation and commitment as brand ambassadors • High-performing, long-serving employees
Suppliers	• Sustainable sourcing • Product innovation • Supply chain efficiencies • Strategic commitment to volumes and long-term mutual growth	• Retail partner of choice • Best return on investment • Shared value • Engaged and willing to collaborate • Responsible retailing
Shareholders	• Performance/dividends • Long-term targets • Financial metrics • Investment requirements	• Good investment for the long term • Loyalty and affinity towards the business • Buy and retain shares

In addition, a number of other stakeholders were considered and discussed:

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

CASE STUDY: Support material for SPAR retailers

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

Other support resources include:

- SPAR corporate identity
- Store design
- Front of store and back of store specifications
- Retail operations
- Product category innovations
- Merchandising best practice
- Warehouse and distribution
- Store IT
- SPAR brand packaging
- Public relations
- Training
- Sustainability and corporate social responsibility
- Preferred supplier arrangements
- Financial

Strategy

VISION

To be the first choice brands in the communities we serve.

PURPOSE

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

VALUES

- Loyalty
- Passionate commitment to serving our customers
- Honesty and integrity
- Respect for each other
- Individual accountability
- Pride in what we do
- Empowerment of our people
- Teamwork
- Strong work ethic
- Family culture
- Work should be fun

The SPAR group strategy was reviewed during the prior financial year. The process involved the board and executive management. During the review, the group's strategic challenges, business model and purpose were interrogated. Six strategic outcomes were identified as critical to the future success of the group. Strategic imperatives that have to be addressed to achieve the outcomes were also identified, as well as the enablers to support the implementation of the strategy.

Detailed action plans have been developed for each of these strategic outcomes, including specific guidelines for new business development and acquisition opportunities to ensure sustainability over the long term.

The reviewed strategy was approved by the board during the year. Subsequently, the strategy has been communicated throughout all distribution centres and at the annual SPAR convention attended by both retailers and key suppliers.

Strategic summary

VISION
First choice brands in the communities we serve

Stakeholder returns | Sustainable system

OUTCOMES

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

IMPERATIVES

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

ENABLERS

- Collaborative relationships
- Lean organisation
- Effective systems (DC and retail)
- Motivated and competent people
- Social and environmental commitment
- Skills to run profitable retail stores

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

Outcomes and measures

STRATEGIC OUTCOME	IMPERATIVE	KEY PERFORMANCE INDICATOR
World-class replenishment system	• Supply chain optimisation through collaboration with retailers and suppliers • Lean organisation	• Cost reduction • Improved "in stock" • Reduction in stockholding • Fuel, energy and labour cost saving
Competitive pricing	• Create competitive price perception through group buying review, commodity trading and revised promotions strategy	• Match competitor prices • Survey consumers
Comprehensive range	• Deliver excellence in Fresh • Increase house brand sales contribution • Lean organisation	• Service department sales ratio and gross profit improvement • Improved ratio of house brand sales • House brand packaging cost and footprint reduction
World-class brand	• Strengthen centre of community leadership through stakeholder strategy, sponsorships, advertising and social media	• Improved consumer feedback
Best retailers	• Expert retail leadership and support through improved service, incentives and training programmes	• Improved retail performance
New business growth	• Organic growth, real growth and diversification	• New store openings
Stakeholder returns	• Lean organisation • Refine our future financial model • Effective systems • Motivated and competent people	• PAT improvement • Dividend • Staff surveys • Staff retention
Sustainable system	• Transformation • Environmental commitment	• BBBEE level 3 • Carbon footprint improvement

A summary of the strategic initiatives identified after reviewing the business strategy can be found on page 22 in the Chairman and Chief Executive's report.

Bridge City SUPERSPAR, KwaZulu-Natal

Strategic risks

STRATEGIC OUTCOME	RISK
World-class replenishment system	• Ageing information systems • Fresh supply chain logistics issues leading to poor retail delivery of Fresh • Long-term external infrastructure failure • Long-term sustainability of Fresh supply • Data quality and analysis capabilities
Competitive pricing	• Inaccurate consumer price perceptions • Inefficiencies in supply chain logistics resulting in uncompetitive landed cost to retailers • Financial management challenges • New and existing competition taking market share
Comprehensive range	• Ability to forecast and manage demand requirements
World-class brands	• Lack of dedicated focus on own brands/private label
Best retailers	• Disruption of operations due to labour disputes and/or industrial action • Ability of financial model to deliver retailer profitability • Health and safety challenges • Level of leadership and support to retailers • Loss of retailers to competitors • Security issues leading to significant losses
New business growth	• Ability to leverage competencies and develop new business opportunities/concepts • Ability to successfully develop new business in Africa • Ability to attract new retailers • Ability to develop new sites • Appropriateness of model for development and integration of African expansion into DC structure

Chairman's and Chief Executive's report

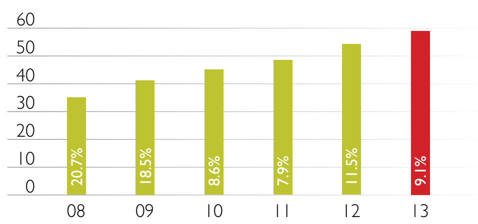
50 YEAR ANNIVERSARY

During the year the group celebrated the 50th anniversary of SPAR in South Africa. We used this special milestone to celebrate our past achievements with the people who made them happen – our retailers, our employees, our suppliers, and most importantly, the consumers who support our retailers' stores every day.

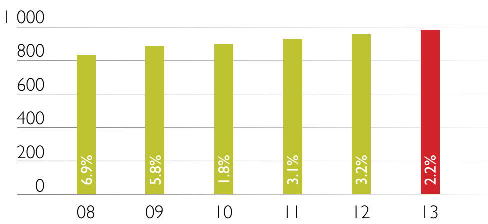
SPAR has changed dramatically since 1963. Retail membership has grown from 500 stores under one format into 1 817 stores under seven formats. The group's basic warehouses have grown into seven world-class distribution centres and our footprint now crosses international boundaries. The first over-the-counter stores are now sophisticated retail offerings where consumers can experience a variety of products and services that meet their modern-day needs. This was achieved through strong leadership, a spirit of co-operation and the special relationship between those who make up the SPAR family.

We remain convinced that there is a healthy future for good independent retailers supported by a professionally managed, efficient trading system.

SPAR retail sales (R billion) **and growth** (%)



SPAR retail selling area ('000 m²) **and growth** (%)



TRADING OVERVIEW

The group produced solid results in a challenging trading environment, which was influenced by similar key macroeconomic factors as last year. The trading performance in the second half of the year was particularly encouraging.

As in 2012, unemployment, restricted access to credit and rising costs constrained consumer spending. The effects of increased strike action, particularly on the mines, affected our business in the emerging market. The impact on building materials was significant from November 2012, when Build it retail growth reduced sharply. Despite input cost pressures and a weakening rand, food inflation remained relatively low at 5.5%, although upward pressure is likely in the new financial year.

The retail environment was increasingly competitive across all segments of our business. The search for growth has led to an aggressive, almost indiscriminate, chase for retail sites. We have had to protect some of our existing sites from the competition, and going forward we will need to be more innovative in securing greenfield sites. Despite these factors, there are still opportunities for our group, particularly in the informal market.

RETAIL PERFORMANCE

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

SPAR

Retail turnover for SPAR stores increased by 9.1% during the year to R58.5 billion. Existing SPAR stores are our core business and these outperformed the opposition with turnover growth of 7.5%. Retail trading space increased by 2.2% this year (2012: 3.2%) to 976 054 m². During the year, we opened 20 new SPAR stores and closed 10 stores where they either failed to meet standards or for financial reasons. Four stores left the group due to an internal disagreement. Our focus on store upgrades resulted in 155 stores undergoing extensive renovations, which had a positive effect on turnover growth.

We expect to open 23 new SPAR stores during the next financial year.

Retail sales **UP** by **9.1%**

TOPS at SPAR

TOPS has revolutionised liquor retail in South Africa and continues to gain popularity. Retail sales increased by 15.9% to R5.8 billion. During the year, we opened 47 new stores, increasing the total to 582 stores operating under the TOPS banner.

TOPS remains the number one retail liquor brand in the country and again won a number of "best liquor store" awards and exclusive "housebrand" wine awards, notably a double gold Veritas award for our 2010 Le Geminus.

The main challenge for the TOPS brand is administrative delays in liquor licensing.

We anticipate opening a further 35 TOPS stores in 2014.

Retail sales **UP** by **15.9%**

Build it

Build it reported satisfactory results for the year, outperforming its main competition and seeing an encouraging recovery in the second half. Labour unrest, imported cement and an increasing number of small foreign-owned stores in outlying areas disrupted this market. Retail turnover increased by 12% (2012: 17%) to R8.3 billion. Existing store growth was 9%. We opened 20 new stores this year, bringing the total to 298.

The focus on improved buying, innovative marketing and driving store upgrades contributed to our performance in a tight market. Build it remains the second largest retailer of building materials in the country. During the year, we opened our first stores in Mozambique and Botswana.

Retail sales **UP** by **12%**

Towards the end of the year, Build it's business was restructured to facilitate independence and effective harnessing of the group's buying power. We expect the restructure will start delivering results in the near future.

We expect to open 24 new stores in 2014.

SaveMor

SaveMor is a new small store format that caters for the needs of less populated rural towns and the CBDs of larger towns where we cannot justify the set-up cost of a larger SPAR store. We now have 28 SaveMor stores and expect to open a further 14 in the next year.

New stores +14

Pharmacy at SPAR

The pharmacy model has not received the same level of enthusiasm from our retailers as the liquor concept had, and we have accordingly opened our offering to independent pharmacists. We believe that pharmacies are a good fit for the SPAR format portfolio. During the year, we opened 17 stores and closed two.

We expect to have 50 stores by the end of next year.

New stores +17

SPAR express

During the year, we entered into a pilot forecourt arrangement with Shell. The first pilot store in Wadeville is excelling and we expect to open three more stores in 2014 to ascertain the viability of this format.

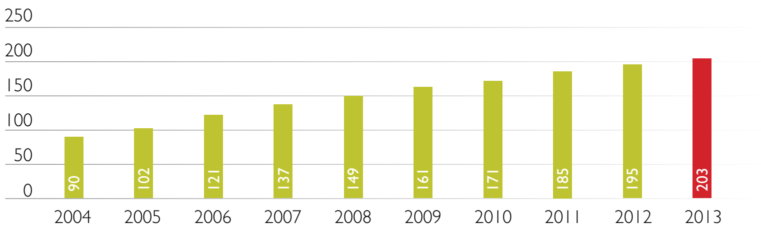
New stores +1

DISTRIBUTION

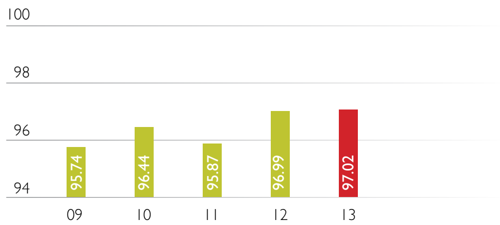
The group despatched 203.5 million cases from its seven distribution centres during the year, an increase of 4.3% on the volumes handled in the prior year.

Our aim is to provide our retailers with a world-class replenishment service. To this end, we focus on in-stock levels on time delivery, fleet capacity utilisation and delivery costs.

Million cases moved



On time delivery (%)



The 10 000 m² extension of our KwaZulu-Natal distribution centre was completed on time in September and within the R65 million budget.

The finalisation of the land purchase option agreement for a planned new distribution centre in Lanseria is being challenged with some land zoning complications. However, we remain confident that this site will go ahead and be operational in 2017. We are nevertheless persuing an alternative site, which will allow us to make a final decision in 2014.

The KwaZulu-Natal perishables facility will undergo a R60 million extension in 2014. The first phase of a new technology to handle slow-moving product will also be introduced in the inland region. We expect that the latter project will reduce supply chain costs for the group and our suppliers.

The impending labour legislation changes dealing with outsourced labour could potentially have a significant impact on our industry. We are currently working with all the affected parties to ensure that we have a cost-effective strategy, should the legislation be promulgated in the new year.

The 10 000 m² extension of the KwaZulu-Natal distribution centre

Corporate stores

During the year, we opened one new store in Philippi and sold the Sea Point SUPERSPAR to an independent retailer. Despite the ongoing trading challenges of the locations in which our retail division operates, we remain steadfast that our decision to defend our sites was appropriate. The net profitability position of this business remains positive for the group.

Strategy

The group completed a strategic review of the business at the beginning of the year, which highlighted the strategic outcomes and imperatives for the future success of the organisation. The revised strategy has been communicated to management, staff, retailers and major suppliers.

A SUMMARY OF OUR STRATEGIC INITIATIVES INCLUDE:	
Deliver excellence in Fresh	• Retail: a focus on skills training, implementation of technology to support production planning, recipe costing and food safety • Distribution centres: extending our range and quality and cold chain management improvements
Supply chain optimisation	• Ongoing investment in our distribution centre facilities and more efficient vehicles to improve productivity through technological integration under the guidance of industrial engineers • Joint business planning with our major suppliers is gaining traction, with plans and targets being set and motivated by both senior management teams
Creating a competitive price perception	• We know from ongoing surveys that our bigger stores are competitive and have been driving our recent performance • We are reviewing advertising and promotion strategies to better communicate our price position to the consumer
Drive expert leadership and support	• We are providing a formal, tailored service package to our retailers to ensure we meet their specific needs with a particular focus on financial monitoring and store cluster comparison
Refine the financial model	• We are identifying and implementing retail initiatives to ensure that our model remains attractive to entrepreneurs. The financial model of our retailers' business is inextricably linked to our own
Provide leadership on being the retail "centre of the community"	• We are identifying and actively supporting successful community initiatives, and will continue driving this group strength through more retail stores
New business opportunities	• We have identified a number of future growth drivers that are being investigated. Our African expansion is deliberate. We supply SPAR stores in Botswana, Namibia, Swaziland and Zambia and have a 35% share in SPAR Zimbabwe. During the year we opened four SPAR stores and two Build it stores in Mozambique, three Build it stores in Botswana and will open SPAR stores in Angola in the new year

Technology

Our technology platform is currently stable, however, the group recognises the need to modernise our systems to benefit from improved operating practices. This upgrade will be carried out in a controlled manner to minimise the disruption to the business. The transition is planned to take place over the next four to five years in three main phases. The implementation of the SAP financial module went live on 1 October 2013.

The technology support we offer our retailers underwent ongoing development. The upgraded hardware and software for point of sale, EFT and back-office systems have largely been rolled out. We recently expanded our virtual offering. Many stores include a payzone for airtime, bill payments, traffic fines and tickets and we are introducing mobile payments through eWallet in selected stores. We also have 85 stores running a store-specific customer loyalty programme.

Future outlook

The group expects that the challenging trading environment will continue. Subdued economic growth and consumer spending is likely to be exacerbated by an upcoming election and continued rand weakness.

Nevertheless, the group remains confident that the resilience of our people, our retailers and our business model will allow us to produce a satisfactory trading performance in 2014.

Appreciation

Our sincere thanks to the most important people in our business: our retailers – for their passion, commitment and support during this special 50th anniversary year. We also thank our board of directors for their guidance and support, and our management team and employees for their dedication and commitment. Lastly, we thank our suppliers for their support, without which we could not succeed.

Mike Hankinson
Chairman

Wayne Hook
Chief Executive Officer

Dear shareholder

On behalf of the board, I invite you to attend the annual general meeting of The SPAR Group Limited, to be held at 09:00 in the company's boardroom, 22 Chancery Lane, Pinetown on Tuesday, 11 February 2014.

Mike Hankinson
Chairman

LEADERSHIP ANNOUNCEMENT

Since the financial year-end, SPAR CEO, Wayne Hook, has announced his wish to step down with effect from 31 January 2014 due to his wife being diagnosed with a life threatening illness. Wayne has held the position for the last seven years.

As a respected leader of the group, and with 29 years' SPAR experience, Wayne will continue to be a director of the company and will remain involved with SPAR and its subsidiaries in a developmental role. The board moved swiftly to announce Wayne's successor, Graham O'Connor CA(SA), who was previously the managing director of SPAR's KwaZulu-Natal division and more recently a partner in five SPAR stores.

As a board, we want to pay tribute to Wayne's strong and stable leadership, and wish him and his family well. At the same time, we welcome Graham and offer our support to him in a challenging new leadership role.

Mike Hankinson
Chairman

Financial review

2013 Highlights

- Turnover increased by 9.8%
- Operating profit increased by 9.3%
- Headline earnings per share increased by 13.0%
- Total distribution of 485 cents per share
- Dividend per share increased by 12.8%

In a year during which consumer spending remained under pressure and food retail continued to be increasingly competitive, the SPAR group once again produced a solid set of results, confirming the sustainability and resilience of its 50-year old business model. Full details of the financial performance and financial position of the group are set out in the annual financial statements, together with the notes to the financial statements presented on pages 64 to 102.

Operating performance

Turnover increased by 9.8% to R47.4 billion (2012: R43.2 billion) in line with the group's performance at half year and reflected positive volume growth combined with moderate levels of food inflation (internally measured at 5.5% vs 6.1% in 2012). The gross margin improved slightly to 8.1% (2012: 8.0%). Operating expenses increased by 10.8% to R2.6 billion (2012: R2.3 billion) with distribution costs again impacted by rising fuel costs (up 12.7% from 2012). Profit before taxation increased 9.5% to R1.7 billion (2012: R1.5 billion).

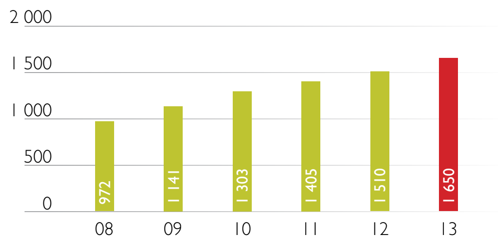
The lower effective tax rate of 28.4% (2012: 30.3%) is due to the change in Secondary Tax on Companies (STC) legislation during the prior year.

Headline earnings growth of 13.0% to R1.2 billion (2012: R1.1 billion) translated into headline earnings per share of 696.6 cents (2012: 616.3 cents), up 12.8%. A final dividend of 306 cents per share (2012: 275 cents) was declared, bringing the total dividend to 485 cents per share (2012: 430 cents), up 12.8%.

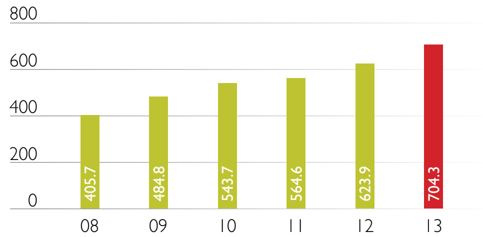
Net asset value per share increased by 11.7% to 1 843.4 cents.

The group's cash generation remained strong with the change in the year-end position attributed to the timing of trade creditor payments. Group cash flow included capital expenditure of R303.4 million, comprising the KwaZulu-Natal dry warehouse facility upgrade (R63.4 million) and the first phase of the new group financial system implementation (R72.8 million).

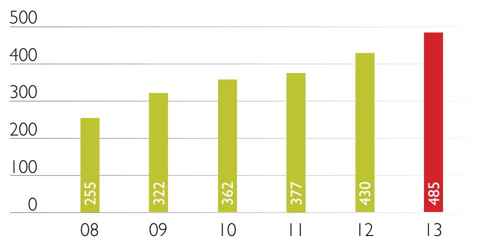
Operating profit (Rmillion)



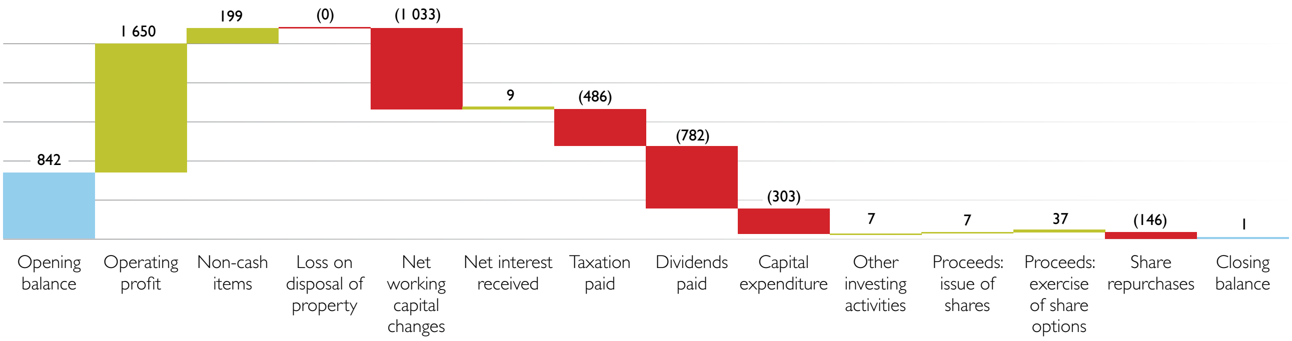
Headline earnings per share (excluding BEE cost) (cents)



Dividend per share (cents)



Cash flow analysis (Rmillion)



Retail performance

Retail turnover for SPAR stores increased 9.1% to R58.5 billion (2012: R53.7 billion), with wholesale turnover up 9.3% to R38.7 billion (2012: R35.5 billion). Existing stores outperformed the market, with turnover growth of 7.5%, underpinned by strong promotional activity. Internal food inflation declined to 5.5% (2012: 6.1%). SPAR house brands are core to growth and achieved wholesale turnover of R5.1 billion. Retail trading space increased 2.2% (2012: 3.2%) with 20 new SPAR stores opened taking the total store number to 873. The revamp of 155 stores had a positive effect on turnover growth.

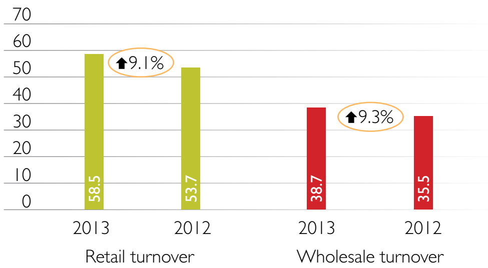
TOPS extended its recent growth trajectory as retail sales increased 15.9% to R5.8 billion (2012: R5.0 billion) with wholesale turnover growing 16.1% to R3.6 billion. A total of 47 new stores were opened, bringing the total TOPS stores to 582.

Build it reported satisfactory results for the year, outperforming its main competition and seeing an encouraging recovery in the second half. Retail turnover increased by 12% (2012: 17%) to R8.3 billion (2012: R7.5 billion) and existing store growth was 9%. Wholesale turnover was up 9.5% totalling R5.1 billion (2012: R4.6 billion). With 20 new stores opened, including stores in Mozambique and Botswana, total stores grew to 298. It is particularly pleasing to report a 27.1% improvement in sales out of the Build it imports facility to R195.9 million (2012: R154.1 million).

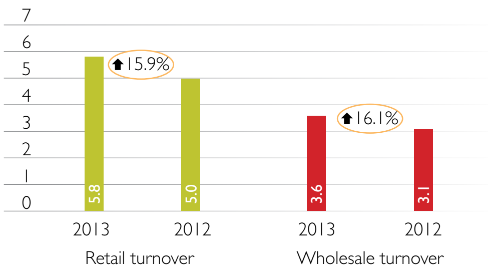
The seven distribution centres serviced 1 817 stores in total during the year (2012: 1 725). The SPAR group despatched 203.5 million cases through its distribution centres, an increase of 4.3% on the volumes handled in the prior year. Distribution capacity is a key driver of growth and to this end, the group extended the KwaZulu-Natal distribution centre in 2013 and is planning an extension of the adjacent perishables facility in the new year. The group is making progress to finalise the acquisition of land for the new distribution centre planned in the Lanseria area.

The Corporate Retail Division, comprising 11 stores owned and managed by the group, reported turnover of R836 million, up 7% on the prior year.

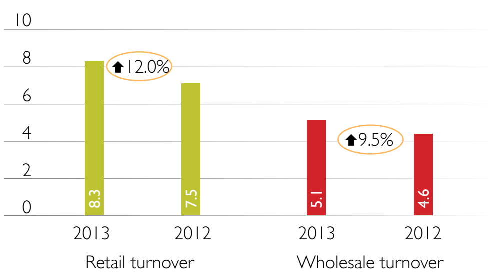
SPAR turnover analysis (Rbillion)



TOPS turnover analysis (Rbillion)



Build it turnover analysis (Rbillion)



Financial review continued

Cost management

Group operating expenses were up by 10.8% compared to last year, mainly due to increased distribution costs impacted by rising diesel prices, and higher marketing and selling expenses. Warehousing and distribution expenses increased by 11% (2012: 12%). Marketing and sales expenses increased by 11.8% during the year in support of the group's 50th anniversary celebration. Although it is difficult to accurately measure the direct impact of these activities, we are cognisant of the fact that turnover growth required increasing levels of marketing, promotions and innovation compared to previous years.

Staff costs increased by 8.5% to R1.2 billion, whereas the number of permanent employees declined slightly to 3 886.

Taxation

The effective tax rate reduced from 30.3% to 28.4% in the current year due to the removal of the STC in the prior year.

Headline earnings

Headline earnings increased by 13.3% to R1,200.9 million (2012: R1,060.0 million). The weighted average number of shares in issue increased by 388 033 shares to 172.4 million as a result of the issuance of shares. Headline earnings per share increased by 13.0% to 696.6 cents (2012: 616.3 cents).

Capital expenditure

Capacity at our distribution centres was increased by a further 10 000 m^2 to a total of in excess of 250 000 m^2 following the expansion of the KwaZulu-Natal dry warehouse. The group invested R303.4 million (2012: R163.2 million) which included both expansion and replacement of property, plant and equipment.

The projected capital expenditure in 2014 is budgeted at R350 million. This includes a slow-moving retrofit at the South Rand distribution centre (R50 million), and the extension to the KwaZulu-Natal perishables warehouse (R60 million). The board will review the progress and cost of the SAP implementation early in the new financial year, after which the approval of a further R70 million budgeted for the implementation of the trade financials and buying module will be considered.

All budgeted capital expenditure will be funded from cash resources.

Acquisitions and disposals

During the current year the group acquired Savoy SPAR and Kenilworth SPAR, and opened a new store at Philippi in the Western Cape. The Sea Point SUPERSPAR was sold to an independent retailer.

Loan facilities

The group has continued to advance or secure loan facilities for its retailers to enable them to purchase or revamp stores.

The group has no long-term borrowings and, when necessary, funds its operations from overdraft facilities. These facilities are in excess of forecast requirements and are subject to annual review.

Financial risk management

The identification of sustainability and financial risks for the group formed part of the enterprise risk management process that was initiated during the past year. The SPAR group is among others, exposed to inflation, interest rate, liquidity and credit risks, which typically include trade receivables from its 1 817 stores. These risks are continuously and proactively managed, and remain on a low risk level.

Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The group has considered and adopted all new standards, interpretations and amendments to existing standards that are effective as at year-end. There has been no material impact of these amendments on the financial statements.

Going concern assertion

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


SPAR
SERCO
DHOLLANDIA
ND 494-000

Directorate

Non-executive directors

MICHAEL JOHN HANKINSON (64) BCom, CA(SA)

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

A director of Grindrod Limited and Illovo Sugar Limited and Chairman of Brandcorp Holdings (Pty) Ltd.

PETER KILBY HUGHES (67) CIS

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

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

ROWAN JAMES HUTCHISON (66) BCom (Hons), MBA

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

A former CEO of RMB Asset Management.

MZIWAKHE PHINDA MADI (49) BProc (Unizul), EDP (HEC – Paris), EDP (Northwestern – Chicago, USA)

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

Chairman of Allcare Medical Aid Administrators and Respiratory Care Africa (Pty) Ltd, a lawyer by qualification and a former visiting professor of Rhodes University's Business School. Phinda is also non-executive director of Illovo Sugar Limited, Nampak Group, Sovereign Food Investments Limited and the Automobile Association of Southern Africa (AA). A founding member of the Black Economic Empowerment Commission.

PHUMLA MNGANGA (45) BA, BEd, MBL

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

Managing Director of Lehumo Women's Investment Company, Chairperson of the Council of the University of KwaZulu-Natal and Chairperson of the Siyazisiza Trust. Non-executive director of Tolcon-Lehumo, Crookes Brothers Limited, Gold Circle Horseracing and Betting.

HARISH KANTILAL MEHTA (63) BSc (USA), MBA (USA)

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

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

CHRISTOPHER FRANK WELLS (64) BCom, CA(SA)

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

Non-executive director of African Oxygen Limited, Executive Director of Oakbrook Holdings (Pty) Ltd and CEO of International Facilities Services South Africa (Pty) Ltd.

Executive directors

WAYNE ALLAN HOOK (57) BCom, CA(SA)

Chief Executive
Appointed to the board: October 2006

Joined The SPAR Group Limited in 1984.

Served in financial, information technology and logistics management before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997. Appointed CEO of SPAR in October 2006.

ROELF VENTER (56) BCom (Hons), MBA

Group Retail Operations Director and Chairman of The SPAR Guild of Southern Africa
Appointed to the board: February 2007

Joined The Spar Group Limited in 1983.

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

MARK WAYNE GODFREY (48) BCom, CA(SA)

Group Financial Director
Appointed to the board: October 2010

Joined The SPAR Group Limited in 1996.

Served in financial management positions in various group operations.

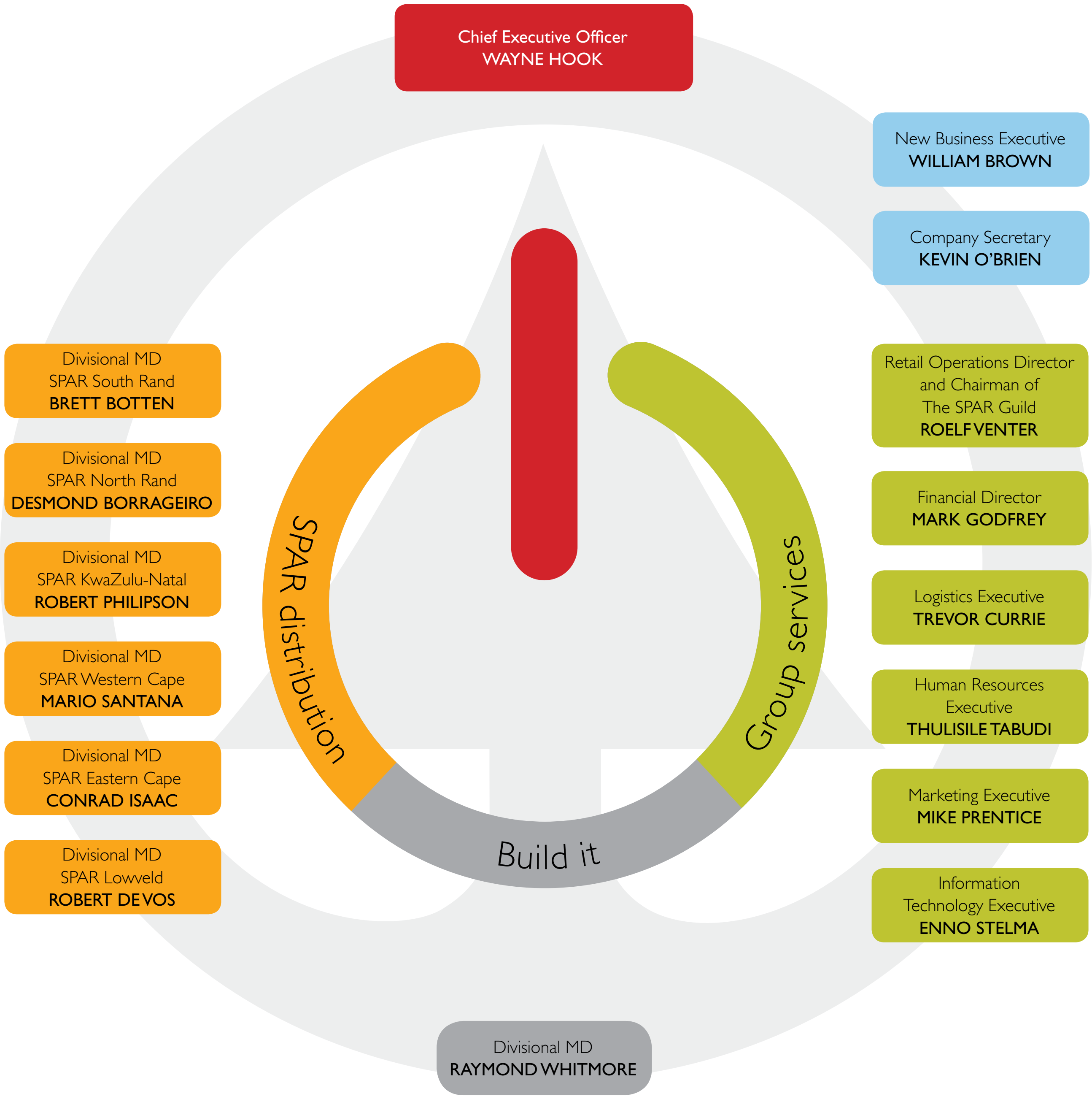
KEVIN JAMES O'BRIEN (51) BA, LLB, BSocSc (Hons)

Company Secretary
Appointed to the board: February 2006

Joined The SPAR Group Limited in 1993.

Served in personnel, human resources and property management positions in various group operations. A former general manager of Capper and Company, a SPAR distribution operation in the United Kingdom. Appointed Company Secretary in 2006.

Executive management



WAYNE ALLAN HOOK (57) BCom, CA(SA)

Chief Executive Officer
Appointed to the board: October 2006
Joined The SPAR Group Limited in 1984.
Served in financial, information technology and logistics management before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997. Appointed CEO of SPAR in October 2006.

BRETT WALKER BOTTEN (49) BCom, CA(SA)

Managing Director SPAR South Rand division
Joined The SPAR Group Limited in 1994.
Served as Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions.

DESMOND BORRAGEIRO (39)

Managing Director SPAR North Rand division
Joined The SPAR Group Limited in 1995.
Served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR South Rand division.

ROBERT GRANT PHILIPSON (45)

Managing Director SPAR KwaZulu-Natal division
Joined The SPAR Group Limited in 1996.
Served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR KwaZulu-Natal division.

MARIO MENEZES SANTANA (40)

Managing Director SPAR Western Cape division
Joined The SPAR Group Limited in 1995.
Served as Managing Director of SPAR North Rand division. Served in retail operations positions in various group operations.

CONRAD LUKE ISAAC (52)

Managing Director SPAR Eastern Cape division
Joined The SPAR Group Limited in 1982.
Previous Human Resources Director of SPAR Eastern Cape division.

ROBERT DE VOS (52)

Managing Director SPAR Lowveld division
Joined The SPAR Group Limited in 1988.
Served in various retail operations positions before being appointed Retail Operations Director at SPAR North Rand division.

RAYMOND EDWARD WHITMORE (58) BCom, CA(SA)

Managing Director Build it
Joined The SPAR Group Limited in 1983.
Previous Managing Director of SPAR Western Cape division.

WILLIAM HOGG BROWN (64)

New Business Executive
Joined The SPAR Group Limited in 1984.
Served as Managing Director of Eastern Cape and Western Cape divisions. Previous Sales Director of SPAR KwaZulu-Natal division.

KEVIN JAMES O'BRIEN (51) BA, LLB, BSocSc (Hons)

Company Secretary
Joined The SPAR Group Limited in 1993.
Served in personnel, human resources and property management positions in various group operations. A former general manager of Capper and Company, a SPAR distribution operation in the United Kingdom. Appointed Company Secretary in 2006.

ROELF VENTER (56) BCom (Hons), MBA

Group Retail Operations Director and
Chairman of The SPAR Guild of Southern Africa.
Appointed to the board: February 2007.
Joined The SPAR Group Limited in 1983.
Served in various marketing and buying management positions before being appointed Managing Director of SPAR West Rand division and subsequently SPAR South Rand division. Appointed Group Marketing Director in October 1999 and transferred to the position of Retail Operations Director and Chairman of The SPAR Guild of Southern Africa in 2006.

MARK WAYNE GODFREY (48) BCom, CA(SA)

Group Financial Director
Appointed to the board: October 2010
Joined The SPAR Group Limited in 1996.
Served in financial management positions in various group operations.

TREVOR DUNCAN CURRIE (58)

Group Logistics Executive
Joined The SPAR Group Limited in 1985.
Served in logistics management positions in various group operations. Previous Logistics Director at SPAR Western Cape and Eastern Cape divisions.

THULISILE TABUDI (45) PhD

Group Human Resources Executive
Joined The SPAR Group Limited in 1999.
Previous HR Director at SPAR South Rand division.

MIKE PRENTICE (46) BCom, LLB

Group Marketing Executive
Joined The SPAR Group Limited in 1991.
Served in marketing management positions in various group operations. Previous Marketing Director of SPAR North Rand division.

ENNO PAUL STELMA (52) BCom

Group IT Executive
Joined The SPAR Group Limited in 1989.
Served in IT management positions in various group operations..

Sustainability report

SPAR has started incorporating sustainability principles into its strategy. This need has been driven by external and internal challenges, including:

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

Governance of sustainability

The board approved the sustainability strategy during the year and the implementation is monitored by the Social and Ethics Committee, which report progress to the board. The executive team has been mandated with the implementation of the sustainability strategy, with specific accountability and a dedicated Risk, Governance and Sustainability Executive.

The following steps were taken during the year to engage the broader organisation and to create awareness of sustainability:

Be responsible
Live sustainably
Care for all

- Incorporation into new employee induction programme
- Presentation at internal conferences and at distribution centre executive meetings
- Presentations at Management Growth Programme (MGP) and Senior Leadership Development Programme (SLDP)
- Incorporation into strategy roadshow to all management
- Presented to retailers at retailer members meetings

An integrated strategy

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

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

The following material issues were identified in developing the sustainability strategy:

MATERIAL ISSUE	IMPLICATION FOR SPAR
Achieving sustainable growth	• Protection of strategic stores and sites • Resurrection of distressed stores • Expansion of store footprint • Brand protection against new market entrants • New business ventures • Opportunities in Africa
Retailer supply and skills	• Identification and attraction of retailers who fit our requirements • Communication and marketing of the SPAR brand to potential retailers • Development of key retail skills
Organisational culture, skills and competencies	• Ability to attract, retain and grow appropriate people • Succession planning • Development and evolution of the SPAR culture
Transformation imperative	• Changes in legislation which may affect retailers and our own business • Increasing number of black entrepreneurs as SPAR retailers • Transformation of senior-level SPAR management
Increasing levels of legislation and regulation	• Critical legislation with direct operational and cost implications • Potential for reputational damage to SPAR
Water, energy (fuel and electricity) and security costs	• Impact on both operations and retailers
Environmental impact identification and mitigation	• Carbon footprint reduction • Waste management issues at own premises and retailers premises • Product innovation

Skilled and competent employees is key to the future success of SPAR

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

COMMITMENT	FOCUS AREAS	PROGRESS DURING 2013
Reducing our direct environmental footprint	• Biodiesel and fuel efficiency • Energy savings • Waste management (recycling) • Water management	See Environmental report on page 38.
Innovation in our house brands	• House brand packaging review • South African Sustainable Seafood Initiative (SASSI) implementation • Sustainability product criteria	SPAR has an established relationship with the World Wide Fund for Nature's SASSI and continues to work at aligning seafood procurement policies for the SPAR house-branded seafood range with best practice guidelines. This year, 36 farmers, representing 52% of the farmers used in the Freshline supply chain, have been trained in sustainable farming methods (refer to case study on page 40). The group will also continue to engage with its SPAR brand suppliers to gain further knowledge of their sustainable business practices.
Suppliers' and retailers' business practices	• Supplier sustainability baseline and plans • Supplier collaboration • Retailer engagement (energy and waste)	Joint business planning meetings with the group's top six suppliers were further progressed to include sustainability. SPAR communicated its sustainability commitments to suppliers at these meetings and co-operation on packaging, transport efficiencies and social investment projects are a work-in-progress.
Raising awareness and improving education	• Sustainability champions • Bespoke buyer education programme • Sustainable schools programme • Retailer awareness and education	SPAR hosts a national Future Warriors (for our future) programme aimed at school children aged 10 and up to introduce them to the concept of sustainability. The week-long programme is held every two years. The Rhodes Business School training intervention for buyers and retail operation managers on sustainability will commence in 2014.
Previously disadvantaged or marginalised player participation	• Emerging farmer inclusion in Fresh supply chain • Expand black retailer base • Small building contractor development	See page 40 for emerging farmer case study. Black retail membership increased from 209 to 228 during the year.
Philanthropic role	• Operation Hunger • Crime prevention • Donor policy development	The group's corporate investment criteria were reviewed during the year. The group's involvement with a project is seen as an opportunity for both the business and the beneficiary and should add value to both.

Erica Primary Eco Garden CSI Project

Freshline produce being packed

Social

The Social and Ethics Committee considers all aspects of social and transformation to ensure the sustainability of the group. Executive management is mandated to execute this strategy.

One of the key enablers of SPAR's strategy is competent and motivated employees. To support the strategy, our focus is:

- To source, develop and retain the skills essential to the core competencies required by SPAR
- To implement processes and techniques necessary to attain world-class performance

To achieve the above, the following key performance indicators are managed and monitored by executive management and the Social and Ethics Committee:

- Talent management
- Employee development
- Transformation
- Retailer training
- Performance management
- Workplace stability through sound industrial relations practices

The human resources team works with line managers in all departments to equip them to deal with challenges and opportunities arising from the implementation of the strategy. The performance management process is one of the most important tools to ensure that the implementation of the strategy is accurately measured and monitored. The group has piloted an electronic training needs analysis system at the Western Cape distribution centre and this will be rolled out throughout the group going forward.

Employee development and training

Employee demographics

STAFF COMPLEMENT		2012	**2013**
OCCUPATIONAL LEVELS	SPAR CATEGORIES	%	**%**
Board of directors	Executive and non-executive directors Paterson Grades EU and F	30.0	**30.0**
Senior management	Group and divisional executives and specialised group functions E band	15.1	**18.6**
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL and DU	40.9	**42.6**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL and CU	71.0	**73.9**
Semi-skilled and discretionary decision-making	Operators and clerical staff	94.1	**94.4**
Unskilled and defined decision-making	Defined decision-making positions Paterson Grade A	98.4	**90.6**
Total permanent black employees as a percentage of total employees		80.1	**80.4**

Talent management and employee development

The group's talent and employee development programme focused on developing future leaders during 2013. The following development programmes are in place:

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

Social risks

The most significant social risks to the group include:

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

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

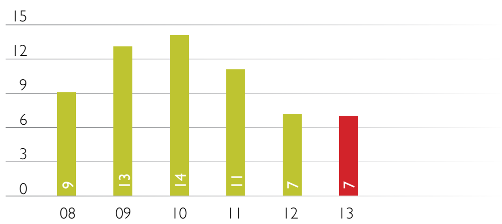
Labour relations

SPAR respects employees' rights to freedom of association and collective bargaining. Three distribution centres are unionised (KwaZulu-Natal, South Rand and North Rand), with full recognition agreements and wage negotiations held annually with the South African Commercial, Catering and Allied Workers Union (SACCAWU). The Lowveld distribution centre has no recognition agreement with the union due to the low union representation among employees. The other distribution centres are not unionised. There were no significant labour disputes during the year.

Health and safety

Continued emphasis was placed on health and safety training during 2013, especially at the seven distribution centres and central offices, each with its own health and safety committee. This has led to a declining overall trend of disabling injuries over the past five years.

Disabling injuries



Health and safety is managed, monitored and reviewed by the group's risk management framework. The risk management programme has five components:

- Emergency planning
- Health and safety
- Transport
- Fire
- Security

There were seven disabling injuries during 2013 (2012: 7).

Free support and counselling are provided to employees through on-site clinics at each distribution centre. SPAR invested more than R2.9 million in these services in 2013 (R2.7 million in 2012, incorrectly stated as R5.4 million in the 2012 IAR).

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

Sponsorships

SPAR builds awareness of the SPAR brand through its long-term sponsorship programme and the international exposure resulting from this. Over the past 20 years, the group has supported women's sport in particular, with the SPAR 10 km Women's Race and the SPAR support of the South African netball team. See www.spar.co.za for details of sponsorship activities in 2013.

During 2013, SPAR's contribution to these sponsorships amounted to R17.5 million (2012: R15.5 million).

Empowerment

BBBEE SCORECARD	
ELEMENT	2012
Ownership	6.1
Management and control	2.2
Employment equity	12.7
Skills development	4.5
Preferential procurement	8.9
Enterprise development	11.5
Socio-economic development	3.0
Overall score	48.9

At the time of going to print the 2013 Empowerdex rating had not been completed.

Socio-economic development

As part of our commitment to the broader SPAR community and our strategic imperative to be centres of community leadership, SPAR's corporate social investment (CSI) programme aims to foster positive social and economic changes in the communities in which we conduct our business.

Our broad focus areas are:

- Healthcare
- Hunger
- Safety

Funding proposals are selected according to the CSI policy, based on proposals submitted, and are reviewed on an annual basis. The group invested R11.8 million in its CSI initiatives in 2013 (2012: R11.4 million). Random visits are paid to beneficiary organisations during the year as part of the continuing evaluation of these projects.

CASE STUDY: NUTRITION AT THE FOREFRONT IN 2013

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

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

THREE FOCUS AREAS WERE DEVELOPED:	
Raising consumer awareness	Enable consumers to make informed nutrition choices through communication and education.
Improving the distribution of healthy food into key areas	Make healthy food alternatives easily accessible and affordable for children and parents, by developing a sustainable distribution model for healthy food in and around key community points such as schools, clinics, etc.
Product fortification	Enabling lower LSM consumers to access nutritionally rich food every day through the fortification and/or reformulation of key product lines with the SPAR house brand portfolio to deliver enhanced nutritional value.

A number of action steps were identified for 2014:

- To review in-store communications around health and nutrition, including suggested meal concepts and the nutritional impact of breastfeeding
- To establish a cross-functional task team to develop the healthy food distribution model involving retail operations and distribution centres
- To develop a research proposal around product fortification and start seeking funding for research
- To incorporate material on nutrition, food safety and food regulation into Rhodes Business School buyer and retail operations training
- To integrate nutrition into the Future Leaders conference
- To engage with human resources on incorporating nutrition into the employee wellness programme/communications
- To consider options to link the nutrition strategy with existing retailer and group CSI initiatives

SPAR fresh produce

Gugulethu Primary School nutrition programme

Examples of CSI projects include the following:

- SPAR endorsed and funded the Assistant Chef NQF Level 2 bursary programme presented by the Sparrow FET College. Sixteen students enrolled in the programme during 2013, which includes practical work at a SPAR outlet. This programme is creating a pool of employable and skilled potential employees.
- Qala Tala, meaning "to start green", is a project in the Bloemfontein region focusing on the establishment of sky, hanging and conventional vegetable gardens. Rainwater is used for irrigation and a variety of crops are harvested – all subsequently sold to SPAR stores in the region.
- SPAR South Rand launched the Junior Achievement South Africa programme, at Hulwazi Secondary School. The programme provides entrepreneurial and life skills, and raises awareness of economic issues, business management and career planning.
- SPAR South Rand sponsored three Environmental Entrepreneurs programmes. The programme includes a variety of activities that introduce the concepts of climate change, recycling and entrepreneurship, and aims to reduce the carbon footprint of schools.
- A number of feeding schemes for each distribution centre were introduced during the year. Named Isonka (meaning "bread" in Xhosa), the projects aim to fight hunger and fulfil a basic human need. All Isonka projects are located in close proximity to SPAR stores and are run by the local communities.
- Ikamv'elihle Rehabilitation Centre is located in Mdatsane, not far from East London, and is closely associated with SPAR in the Eastern Cape. The centre provides home-based care and support services to homes with bedridden and housebound HIV/Aids patients.

Environmental

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

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

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

In terms of Fresh supply, SPAR has developed a sustainable procurement strategy (see the case study on page 40). An environmental commitment action plan has been developed for 2013 to 2017. This plan contains key environmental goals and measurements. These have been set per distribution centre and will be reported on to the Social and Ethics Committee on a quarterly basis.

CATEGORY	GROUP GOALS FOR 2017	MEASUREMENT	BASELINE AS AT 2013	GROUP TARGET FOR END 2017
Electricity	20% reduction in electricity consumption	kWh/cases moved	100	80
Fuel	10% reduction in fuel emissions	tCO_2e	100	90
Waste	Reduce waste to landfill	tonnes	100	50
Water	30% reduction in use of municipal water	kilolitres	100	70

SPAR Freshline team working in collaboration with farmers

For each category, the following areas have been considered, measured and, where relevant, targets have been established:

CATEGORY	GROUP OPERATIONS	ACTION/AREAS OF IMPROVEMENT
Electricity	• SPAR's electricity usage is most significantly impacted by lighting and air conditioning in its offices and distribution centres. Each distribution centre has an energy management plan and meters have been installed at three distribution centres. All have energy-saving lights. • SPAR has sizable refrigeration installations within each of its distribution centres. Initiatives for improvement include the installation of high-speed doors and air curtains, as well as the monitoring and adjusting of set point temperatures to reduce electricity consumption. • Battery bays consume between 8% and 20% of electricity (based on meters at certain DCs). Old battery chargers are replaced with high-frequency units that are less energy-intensive. • A shift to more energy-efficient geysers is also underway.	• Measurement (meters installed) • Warehouse lighting • Office lighting • Battery bays • Refrigeration • Air conditioning
Fuel	• Increasing numbers of trucks in the fleet are now operating on a 95:5 diesel: biodiesel fuel mix. This has been successful in reducing transport-associated emissions, and has also resulted in financial savings with biodiesel being cheaper than conventional diesel. • The fitting of aerokits on long-distance vehicles is underway to reduce drag. • Driver training has been implemented at all distribution centres to improve the efficient use of vehicles. All drivers are assessed at least once a year as part of the group's comprehensive fleet management programme. • Business travel has been reduced following the implementation and utilisation of video conferencing facilities.	• Optimum routing • Fuel efficiency • Biodiesel
Waste	• Waste initiatives involve the recycling of "traditional" materials such as cardboard, paper, plastic and fine metals, as well as used vehicle lubricants and refrigeration oils. • Distribution centres have implemented comprehensive recycling programmes. Two have extended this to include retailers, from whom they backhaul waste when deliveries are made. • Discussions with key suppliers have taken place to reduce own brand packaging.	• Recycling – plastic and cardboard • Waste to landfill • Reduce packaging
Water	• Most of the water consumed by the group is used to wash trucks and in cooling systems. Three distribution centres have initiatives in place to recycle water and two currently collect rainwater.	• Recycling water from condensate and truck washing • Collection of rain water

SPAR house brand products

Carbon Disclosure Project (CDP)

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

There has been an increase of 105% in the total footprint for the group. This increase is driven by a 167% increase in Scope 2 emissions. Scope 2 emissions have increased significantly due to group owned retail stores being included into the base for the first time. There has been a pleasing decrease of 2.8% in Scope 1 emissions due to more effective fleet management. Energy saving measures will be introduced into group owned stores over the next few years.

INDICATOR	2012	2013
Total footprint (tCO_2e)	126 414	259 393
Scope 1 emissions	33%	15%
Scope 2 emissions	62%	81%
Scope 3 emissions	5%	4%

Thabina agricultural emerging farmer project

CASE STUDY: THE SPAR STRATEGY FOR SUSTAINABLE PROCUREMENT OF FRESH PRODUCE

SPAR's sustainability strategy has highlighted the need for a proactive strategy to grow the group's base of fresh produce suppliers. This will ensure that the group can consistently deliver excellence in Fresh. Emerging farmer inclusion into the fresh supply chain is one of SPAR's six sustainability commitments. Four focus areas have been identified:

- To implement "biological farming" across the entire farmer base
- To enable emerging farmers to participate in the fresh supply chain
- To ensure the ethical treatment of farm workers
- To ensure food safety

Implement "biological farming" across the entire farmer base

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

Enable emerging farmers to participate in the fresh supply chain

Emerging farmers typically operate on a small scale and are fairly inexperienced in commercial farming methods. They are resource poor in terms of infrastructure, equipment, transport, arable land and production capital. There is an opportunity for SPAR to integrate these farmers into its supply chain and thereby give them access to formal retail markets.

Ensure the ethical treatment of farm workers

Ethical supply chain management is a critical aspect of responsible business. SPAR has adopted the Sustainable Initiative of South Africa (SIZA) standard and will audit farmers against it from 2014.

Ensure food safety

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

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

Retail fresh produce display

CASE STUDY: GREEN TRAILER DESIGN

SPAR collaborated with truck and trailer body manufacturer Serco to develop a new-concept trailer, prototype, designed to reduce fuel costs as well as carbon dioxide emissions, while also practical to load.

The key issue for Serco was to optimise the aerodynamic efficiency of the 15 metre-long and 4.3 metre-high trailer without compromising the interior loading volume, which can handle 30 tons of perishable products using pallets and insulated lugs. The trailer is fitted with an electronic braking system for improved road safety. Electronically controlled air suspension reduces the overall height of the truck and trailer and enables the trailer to adjust to a normal dock height for loading and unloading.

One of the main challenges in designing the green trailer was to ensure that the new features could be developed without significantly increasing the cost of the trailer, while ensuring a favourable return on investment for SPAR.

The new-concept SPAR truck and trailer

Regulation and reputation

SPAR is committed to good corporate citizenship. This includes ensuring that the group complies with all applicable legislation and regulations. Various aspects of compliance are considered by the Social and Ethics Committee, the Risk Committee and the Audit Committee.

The following legislation received priority attention during the year:

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

SPAR continued its engagement and collaboration with industry bodies in the following forums:

INDUSTRY BODY	2013
Consumer Goods Council of South Africa (CGCSA) and sub-committees	✔
Retailers Association and, through their offices, to Business Unity South Africa (BUSA) (thus represented on the Commission for Conciliation, Mediation and Arbitration)	✔
Wholesale and Retail Sector Education and Training Authority and its Standards Generating Body (W&R SETA)	✔
Transport Education and Training Authority (TETA)	✔
Regional business chambers	✔

Product responsibility

As a food supplier, SPAR recognises its responsibility to ensure quality, value and sustainability in the entire supply chain.

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

Traceability for products delivered to our distribution centres and warehouses is in place, and the group continues to persuade retailers to buy ethically. SPAR expects its suppliers to comply with its food safety standards and provides leadership to its retailers with regard to the standards expected from direct suppliers. From 2014, all suppliers will be expected to comply with the Global Foods Safety Initiative (GFSI).

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

Responsible use of alcohol

SPAR sells alcohol through its TOPS stores. The group is committed to encouraging the responsible consumption of alcohol and is a member of the Industry Association for Responsible Alcohol Use (ARA). Several advertising campaigns during the year supported the "Don't drink and drive" message.

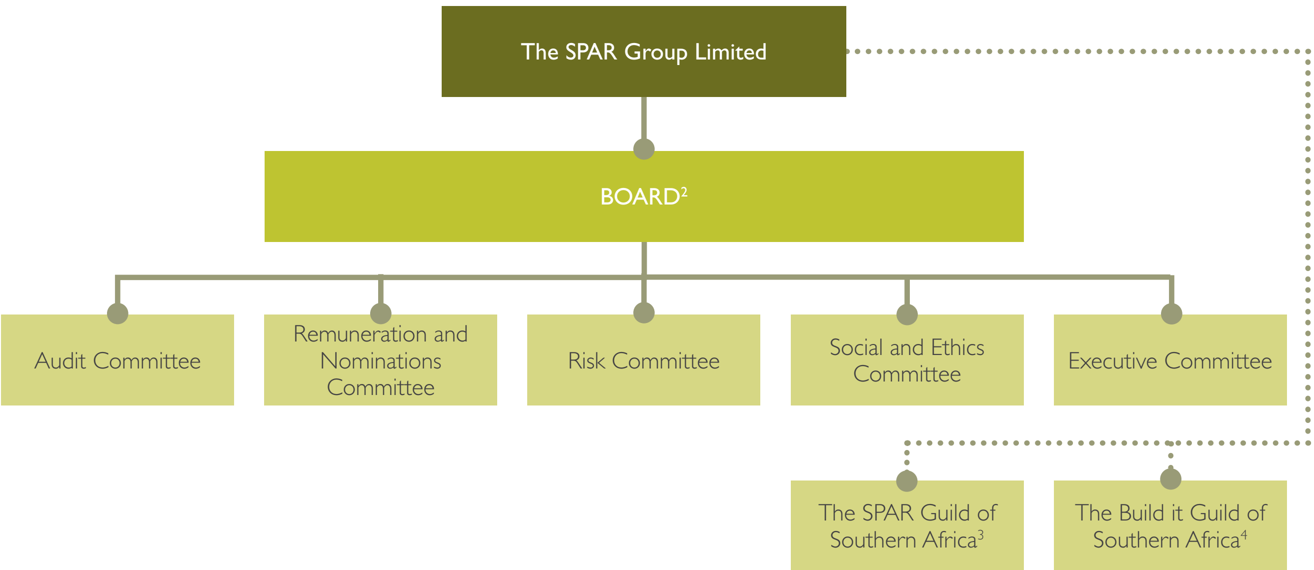
Governance

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

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

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

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



Notes:

1. The CEO of SPAR is a member of the SPAR International board. SPAR International is responsible for the co-ordination and development of the worldwide SPAR organisation.
2. The Chairman of the SPAR Guild is an executive member of the SPAR board, and also acts as the Group Retail Operations Director.
3. The SPAR Guild is a non-profit company incorporated in South Africa on 31 October 1962. It has a board that comprises 10 retail and 10 SPAR members, with the Chairman being appointed by SPAR. The purpose of the guild is to approve membership and the annual budget and to deal with any conflicts. The SPAR Guild has six regional committees where SPAR is represented by executive management of the distribution centres.
4. The Build it Guild is also a non-profit company incorporated in South Africa with a board that is chaired by the Managing Director of the Build it division. Its board comprises six retail members and six SPAR members.

Application of King III

SPAR has adopted the recommendations of King III as a minimum standard. During the year, we elected to use the Institute of Directors in Southern Africa's (IoDSA) governance assessment instrument (GAI) to provide assurance that we have considered every principle and practice as recommended. The GAI has a rating scale for implementation that ranges from a high application to low implementation.

Assurance of the accuracy and validity of these results is provided by SPAR executives, the Audit Committee and the board, who have reviewed the following reports generated by the GAI:

- Explanation register
- Exceptions listing
- A detailed governance register of all the practices

The full King III application table is available on our website (www.spar.co.za). Principles that rated "application to be improved" and "low application" have been listed on the website.

The board

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation (MOI), which is available on our website www.spar.co.za. The terms of reference for the board are set out in the board charter, which is reviewed annually. The board charter sets out the powers and authority of the board and provides a clear and concise overview of the roles and responsibilities of the board members. The board has a fiduciary duty to act in good faith, with due care and diligence, in the best interests of all stakeholders. This information can also be found on our website.

Delegation of authority

The responsibility of the board and executive management team are differentiated in the board charter. The board has a policy on levels of authority within which executive management operates. The daily management of the group's affairs is the responsibility of the CEO who co-ordinates the implementation of board policy and strategy through the Executive Committee, which he chairs.

The levels of authority policy cover the following areas:

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

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

Board highlights

- An ethics survey was conducted by the Ethics Institute of South Africa (EthicsSA) during the year and was discussed by the board. Although awareness of the SPAR Code of Ethics is high, the survey highlighted the need for training and the formal appointment of an executive responsible for ethics. A more representative survey will be commissioned in 2014 and thereafter every two years. The group's whistle-blowing hotline and the revised code of ethics will be re-launched during early 2014.
- All the resolutions at the annual general meeting (AGM) held on 12 February 2013 were passed by the 62.6% votable units present.
- As a result of the low voting percentage (non-binding advisory vote) in support of the Remuneration Policy of the company, the board initiated an independent remuneration review during the year. (See the Remuneration report on page 47 for detail.)
- The board adopted a new administrative system that facilitates electronic distribution of board and sub-committee packs.
- An application filed with the Companies and Intellectual Property Commission (CIPC) for an exemption of Social and Ethics Committees for the two guilds was unsuccessful. As a result, the guilds will now consider how best to implement Social and Ethics Committees at guild level.

Board composition, training and evaluation

The roles of the Chairman and the Chief Executive Officer are separated and a clear division of authority exists between these roles. The policy for board appointments is implemented by the Remuneration and Nominations Committee, which ensures that board members' skills, knowledge, background, experience and qualifications add to the capacity and diversity of the board. Details, qualifications and experience of individual board members are provided on pages 28 and 29.

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

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

Board members performed a comprehensive evaluation of the performance of the board and its committees during the year. The board evaluation included an assessment by each director of:

- Their own performance
- The Chairman's performance
- The performance of the Company Secretary

The Chairman of the board held one-on-one meetings with each board member to discuss the outcomes of the evaluations. No significant problems were identified during the process, and each committee has considered and addressed the issues raised. The board and its committees will again conduct a formal performance evaluation during the next financial year.

In addition to the internal board evaluation process, the board contracted PricewaterhouseCoopers to carry out an independent board evaluation during the year.

Diversity	THE BOARD		ATTENDANCE			
	NAME	STATUS	13 Nov 2012	12 Feb 2013	14 May 2013	30 July 2013
♂	MJ Hankinson(c)	Non-executive, independent	✔	✔	✔	✔
♂	PK Hughes	Non-executive, independent	✔	✔	✔	✔
♂	RJ Hutchison	Non-executive, independent	✔	✔	✔	✔
♂	MP Madi	Non-executive, independent	✔	✔	A	✔
♂	H Mehta	Non-executive, independent	✔	✔	✔	✔
♀	P Mnaganga	Non-executive, independent	✔	✔	✔	✔
♂	CF Wells	Non-executive, independent	✔	✔	✔	✔
♂	WA Hook	Chief Executive Officer	✔	✔	✔	✔
♂	MW Godfrey	Group Financial Director	✔	✔	✔	✔
♂	R Venter	Executive Director	✔	✔	✔	✔

(c) *Chairman* A *Apologies* ♀ *Female* ♂ *Male*

An extract from this report is included below:

"The SPAR board finds itself currently in the unusual position of having five of its seven non-executive directors approaching nine years of service on the board as independent non-executive directors.

In terms of the King Report on Governance for South Africa 2009 (King III report), guidance on good governance practice (paragraph 77 of section 2.18) states that "independent non-executive directors that serve on the board of directors for longer than nine years should be subject to a particularly rigorous review by the board, of not only the performance of the director, but also the factors that may impair his independence at that time. The review should take into account the need for refreshing the board."

SPAR has recognised that this circumstance applied to a significant percentage of its board members and, in keeping with good corporate governance practices, embarked on a process to evaluate the independence of the relevant non-executive directors. SPAR engaged an independent service provider to facilitate gathering the views and opinions of the board and secretariat against the principles of SPAR's own independence/related governance policies and procedures, the King III principles relating to board composition and independence and public perceptions on this matter.

The views and opinions of the directors gathered through this process did not raise any critical matters. In a detailed report to the board of directors, the service provider highlighted areas of good practice as well as some potential future areas of concern and the board has taken cognisance of matters.

The process followed to consider the independence of the affected directors included:

- Consideration of quantitative factors as per the independence requirements set out in Section 2.18 of the King III report – this was achieved by way of a self-declaration process;
- Consideration of qualitative and behavioural independence aspects – this was achieved by way of questionnaires completed by, and interviews with, affected directors and their peers on the board;
- Consideration of SPAR's mechanisms in place to monitor independence aspects on an on going basis – this was achieved through inspection of relevant governance policies and records.

Based on our own assessment of the findings of the service provider's process, we are of the view that the affected directors' independence is not impaired given the following:

- Evidenced through the opinions offered by the affected directors and their peers, we believe that the affected directors do possess significant, cumulative knowledge from their long-term service on the SPAR board and that they continue to contribute to the board and be effective in their roles;
- Where risk factors were identified in relation to the affected directors and their independence, these are currently not deemed to be material in the eyes of the affected directors, their peers and best practice requirements. However, these factors will be monitored more closely to ensure they do not present material concern."

In light of the above, our more focused attention will be given to the process of planning board renewal over the next few years following a staggered approach as not to lose the valuable cumulative knowledge all at once and also allow new board members coming in time to settle and learn from outgoing members.

Company Secretary

The Company Secretary is responsible for ensuring proper administration and sound corporate governance procedures. All directors have unrestricted access to the advice and services of the Company Secretary and are provided with access to information that may be relevant to the proper discharge of their duties. The Company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged. Details of the Company Secretary are provided on page 29 in this report.

In accordance with the JSE Listings Requirements, the board has considered the competence, qualifications and experience of the Company Secretary, Mr KJ O'Brien, and is satisfied that he is suitable for the role. The board is further satisfied that the role of Company Secretary is maintained at an arm's length relationship with the board, in accordance with the recommended practice of King III.

Board committees

The board delegates certain of its functions to the board committees without relinquishing overall responsibility for monitoring the company's performance. The board acknowledges its accountability to the group's stakeholders for the actions of these committees and is satisfied that they have met their respective responsibilities for the year under review. Each committee is chaired by an independent non-executive director.

Board charters for the different committees are available on the company website.

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

AUDIT COMMITTEE		ATTENDANCE		
NAME	STATUS	6 Nov 2012	3 May 2013	23 July 2013
CF Wells[(c)] CA(SA)	Non-executive, independent	✔	✔	✔
HK Mehta BS (USA), MBA (USA)	Non-executive, independent	✔	A	✔
PK Hughes CIS	Non-executive, independent	✔	✔	✔

(c) *Chairman* A *Apologies*

Audit Committee

The Audit Committee is a statutory committee in terms of the Companies Act and the chairman and committee members were confirmed for appointment at the AGM on 12 February 2013.

The Chief Executive Officer, Group Financial Director, internal auditor and external auditors are required to attend Audit Committee meetings. The group's internal auditor and the external auditors have unrestricted access to members of the committee and the Chief Executive Officer, and attend all formal committee meetings. Members of the group's executive management team attend meetings as required, while the Chairman of the board attends meetings by invitation.

The Audit Committee's terms of reference and work plan were tabled and approved by the board during the year.

The specific responsibilities of the Audit Committee are to ensure accurate financial reporting and the existence of adequate financial systems and controls. It does this by evaluating the operations and findings of both internal and external audits and assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational controls.

Audit Committee report

The following report was prepared by Mr CF Wells, the chairman of the Audit Committee:

Statutory duties

The Audit Committee's role and responsibilities include statutory duties per the Companies Act, No 71 of 2008, (the Companies Act), and further responsibilities assigned to it by the board. The Audit Committee executed its duties in terms of the requirements of King III. Instances where the King III requirements have not been applied have been explained in the corporate governance statement, included on the company website.

Key duties discharged by the committee

Appointment and independence of external auditor

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

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

The committee, in consultation with executive management, agreed to the terms of the engagement letter, audit plan and budgeted audit fees for the 2013 financial year.

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

The committee has nominated, for election at the AGM, Deloitte & Touche as the external audit firm, and Mr B Botes as the designated auditor responsible for performing the functions of auditor, for the 2014 year. The Audit Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Financial statements and accounting practices

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

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

Internal financial controls

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

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

Duties assigned by the board

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

The Audit Committee fulfils an oversight role regarding the company's integrated annual report and the reporting process. The committee considered the company's sustainability information as disclosed in the integrated annual report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee discussed the sustainability information with management and is satisfied that the information is reliable and consistent with the financial results.

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

At its meeting held on 5 November 2013, the Audit Committee recommended the integrated annual report for approval by the board of directors.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company. The board's statement on the going concern status of the company, as supported by the Audit Committee, is included on page 62 of the integrated annual report.

Governance of risk

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

Internal audit

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

The internal audit function's charter and annual audit plan were approved by the Audit Committee. A new internal auditor, Mr S Naidoo, was appointed during the year, while the internal audit team was boosted by the appointment of two staff members to assist the function in carrying out its duties.

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

The group internal auditor has direct access to the Audit Committee, primarily through its chairman.

The Audit Committee is also responsible for the assessment of the performance of the group internal auditor and the internal audit function.

During the year, the committee met with the external auditors and with the group internal auditor without management being present.

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

Evaluation of the expertise and experience of the financial director and finance function

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

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

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

CF Wells
Chairman of the Audit Committee

REMUNERATION AND NOMINATIONS COMMITTEE		ATTENDANCE		
NAME	STATUS	13 Nov 2012	12 Feb 2013	29 July 2013
MJ Hankinson	Non-executive, independent	✔	✔	✔
RJ Hutchison	Non-executive, independent	✔	✔	✔
HK Mehta	Non-executive, independent	✔	✔	✔

Remuneration and Nominations Committee

The Remuneration and Nominations Committee's terms of reference and work plan were tabled and approved during the year. The committee approved the following during the year:

- Revised remuneration policy
- Non-executive directors' fees
- New policy on the appointment of directors
- Incentive bonuses for the 2012 year for all executives
- Share option allocations made to executives and divisional executives

The committee also discussed the performance review of its activities. No significant issues were raised by members. Directors retiring according to the group's Memorandum of Incorporation (MOI) were recommended for re-election at the annual general meeting.

The committee furthermore agreed to appoint an external evaluator to review the independent status of all non-executive board members who have served for nine years or longer. See page 44 for the result of the evaluation.

DIRECTORS' FEES	% INCREASE	1 March 2012 R'000	1 March 2013 R'000
Chairman of the board (including committees)	7	850	910
Board member	7.1	240	257
Audit Committee chairman	7.6	145	156
Members of the Audit Committee	7.1	70	75
Chairman of other committees	7.0	85	91
Members of other committees	7.3	55	59

Directors' fees

Non-executive directors' fees are not linked to the financial performance of the group, nor do they receive share options or bonuses. For details of non-executive directors' interests in the share capital of the company, see page 91 of the report.

Senior management compensation

Salary adjustments for the 2013 financial year were approved at 6% of basic salary. The committee recommended a review of salaries for exceptional performance and those lagging the market to be conducted in February 2014. The incentive bonus scheme was also approved, based on functional, transformation and group performance criteria.

Compensation of executive directors/prescribed officers

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

For details of remuneration of executive, directors/prescribed officers see page 91 and page 92 for directors share option interests.

Post-retirement medical aid

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

For details of the post-retirement medical aid provision, see page 88 of the report.

Remuneration policy

The committee reviewed the remuneration policy during the year, due to a low percentage of shareholders in support of the advisory vote on the remuneration policy at the Annual General Meeting (AGM) in February 2013. The committee also needed to ensure that the policy was in line with the new corporate strategy.

Policy statement

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

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

Guiding principles

- The SPAR group strives to ensure that remuneration is free of unfair discrimination. Fair differentiation based on performance and skills shortage is applied.
- The company takes cognisance of its external environment through an understanding of national remuneration trends and by regular benchmarking against comparable companies. SPAR uses remuneration surveys conducted by reputable salary survey companies that have sufficient sample sizes and spread of positions, and an adequate representation in relevant industries comparable to SPAR.
- Salary scales provide remuneration guidelines based on the Paterson grading system and are informed by market comparisons. The company strives to remunerate key positions and those positions where there is a shortage of skills (as defined annually) on at least the 75th percentile of the market and the rest of the positions on at least the 50th percentile of the market.
- The use of a performance management system ensures that there is a positive correlation between individual and team performance and remuneration earned.
- Management is tasked with responsibly managing remuneration and thus supporting the long-term sustainability of the company.

Remuneration governance

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

The Remco is chaired by an independent non-executive director and all members are non-executive directors, the majority of whom are independent directors. Company executives attending the Remco meetings do so in an *ex officio* capacity.

Components of remuneration

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

Guaranteed pay and benefits

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

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

Salary increases will be implemented on:

- 1 January each year for all staff below E band grade who are not members of the bargaining unit
- 1 October each year for staff graded E band and above
- As per collective agreements with the union(s) for employees in the bargaining unit

Short-term incentives

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

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

Non-management staff (A to C band)

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

Management staff (D band and above)

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

PATERSON GRADE	% OF BASIC ANNUAL SALARY	BONUS SPLIT FINANCIAL: FUNCTIONAL
F	100	75:25
EU	100	75:25
EL	60	60:40
DU	30	30:70
DL	15	30:70

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

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

The functional component comprises objectives which include corporate objectives (for example, transformation), and individual objectives, which are specific to a manager's sphere of influence. The achievement of these objectives will result in a bonus payout subject to the achievement of a minimum profit level, which will not be less than the profit level achieved in the previous year.

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

Long-term incentives

The company's existing long-term incentive plan is a Share Option Plan (SOP). In line with King III and best practice, the company will be proposing a new Conditional Share Plan (CSP) for implementation to shareholders at the AGM in 2014. All awards made under the existing share option plan will be allowed to continue to maturity. The CSP is differentiated from the SOP in that it has performance conditions governing the vesting of awards. In addition, whereas the SOP is generally settled by way of an issue of shares, the CSP is intended to be settled by way of a market purchase of shares and will therefore not cause dilution to shareholders.

The SOP and CSP are summarised on pages 50 and 51.

Non-executive directors' remuneration

The non-executive directors' remuneration consists of a guaranteed basic annual fee. Additional fees are paid to various directors based on their membership of board committees. Management recommends non-executive directors' fees, based on industry benchmarks, to the Remco for onward recommendation to, and approval by, the board who in turn recommends the fees to shareholders for approval in accordance with Companies Act requirements.

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

DETAILS	CONDITIONAL SHARE PLAN (proposed scheme)	SHARE OPTION PLAN (current scheme)
Description	Under the CSP, employees receive a conditional right to receive a share in the company on the vesting date if certain conditions are met. Employees will only become shareholders to the extent that vesting occurs on the vesting date and will have no shareholder rights prior to this date.	Under the SOP, employees receive an option which entitles the recipient to receive a share in the company at a price equal to the grant price. The grant price is determined on the award date. From the vesting date, the participant has a predetermined period within which to exercise his/her option.
Purpose	The purpose of the CSP is to provide eligible employees with the opportunity to receive shares in the company based on personal or group performance. The primary intent is to make performance-related awards under the CSP by way of an award of shares which are subject to appropriate performance conditions. An award of restricted shares may be made in exceptional circumstances to address serious retention risks or to compensate prospective employees for the loss of long-term incentive awards with their existing employer.	To attract, retain and incentivise selected employees. By issuing options, the company expects that senior management will be motivated to act in a consistent manner with shareholders' best long-term interests.
Eligibility	• CEO • Executive management committee members • Senior management	• CEO • Executive management committee members • Senior management
Company limit	The cumulative aggregate number of shares which may be allocated under the CSP shall not exceed 5 200 000 shares (approximately 3% of issued share capital). This limit excludes shares purchases in the market and shares forfeited. The aggregate number of restricted shares that may be allocated under the CSP may not exceed 1 300 000 shares.	The number of share options that may be issued under the SOP may not exceed 15% of the total number of issued shares.
Individual limit	The cumulative aggregate number of shares which may be allocated to any one individual may not exceed 570 000 shares (approximately 0.33% of issued share capital).	The aggregate number of shares which any individual may acquire in terms of the option scheme shall not exceed 0.75% of the total number of issued shares.
Settlement method	The intention of the company is to settle all CSP awards from a market purchase of shares. However, the rules of the CSP allow for settlement in any of the following ways: • Market purchase of shares • Issue of shares • Use of treasury shares	The SOP is generally settled by way of an issue of shares.
Termination of employment	Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro-rata portion of all unvested awards will vest. The pro-rata portion will reflect the number of months served since the award date and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse.	Options will lapse immediately on termination of employment for reasons other than death, retirement or retrenchment.

DETAILS	CONDITIONAL SHARE PLAN (proposed scheme)	SHARE OPTION PLAN (current scheme)
Allocation methodology	The CSP will be used for annual allocations. The company will define annual allocation levels expressed as a percentage of gross annual basic salary. In defining these levels the company will endeavour to maintain the fair value that participants would have maintained under the SOP. To this end, the new allocation levels that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are approximately as follows: – CEO: 60% – Executive committee members: 50% – Senior managers: 35%	To date, annual allocations were made under the SOP. The quantum of options issues is recommended by Remco with reference to the following guidelines: • The cumulative value of unvested options at the strike price may approximate the following multiples of gross annual basic salary: – CEO: 7 times – Executive Committee members: 6 times – Senior managers: 4 times • Additional options may be granted to reward exceptional performance • The company will seek to remain competitive against comparable companies
Grant price	Not applicable	Thirty-day volume weighted average closing share price immediately prior to resolution date authorising issue of options.
Vesting/ employment period	Three years for annual award of performance shares and in equal parts after year three, four and five for restricted shares.	Three, four and five years
Lapse period	Not applicable	10 years
Performance period	Three years for annual award of performance shares and in equal parts after year three, four and five for restricted shares.	Not applicable
Performance conditions	Continued employment and the following performance conditions are used for awards to the executive directors, executive committee and senior management: • Growth in headline earnings per share • Return on net assets • Total shareholder return The Remco will set targets which are fair taking into consideration prevailing and prospective business circumstances. Vesting will occur on the achievement of the three-year targets.	Continued employment

RISK COMMITTEE		ATTENDANCE	
NAME	STATUS	6 Feb 2013	23 July 2013
CF Wells(C)	Non-executive, independent	✔	✔
MJ Hankinson(C)	Non-executive, independent	✔	✔
HK Mehta	Non-executive, independent	✔	✔
WA Hook	Chief Executive Officer	✔	✔
MW Godfrey	Group Financial Director	✔	✔
TD Currie	Group Logistics Executive	✔	✔
PC Cheesman	Group Internal Auditor	✔	R
KJ O' Brien	Company Secretary	✔	✔
EP Stelma	Group IT Executive	✔	✔
S Naidoo	Group Internal Auditor	✔	✔

(C) *Chairman* R *Resigned February 2013*

Risk Committee

The board is responsible for governing the risk management process of the group and discharges this duty through the Risk Committee. The Risk Committee is governed by its own terms of reference and work plan, which were tabled and approved during the year.

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

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

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

The ERM process has been driven from the executive level to functional levels at distribution centres. This has allowed for various parts of the business to gain exposure to the critical risks and opportunities, and for risks and opportunities specific to the distribution centres to be identified.

Since sustainability concepts are integrated into the group strategy, this risk framework takes into account both financial and non-financial risks and opportunities.

The Risk Committee is satisfied that the group's assets are adequately insured against loss. Disaster recovery plans are in place to provide business continuity with the least amount of disruption, particularly from information technology and operational viewpoints. The group's IT disaster recovery plan was externally reviewed during the year. Management has drafted action plans to implement suggested improvements to bring the group's approach in line with international standards.

Fraud policy

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

SOCIAL AND ETHICS COMMITTEE		ATTENDANCE	
NAME	STATUS	6 Feb 2013	29 July 2013
P Mnganga[(c)]	Non-executive, independent	✔	✔
CF Wells	Non-executive, independent	✔	✔
MW Godfrey	Group Financial Director	✔	✔
SAT Tabudi	Group HR Executive	✔	✔
KJ O'Brien	Company Secretary	✔	✔

(c) *Chairperson*

Social and Ethics Committee

The Social and Ethics Committee was established on 7 February 2012 and comprises two independent non-executive directors, one executive director, the Company Secretary and the Group Human Resources Executive. It monitors the company's sustainability and governance performance and reports to the board on matters within its mandate and to shareholders at the annual general meeting.

Social and Ethics Committee report

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

This report is for the period 1 October 2012 to 30 September 2013.

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

- Social and economic development including human rights, corruption, employment equity and transformation
- Good corporate citizenship, including the company's approach to preventing discrimination, contributing to community development and corporate social investment
- The environment
- Health and public safety
- Consumer relationships
- Labour and employment

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

- Presented its first report to the shareholders at the February AGM
- Reviewed the following policies:
  - Code of ethics
  - Employment equity and transformation policies
  - Compliance policy statement
  - Sustainability policy
  - Supplier code
- Performed an evaluation of the performance of the committee. This evaluation raised no issues of concern
- Reviewed the company's CSI programmes to ensure that they are consistent with the company strategy
- Considered the group's progress in terms of its transformation policy

In keeping with the medium-term objectives, as set out in the 2013 report to shareholders, the committee's priorities for the 2014 financial year are as follows:

- Conduct a gap analysis between what is expected in terms of the regulatory environment and the actual environment in the organisation, inclusive of local and international regulations
- Agree action plans to close any gaps that exist
- Complete a review of all relevant policies
- Agree on a combined assurance framework

All the areas covered in the sustainability section of the integrated annual report were considered by the committee and formed part of the ongoing report back to the committee and the board during the course of the year. This report is a high-level summary of the activities of the committee.

P Mnganga
Chairperson of the Social and Ethics Committee

IT governance

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

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

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

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

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

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

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

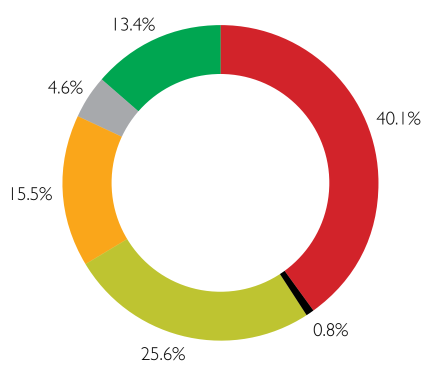
Compliance

Compliance manuals for all relevant legislation and checklists have been completed during the year, and will be included into the risk management system during 2014 for ongoing monitoring.

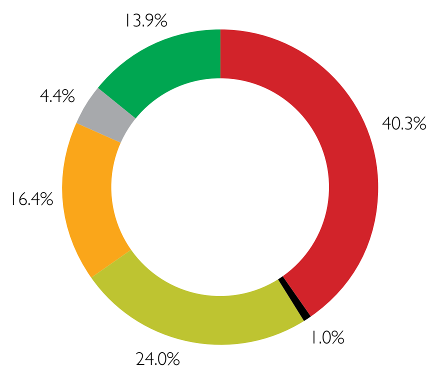
Value added statement

	2013 Rmillion	% of revenue	%	2012 Rmillion	% of revenue	%
Revenue	47 796			43 560		
Less:						
Net cost of product and services	44 783			40 797		
Value added	3 013			2 763		
Add:						
Income from investments and associates	37			36		
Wealth created	**3 050**	**6.4**	**100.0**	2 799	6.4	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	1 223		40.1	1 127		40.3
Providers of capital	807		26.4	699		25.0
Interest on borrowings	25		0.8	28		1.0
Dividends to ordinary shareholders	782		25.6	671		24.0
Taxation	472		15.5	460		16.4
Replacement of assets	139		4.6	125		4.4
Retained in the group	409		13.4	388		13.9
Wealth distributed	**3 050**		**100.0**	2 799		100.0

2013



2012



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

Five-year financial review

Rmillion	2013	2012	2011	2010	2009
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	**47 796**	43 560	38 820	35 160	32 256
Operating profit	**1 650**	1 510	1 405	1 303	1 141
Interest received	**34**	33	18	25	35
Interest paid	**(25)**	(28)	(25)	(21)	(29)
Share of equity accounted associate income	**3**	4	7		
Profit before taxation	**1 662**	1 519	1 405	1 307	1 147
Taxation	**(472)**	(460)	(452)	(391)	(402)
Profit for the year attributable to ordinary shareholders	**1 190**	1 059	953	916	745
Exchange differences from translation of foreign operations	**1**				
Total comprehensive income	**1 191**	1 059	953	916	745
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**1 749**	1 588	1 550	1 521	1 426
Goodwill	**387**	391	382	300	246
Loans and investments	**120**	119	59	41	17
Operating lease receivables	**98**	113	119	139	143
Other non-current assets			1	2	2
Deferred taxation asset	**27**	11	13	3	22
Current assets	**7 405**	7 673	6 178	5 523	4 684
Total assets	**9 786**	9 895	8 302	7 529	6 540
Equity and liabilities					
Capital and reserves	**3 178**	2 838	2 489	2 187	1 940
Deferred taxation liability	**2**	4	1		
Post-retirement medical aid provision	**108**	103	86	75	68
Operating lease payables	**115**	129	130	135	142
Current liabilities	**6 383**	6 821	5 596	5 132	4 390
Total equity and liabilities	**9 786**	9 895	8 302	7 529	6 540
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	**339**	1 824	1 362	818	683
Dividends paid	**(782)**	(671)	(625)	(579)	(468)
Cash flows from investing activities	**(296)**	(222)	(254)	(281)	(268)
Cash flows from financing activities	**(101)**	(71)	(56)	(121)	23
Net (decrease)/increase in cash and cash equivalents	**(840)**	860	427	(163)	(30)

Ratios and statistics

		2013	2012	2011	2010	2009
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	**172.4**	172.3	171.6	171.0	170.6
Headline earnings per share	cents	**704.3***	623.9*	564.6*	543.7*	484.8*
Dividends per share	cents	**485.0**	430.0	377.0	362.0	322.0
Dividend cover	multiple	**1.45***	1.45*	1.50*	1.50*	1.51*
Net asset value per share	cents	**1 843.4**	1 649.8	1 450.5	1 278.8	1 137.4
COMPREHENSIVE INCOME INFORMATION						
Gross margin	%	**8.1**	8.0	8.1	7.9	8.0
Trading profit margin	%	**3.5**	3.5	3.7	3.8	3.8
Headline earnings	Rmillion	**1 214.2***	1 073.0*	968.0*	928.9*	822.1*
SOLVENCY AND LIQUIDITY						
Return on equity	%	**39.6**	39.8	40.7	44.4	43.5
Return on net assets	%	**51.9**	53.2	56.4	55.2	58.1
EMPLOYEE STATISTICS						
Number of employees at year-end		**3 886**	3 904	3 816	2 698	2 640
STOCK EXCHANGE STATISTICS						
Market price per share						
– At year-end	cents	**12 120**	12 800	9 629	9 290	6 470
– Highest	cents	**13 335**	13 091	10 448	9 293	6 595
– Lowest	cents	**10 750**	9 283	8 200	6 300	4 512
Number of share transactions		**225 437**	188 043	183 725	127 113	81 598
Number of shares traded	millions	**129.4**	112.7	144.7	125.2	124.1
Number of shares traded as a percentage of total issued shares	%	**75.1**	65.5	84.6	73.2	72.7
Value of shares traded	Rmillion	**15 159.7**	12 651	13 808	9 181	6 807
Earnings yield at year-end	%	**5.8***	4.9*	6.1*	5.9*	7.5*
Dividend yield at year-end	%	**4.0**	3.4	3.9	3.9	5.0
Price earnings ratio at year-end	multiple	**17.2***	20.5*	17.3*	17.1*	13.3*
Market capitalisation at year-end net of treasury shares	Rmillion	**20 899**	22 057	16 327	15 889	11 038
Market capitalisation to shareholders' equity at year-end	multiple	**6.6**	7.8	6.6	8.3	5.7

* *Based on headline earnings excluding BBBEE cost.*

Definitions of ratios and statistics can be found on page 60.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Definitions

SHAREHOLDERS' RATIOS

Basic earnings per share
Attributable profit divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year.

Basic earnings per share – diluted
Attributable profit divided by the fully diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year.

Headline earnings per share
Headline earnings divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the year.

Headline earnings per share – diluted
Headline earnings divided by the fully diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year.

Dividend cover
Headline earnings per share divided by dividends per share for the year, comprising the interim dividend paid and the final dividend declared after year-end.

Net asset value per share
The net asset value at year-end divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares).

COMPREHENSIVE INCOME INFORMATION

Gross margin
Gross profit expressed as a percentage of turnover.

Operating profit margin
Operating profit expressed as a percentage of turnover.

Headline earnings
Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.

PROFITABILITY RETURNS

Return on equity
Attributable profit expressed as a percentage of the average total equity.

Return on net assets
Operating profit expressed as a percentage of the net closing asset value at year-end.

Annual financial statements

for the year ended 30 September 2013

CONTENTS

PREPARER OF THE ANNUAL FINANCIAL STATEMENTS

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

Directors' approval
of the annual financial statements

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

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

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2013 and the results of their operations and cash flows for the year under review.

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

The annual financial statements were approved by the board of directors on 12 November 2013 and are signed on its behalf by:

MJ Hankinson
Chairman
12 November 2013

WA Hook
Chief Executive Officer

Certificate by Company Secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended 30 September 2013, all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

KJ O'Brien
Company Secretary

12 November 2013

Independent auditor's report
to the shareholders of The SPAR Group Limited

We have audited the consolidated and separate annual financial statements of The SPAR Group Limited, set out on pages 64 to 102, which comprise the consolidated and separate statements of financial position as at 30 September 2013, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The SPAR Group Limited as at 30 September 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate annual financial statements for the year ended 30 September 2013, we have read the Directors' statutory report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

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

Deloitte . Touche

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

12 November 2013
2 Pencarrow Crescent, La Lucia Ridge Office Estate, Durban

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

Regional leader: GC Brazier

A full list of partners and directors is available on request.

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Directors' statutory report

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the company is as a wholesaler and distributor of goods and services to SPAR grocery stores, Build it builders' merchandise outlets, and TOPS at SPAR liquor stores. The company operates seven main distribution centres which are strategically located close to the major metropolitan areas. These distribution centres service SPAR stores, Build it outlets and TOPS at SPAR stores across South Africa and neighbouring countries.

FINANCIAL RESULTS

The net profit attributable to ordinary shareholders for the year ended 30 September 2013 amounted to R1 190.5 million (2012: R1 058.9 million). This translates into headline earnings per share of 696.6 cents (2012: 616.3 cents) based on the weighted average number of shares (net of treasury shares) in issue during the year.

STATED CAPITAL

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

During the year, 422 606 (2012: 441 100) shares were issued to option holders who exercised their option rights in terms of the rules of The SPAR Group Limited Employee Share Trust (2004).

TREASURY SHARES

During the year, The SPAR Group Limited Employee Share Trust (2004) purchased 1 213 423 (2012: 1 072 308) shares in The SPAR Group Limited for R145.4 million (2012: R123.6 million). A total of 905 425 (2012: 1 327 926) shares were reissued to option holders who exercised their option rights. At year-end, 363 180 (2012: 55 182) shares in the company were held by the trust.

At the 2013 annual general meeting (AGM), a general authority was granted by shareholders to allow the company to acquire its own shares in terms of the Companies Act. The directors consider it will be advantageous for the company for this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the company and shareholders to effect such share purchases having regard to prevailing circumstances and the cash resources of the company at the time. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming annual general meeting.

SHARE OPTION SCHEME

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

	2013	2012
Shares under option at the beginning of the year	**7 946 008**	8 758 534
Options granted	**880 500**	1 013 000
Options exercised and paid in full	**(1 289 369)**	(1 818 226)
Options lapsed, cancelled or reinstated	**(104 434)**	(7 300)
Shares under option as at year-end (refer note 18.2)	**7 432 705**	7 946 008
Options available for issue (under control of the directors)	**1 326 132**	2 206 632

Details of options granted are set out in note 18.2.

DIVIDENDS

A final dividend of 275 cents in respect of 2012 was declared on 13 November 2012 and paid on 10 December 2012. An interim dividend of 179 cents per share was declared on 14 May 2013 and paid on 10 June 2013. A final dividend of 306 cents per share was declared on 12 November 2013, payable on 9 December 2013.

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

Last day to trade cum-dividend	Friday, 29 November 2013
Shares to commence trading ex-dividend	Monday, 2 December 2013
Record date	Friday, 6 December 2013
Payment of dividend	Monday, 9 December 2013

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 2 December 2013 and Friday, 6 December 2013, both days inclusive.

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed on pages 28 to 29.

In terms of the company's Memorandum of Incorporation, one third of the non-executive directors retire annually by rotation at the annual general meeting. Accordingly, Mr HK Mehta and Mr MP Madi retire at the AGM to be held on 11 February 2014, but offer themselves for re-appointment.

At 30 September 2013, the directors beneficially held 90 700 (2012: 93 084) shares in the company and unexercised options to acquire a total of 1 410 600 (2012: 1 319 600) ordinary shares in the company (refer notes 28.3 and 29).

AUDIT COMMITTEE

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

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

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

RISK MANAGEMENT

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

The group has identified the top 12 major risks that may have an effect on the operations of the company.

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

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

SUBSIDIARIES

The interest of the company in the aggregate net loss after taxation of subsidiaries was a loss of R11.9 million (2012: loss of R9.9 million). Details of the company's subsidiaries are set out in note 34.

EVENTS AFTER THE REPORTING DATE

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

Accounting policies

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

There were no changes to the group's accounting policies during the year with the exception of the adoption of the amendments to IAS 1 which requires the group to present items in the statement of other comprehensive income based on whether they may be reclassified to profit or loss in the future.

ADOPTION OF NEW AND REVISED STANDARDS

At the date of these financial statements, the following standards, interpretations and amendments to existing standards were in issue but not yet effective:

New accounting standards or amendments thereto and interpretations of accounting standards effective for the financial year ending September 2014

Standard/ Interpretation	Description	Effective for annual periods beginning on or after
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities	1 January 2013
IAS 1	Presentation of Other Comprehensive Income	1 January 2013
IAS 16	Property, Plant and Equipment	1 January 2013
IAS 19	Employee Benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments: Presentation	1 January 2013
IAS 34	Interim Financial Reporting	1 January 2013

New accounting standards or amendments thereto and interpretations of accounting standards effective after the financial year ending September 2014

Standard/ Interpretation	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments:	
	Classification and measurement of financial assets	1 January 2015
	Classification and measurement of financial liabilities	1 January 2015
	Derecognition	1 January 2015
IFRS 10	Investment Entity amendments	1 January 2014
IFRS 7	Disclosures about the initial application of IFRS 9	1 January 2015 (or otherwise when IFRS 9 is first applied)
IAS 32	Application guidance amendments relating to the offsetting of financial assets and financial liabilities	1 January 2014
IFRIC 21	Levies	1 January 2014

The directors anticipate that the adoption of the aforementioned standards and interpretations and amendments to existing standards will not have a material impact on the profits or financial position of the group, other than that of IAS 19. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change to the group relates to the accounting for changes in post-retirement medical aid benefits. The amendments require the recognition of changes in benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 require retrospective application. Based on the directors' preliminary assessment, when the group applies the amendments to IAS 19 for the first time for the year ending 30 September 2014, the profit after income tax for the year ended 30 September 2013 would be reduced by R4.4 million, and other comprehensive income for the said year would be increased by R16.5 million (1 October 2012: decrease in retained earnings of R14.9 million) with the corresponding adjustments being recognised in the post retirement medical aid obligation.

BASIS OF CONSOLIDATION

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Owner-occupied buildings are stated at cost and depreciated at 2% per annum on a straight-line basis to their estimated residual value. No revaluations have been made to property since 1984.

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

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

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

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

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

BUSINESS COMBINATIONS

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

GOODWILL

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

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

INVESTMENTS IN SUBSIDIARIES

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

INVESTMENT IN ASSOCIATES

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

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

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

IMPAIRMENT (excluding goodwill)

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

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

SHARE BASED PAYMENTS

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

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

TAXATION

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

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

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

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

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

INVENTORIES

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

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

POST-RETIREMENT MEDICAL AID PROVISION

The company provides post-retirement health care benefits to certain of its retirees. The entitlement to these benefits is based on qualifying employees remaining in service until retirement age. The projected unit credit method of valuation is used to calculate the post-retirement medical aid obligations, which costs are accrued over the period of employment. These benefits are actuarially valued annually with the last valuation taking place in the current year. Actuarial gains and losses exceeding 10% of the group's post-retirement medical aid provision are amortised to profit and loss over the expected remaining working lives of the participating employees. The liability is unfunded.

PROVISIONS

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

RETIREMENT BENEFITS

The group contributes to pension and provident funds which are governed by the Pension Funds Act No. 24 of 1956. The defined contribution funds are reviewed annually by consulting actuaries. Contributions are charged against income as incurred. The defined benefit fund is actuarially valued on an annual basis with the last statutory valuation occurring during the current year. The projected unit credit method of valuation is used to calculate the present value of the liabilities. Plan assets are measured at fair value.

REVENUE RECOGNITION

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

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

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

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

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

Accounting policies continued

FOREIGN CURRENCIES

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

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

FINANCIAL INSTRUMENTS

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

- the principal financial assets are cash resources, trade receivables, investments and loans. Trade receivables, loans and cash resources are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. In the company's financial statements, the investments in subsidiaries are stated at cost less amounts written off to provide for the diminution in the net asset values of the subsidiaries. Other investments are stated at cost less any identified impairment losses;
- financial liabilities are classified according to the substance of the contractual arrangements. Significant financial liabilities include trade and other payables. Trade and other payables are stated at their nominal value;
- derivative assets and liabilities are recognised at fair value through profit and loss at each reporting date;
- equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs; and
- other equity investments are held at fair value. Changes in fair value are recognised in profit and loss.

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

FINANCIAL GUARANTEES

Financial guarantee contracts are accounted for as insurance contracts in terms of IFRS 4 Insurance Contracts and are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

LEASED ASSETS

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

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

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

In the capacity of lessee

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

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

Key management judgements

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

Significant areas of judgement have been identified as:

IMPAIRMENT OF GOODWILL

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

PROPERTY, PLANT, EQUIPMENT AND VEHICLES

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

PROVISION FOR INVENTORY OBSOLESCENCE

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

ALLOWANCE FOR DOUBTFUL DEBTS IN TRADE RECEIVABLES

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

POST-EMPLOYMENT BENEFITS

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

SHARE OPTIONS

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Statements of comprehensive income

for the year ended 30 September 2013

		GROUP		COMPANY	
Rmillion	Notes	**2013**	2012	**2013**	2012
Revenue	1	**47 795.8**	43 560.2	**46 539.4**	42 521.9
Trading profit	3	**1 663.3**	1 523.2	**1 680.0**	1 540.4
BBBEE transactions	35	**(13.3)**	(13.0)	**(13.3)**	(13.0)
Operating profit		**1 650.0**	1 510.2	**1 666.7**	1 527.4
Interest received	4	**34.0**	32.8	**33.4**	32.0
Interest paid	4	**(24.8)**	(27.8)	**(18.4)**	(22.9)
Share of equity accounted associate income	12	**3.3**	3.5		
Profit before taxation		**1 662.5**	1 518.7	**1 681.7**	1 536.5
Taxation	5	**(472.0)**	(459.8)	**(459.3)**	(448.5)
Profit for the year attributable to ordinary shareholders		**1 190.5**	1 058.9	**1 222.4**	1 088.0
Other comprehensive income					
Items that may be classified subsequently to profit or loss:					
Exchange differences from translation of foreign operations		**0.6**			
Total comprehensive income		**1 191.1**	1 058.9	**1 222.4**	1 088.0
Earnings per share (cents)	6				
Basic		**690.6**	615.7		
Diluted		**644.7**	570.6		

Statements of financial position
as at 30 September 2013

Rmillion	Notes	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
ASSETS					
Non-current assets		**2 380.9**	2 222.5	**2 347.9**	2 141.9
Property, plant and equipment	9	**1 749.1**	1 588.0	**1 636.3**	1 472.3
Goodwill	10	**387.6**	391.0	**264.0**	245.6
Investment in subsidiaries	34			**209.0**	203.4
Investment in associates	12	**52.6**	40.0	**38.8**	29.5
Other investments	37	**1.9**	20.9	**1.9**	1.9
Operating lease receivables	11	**98.1**	112.7	**117.2**	130.2
Loans	13	**64.4**	59.0	**64.4**	59.0
Deferred taxation asset	14	**27.2**	10.9	**16.3**	
Current assets		**7 404.8**	7 672.8	**7 085.2**	7 309.3
Inventories	15	**1 374.0**	1 415.6	**1 333.7**	1 376.0
Trade and other receivables	16	**5 841.3**	5 341.1	**5 632.2**	5 086.8
Prepayments		**32.7**	35.8	**31.9**	35.2
Operating lease receivables	11	**39.1**	34.3	**39.1**	34.3
Loans	13	**5.5**	4.4	**48.3**	11.3
Bank balances – SPAR	17		752.4		765.7
Bank balances – Guilds	17	**112.2**	89.2		
Total assets		**9 785.7**	9 895.3	**9 433.1**	9 451.2
EQUITY AND LIABILITIES					
Capital and reserves		**3 177.7**	2 837.6	**3 292.9**	2 885.6
Stated capital	18	**61.6**	54.5	**61.6**	54.5
Treasury shares	19	**(42.8)**	(6.9)		
Currency translation reserve		**0.5**	(0.1)		
Share based payment reserve		**355.1**	323.1	**355.1**	323.1
Retained earnings		**2 803.3**	2 467.0	**2 876.2**	2 508.0
Non-current liabilities		**224.6**	236.3	**223.1**	235.2
Deferred taxation liability	14	**1.5**	3.9		2.8
Post-retirement medical aid provision	21	**108.0**	103.4	**108.0**	103.4
Operating lease payables	11	**115.1**	129.0	**115.1**	129.0
Current liabilities		**6 383.4**	6 821.4	**5 917.1**	6 330.4
Trade and other payables	22	**6 204.6**	6 772.6	**5 742.3**	6 281.4
Operating lease payables	11	**41.9**	35.4	**41.9**	35.4
Provisions	23	**14.7**	6.7	**11.6**	6.1
Taxation payable	25	**11.3**	6.7	**12.3**	7.5
Bank overdrafts	17	**110.9**		**109.0**	
Total equity and liabilities		**9 785.7**	9 895.3	**9 433.1**	9 451.2

Statements of changes in equity

for the year ended 30 September 2013

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share based payment reserve	Retained earnings	Attributable to ordinary shareholders
GROUP						
Capital and reserves at 30 September 2011	49.6	(27.8)	(0.1)	292.0	2 175.8	2 489.5
Total comprehensive income for the year					1 058.9	1 058.9
Recognition of share based payments				18.7		18.7
Take-up of share options		149.4		(97.2)		52.2
Transfer arising from take-up of share options				97.2	(97.2)	–
Share repurchases		(123.6)				(123.6)
Dividends declared					(670.5)	(670.5)
Issue of shares	4.9	(4.9)				–
Recognition of BBBEE transaction				12.4		12.4
Capital and reserves at 30 September 2012	**54.5**	**(6.9)**	**(0.1)**	**323.1**	**2 467.0**	**2 837.6**
Total comprehensive income for the year			**0.6**		**1 190.5**	**1 191.1**
Recognition of share based payments				**19.6**		**19.6**
Take-up of share options		**116.6**		**(72.2)**		**44.4**
Transfer arising from take-up of share options				**72.2**	**(72.2)**	**–**
Share repurchases		**(145.4)**				**(145.4)**
Dividends declared					**(782.0)**	**(782.0)**
Issue of shares	**7.1**	**(7.1)**				**–**
Recognition of BBBEE transaction				**12.4**		**12.4**
Capital and reserves at 30 September 2013	**61.6**	**(42.8)**	**0.5**	**355.1**	**2 803.3**	**3 177.7**
COMPANY						
Capital and reserves at 30 September 2011	49.6	–	–	292.0	2 187.7	2 529.3
Total comprehensive income for the year					1 088.0	1 088.0
Recognition of share based payments				18.7		18.7
Contribution to Employee Share Trust				(97.2)		(97.2)
Transfer arising from take-up of share options				97.2	(97.2)	–
Dividends declared					(670.5)	(670.5)
Issue of shares	4.9					4.9
Recognition of BBBEE transaction				12.4		12.4
Capital and reserves at 30 September 2012	**54.5**	**–**	**–**	**323.1**	**2 508.0**	**2 885.6**
Total comprehensive income for the year					**1 222.4**	**1 222.4**
Recognition of share based payments				**19.6**		**19.6**
Contribution to Employee Share Trust				**(72.2)**		**(72.2)**
Transfer arising from take-up of share options				**72.2**	**(72.2)**	**–**
Dividends declared					**(782.0)**	**(782.0)**
Issue of shares	**7.1**					**7.1**
Recognition of BBBEE transaction				**12.4**		**12.4**
Capital and reserves at 30 September 2013	**61.6**	**–**	**–**	**355.1**	**2 876.2**	**3 292.9**

Statements of cash flow

for the year ended 30 September 2013

Rmillion	Notes	GROUP 2013	GROUP Restated* 2012	COMPANY 2013	COMPANY 2012
Cash flows from operating activities		**(443.2)**	1 153.5	**(446.8)**	1 180.4
Cash generated from operations	24	**815.6**	2 307.1	**793.8**	2 318.4
Interest received		**34.0**	32.8	**33.4**	32.0
Interest paid		**(24.8)**	(27.8)	**(18.4)**	(22.9)
Taxation paid	25	**(486.0)**	(488.1)	**(473.6)**	(476.6)
Dividends paid	8	**(782.0)**	(670.5)	**(782.0)**	(670.5)
Cash flows from investing activities		**(296.1)**	(220.3)	**(435.0)**	(294.1)
Acquisition of businesses	36.2	**(24.3)**	(11.0)*	**(24.3)**	
Proceeds from disposal of business	36.3	**17.0**			
Investment to expand operations	9	**(220.1)**	(89.1)*	**(206.1)**	(89.1)
Investment to maintain operations		**(78.5)**	(71.8)	**(79.7)**	(66.6)
– Replacement of property, plant and equipment	9	**(83.3)**	(74.1)	**(82.4)**	(68.9)
– Proceeds on disposal of property, plant and equipment		**4.8**	2.3	**2.7**	2.3
Net movement in loans and investments	24.1	**9.8**	(48.4)*	**(124.9)**	(138.4)
Cash flows from financing activities		**(101.0)**	(73.1)	**7.1**	4.9
Proceeds from issue of shares		**7.1**	4.9	**7.1**	4.9
Proceeds from exercise of share options		**37.3**	47.3		
Share repurchases	19	**(145.4)**	(123.6)		
Acquisition of partial interest in a subsidiary that does not involve a change of control			(1.7)*		
Net movement in cash and cash equivalents		**(840.3)**	860.1	**(874.7)**	891.2
Net balances/(overdrafts) at beginning of year		**841.6**	(18.5)	**765.7**	(125.5)
Net balances/(overdrafts) at end of year	17	**1.3**	841.6	**(109.0)**	765.7

* *The September 2012 values have been restated to ensure correct classifications in terms of IAS 7. The reclassifications did not change the net cash flow position for the year (refer note 38).*

Notes to the financial statements

for the year ended 30 September 2013

	Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
1.	**REVENUE**				
	Turnover	**47 387.3**	43 166.0	**46 107.2**	42 105.7
	Other income	**408.5**	394.2	**432.2**	416.2
	Marketing revenues	**400.8**	391.4	**399.9**	390.7
	Other receipts	**7.7**	2.8	**7.7**	2.8
	Dividends received – subsidiaries and associates			**24.6**	22.7
	Total revenue	**47 795.8**	43 560.2	**46 539.4**	42 521.9
2.	**COST OF SALES**				
	Cost of sales represents the net cost of purchases from suppliers, after discounts, rebates and incentive allowances received from suppliers.				
3.	**TRADING PROFIT**				
	Trading profit is arrived at after taking into account:				
	Turnover	**47 387.3**	43 166.0	**46 107.2**	42 105.7
	Cost of sales	**(43 566.6)**	(39 721.3)	**(42 449.9)**	(38 810.5)
	Gross profit	**3 820.7**	3 444.7	**3 657.3**	3 295.2
	Other income	**408.5**	394.2	**432.2**	416.2
	Operating expenses	**(2 565.9)**	(2 315.7)	**(2 409.5)**	(2 171.0)
	Warehousing and distribution expenses	**(1 208.6)**	(1 088.4)	**(1 222.5)**	(1 101.4)
	Marketing and selling expenses	**(753.4)**	(674.0)	**(582.1)**	(524.6)
	Administration and information technology expenses	**(603.9)**	(553.3)	**(604.9)**	(545.0)
	Trading profit	**1 663.3**	1 523.2	**1 680.0**	1 540.4
	Operating expenses include the following:				
	Auditors' remuneration:	**5.7**	6.1	**4.8**	5.0
	Audit fees	**4.5**	4.3	**3.6**	3.4
	Other fees	**1.2**	1.8	**1.2**	1.6
	Depreciation:	**138.6**	125.4	**126.1**	115.2
	Buildings and leasehold improvements	**3.8**	3.7	**3.7**	3.7
	Plant, equipment and vehicles	**134.8**	121.7	**122.4**	111.5
	Fair value adjustment		0.1		0.1
	Net foreign exchange losses/(profits)	**0.5**	(0.1)	**0.5**	(0.1)
	Operating lease charges:				
	Immovable property	**55.0**	52.0	**22.8**	18.1
	Lease rentals payable	**474.3**	410.7	**442.1**	376.8
	Sub-lease recoveries	**(419.3)**	(358.7)	**(419.3)**	(358.7)
	Plant, equipment and vehicles	**4.8**	15.7	**3.1**	13.5
	Net (profit)/loss on disposal of plant and equipment	**(0.2)**	1.5	**1.6**	1.5
	Impairment of goodwill	**7.5**			
	Impairment of investments			**5.0**	
	Loss on disposal of investment	**3.0**			
	Post-retirement medical aid provision	**4.6**	17.9	**4.6**	17.9
	Retirement contributions:				
	Defined contribution plan expenses	**78.9**	72.4	**76.2**	70.6
	Defined benefit plan expenses				
	Share based payments charge	**19.6**	18.7	**19.6**	18.7
	Staff costs	**1 223.1**	1 127.4	**1 145.3**	1 058.7
	Technical and consulting fees	**18.4**	16.9	**17.0**	15.6

Rmillion		GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
4. NET INTEREST					
Interest received					
Bank deposits		**22.9**	22.3	**22.3**	21.6
Loans		**0.9**	1.7	**0.9**	1.7
Overdue debtors		**8.9**	8.6	**8.9**	8.5
Other		**1.3**	0.2	**1.3**	0.2
Total interest received		**34.0**	32.8	**33.4**	32.0
Interest paid					
Security deposits		**(2.1)**	(1.8)	**(2.1)**	(1.8)
Bank overdraft		**(20.6)**	(23.7)	**(14.5)**	(18.8)
Other		**(2.1)**	(2.3)	**(1.8)**	(2.3)
Total interest paid		**(24.8)**	(27.8)	**(18.4)**	(22.9)
Net interest received		**9.2**	5.0	**15.0**	9.1

Rmillion		GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
5. TAXATION					
Current taxation					
– current year		**490.3**	413.4	**478.9**	403.4
– prior year		**(0.8)**	(0.2)	**(0.8)**	(0.3)
Deferred taxation					
– current year		**(18.9)**	4.2	**(19.4)**	3.6
– prior year		**0.3**	1.4	**0.3**	1.4
Secondary Tax on Companies		**0.5**	40.4		40.4
Foreign withholding tax		**0.6**	0.6	**0.3**	
Total taxation		**472.0**	459.8	**459.3**	448.5
Reconciliation of effective taxation rate					
Standard taxation rate	(%)	**28.0**	28.0	**28.0**	28.0
Permanent differences	(%)	**(0.3)**	(1.1)	**(0.7)**	(1.5)
Tax loss not provided for	(%)	**0.6**	0.7		
Prior year overprovision	(%)	**0.1**	0.1		0.1
Secondary Tax on Companies	(%)		2.6		2.6
Effective rate of taxation		**28.4**	30.3	**27.3**	29.2

Notes to the financial statements
for the year ended 30 September 2013

Rmillion		GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
6. EARNINGS PER SHARE					
Earnings per share is calculated using the weighted average number of ordinary shares (net of treasury shares) in issue during the year. In the case of basic earnings per share, the weighted average number of ordinary shares (net of treasury shares) in issue during the year was 172 380 610 (2012: 171 992 577). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 184 646 200 (2012: 185 565 578).					
The calculation of the basic and diluted earnings per share attributable to ordinary shareholders is based on the following data:					
Earnings					
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders)		**1 190.5**	1 058.9	**1 222.4**	1 088.0
Number of shares					
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	**172 381**	171 993	**172 381**	171 993
Effect of diluted potential ordinary shares:					
Share options and BBBEE shares	('000)	**12 265**	13 573	**12 265**	13 573
Weighted average number of ordinary shares (net of treasury shares) for the purpose of diluted earnings per share	('000)	**184 646**	185 566	**184 646**	185 566

Rmillion		GROUP 2013	2012
7. HEADLINE EARNINGS			
Profit for the year attributable to ordinary shareholders		**1 190.5**	1 058.9
Adjusted for:			
Profit/(loss) on sale of property, plant and equipment		**(0.1)**	1.1
– Gross		**(0.2)**	1.5
– Tax effect		**0.1**	(0.4)
Impairment of goodwill		**7.5**	
Loss on impairment of investment		**3.0**	
Headline earnings		**1 200.9**	1 060.0
Add BBBEE transactions		**13.3**	13.0
Headline earnings before BBBEE transactions		**1 214.2**	1 073.0
Headline earnings per share			
Basic	(cents)	**696.6**	616.3
Diluted	(cents)	**650.4**	571.2
Before BBBEE transactions			
Basic	(cents)	**704.3**	623.9
Diluted	(cents)	**657.6**	578.2

Rmillion		GROUP 2013	2012	COMPANY 2013	2012
8. DIVIDENDS PAID					
2012 Final dividend declared 13 November 2012 – paid 10 December 2012		**473.3**	403.9	**473.3**	403.9
2013 Interim dividend declared 14 May 2013 – paid 10 June 2013		**308.7**	266.6	**308.7**	266.6
Total dividends		**782.0**	670.5	**782.0**	670.5
2012 Final dividend per share declared 13 November 2012 – paid 10 December 2012	(cents)	**275.0**	235.0	**275.0**	235.0
2013 Interim dividend per share declared 14 May 2013 – paid 10 June 2013	(cents)	**179.0**	155.0	**179.0**	155.0
Total dividends per share	(cents)	**454.0**	390.0	**454.0**	390.0

The final dividend for the year ended 30 September 2013 of 306 cents per share declared on 12 November 2013 and payable on 9 December 2013 has not been accrued.

Notes to the financial statements
for the year ended 30 September 2013

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT				
GROUP – 2013				
Carrying value at 30 September 2012	941.0	1.3	645.7	1 588.0
Additions	65.4	0.1	237.9	303.4
Additions through expansions	64.0	0.1	156.0	220.1
Additions through replacements	1.4		81.9	83.3
Disposals at net book value			(4.6)	(4.6)
Disposal through sale of business			(5.0)	(5.0)
Depreciation	(3.4)	(0.4)	(134.8)	(138.6)
Carrying value at 30 September 2013	1 003.0	1.0	745.1	1 749.1
Analysed as follows:				
Cost	1 093.7	3.3	1 465.3	2 562.3
Accumulated depreciation and impairments	(90.7)	(2.3)	(720.2)	(813.2)
COMPANY – 2013				
Carrying value at 30 September 2012	872.0	0.8	599.5	1 472.3
Additions	64.5		224.0	288.5
Additions through expansions	64.0		142.1	206.1
Additions through replacements	0.5		81.9	82.4
Disposals at net book value			(4.3)	(4.3)
Depreciation	(3.4)	(0.3)	(122.4)	(126.1)
Carrying value at 30 September 2013	933.1	0.5	702.7	1 636.3
Analysed as follows:				
Cost	1 013.2	2.8	1 392.4	2 408.4
Accumulated depreciation	(80.1)	(2.3)	(689.7)	(772.1)
GROUP – 2012				
Carrying value at 30 September 2011	940.7	1.1	608.6	1 550.4
Additions	3.7	0.5	159.0	163.2
Additions through expansions	3.7	0.5	84.9	89.1
Additions through replacements			74.1	74.1
Additions through business acquisitions			3.6	3.6
Disposals at net book value			(3.8)	(3.8)
Depreciation	(3.4)	(0.3)	(121.7)	(125.4)
Carrying value at 30 September 2012	941.0	1.3	645.7	1 588.0
Analysed as follows:				
Cost	1 028.3	3.2	1 279.7	2 311.2
Accumulated depreciation and impairments	(87.3)	(1.9)	(634.0)	(723.2)
COMPANY – 2012				
Carrying value at 30 September 2011	871.1	1.0	561.2	1 433.3
Additions	4.3	0.1	153.6	158.0
Additions through expansions	4.1	0.1	84.9	89.1
Additions through replacements	0.2		68.7	68.9
Disposals at net book value			(3.8)	(3.8)
Depreciation	(3.4)	(0.3)	(111.5)	(115.2)
Carrying value at 30 September 2012	872.0	0.8	599.5	1 472.3
Analysed as follows:				
Cost	948.7	2.8	1 213.1	2 164.6
Accumulated depreciation	(76.7)	(2.0)	(613.6)	(692.3)

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

The directors' valuation of freehold land and buildings at 30 September 2013 is R1 760.1 million (2012: R1 491.8 million). The valuation is based on a net yield of 11% (2012: 12%).

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

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
10. GOODWILL				
Opening balance	**391.0**	381.9	**245.6**	245.6
Impairment	**(7.5)**			
Goodwill derecognised on disposal of business	**(14.3)**			
Business combination	**18.4**	9.1	**18.4**	
Closing balance	**387.6**	391.0	**264.0**	245.6
Closing balance analysis:				
SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
Retail stores	**142.0**	145.4	**18.4**	
	387.6	391.0	**264.0**	245.6

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

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

		2013	2012
Discount rate	(%)	**7.7**	7.3
Sale growth rate	(%)	**6.0**	6.0
Terminal value growth rate	(%)	**3.0**	3.0

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

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
11. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	**137.2**	147.0	**156.3**	164.5
Less current portion	**(39.1)**	(34.3)	**(39.1)**	(34.3)
Non-current operating lease receivables	**98.1**	112.7	**117.2**	130.2
Operating lease payables	**157.0**	164.4	**157.0**	164.4
Less current portion	**(41.9)**	(35.4)	**(41.9)**	(35.4)
Non-current operating lease payables	**115.1**	129.0	**115.1**	129.0

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

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

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
12. INVESTMENT IN ASSOCIATES				
SPAR Harare (Pvt) Limited				
Shares at cost	**17.5**	3.1	**17.5**	3.1
Further capital invested		14.4		14.4
Cumulative share of post-acquisition profit, net of dividend received	**10.3**	8.8		
Investment in SPAR Harare (Pvt) Ltd	**27.8**	26.3	**17.5**	17.5
Fig Leaf (Pty) Ltd				
Shares at cost				
Loan to Fig Leaf (Pty) Ltd	**12.0**	12.0	**12.0**	12.0
Cumulative share of post-acquisition profit, net of dividend received	**3.3**	1.7		
Investment in Fig Leaf (Pty) Ltd	**15.3**	13.7	**12.0**	12.0
Gezaro Retailers (Pty) Ltd				
Shares at cost	**5.5**		**5.5**	
Loan to Gezaro Retailers (Pty) Ltd	**3.8**		**3.8**	
Cumulative share of post-acquisition profit, net of dividend received	**0.2**			
Investment in Gezaro Retailers (Pty) Ltd	**9.5**	–	**9.3**	–
Total investment in associates	**52.6**	40.0	**38.8**	29.5
Summarised financial statements of the group's share of associates:				
Total assets	**93.9**	46.6		
Total liabilities	**(58.4)**	(45.2)		
Net assets	**35.5**	1.4		
Revenue	**249.0**	229.0		
Profit for the year attributable to ordinary shareholders	**3.3**	3.5		

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

For purposes of equity accounting, the financial statements of SPAR Harare (Pvt) Limited for the year ended 30 June 2013 have been utilised. There were no significant transactions occurring in the three-month period between June 2013 and September 2013.

In the prior year, SPAR Harare (Pvt) Limited recapitalised its business. This resulted in a cash injection of US$5 million by its shareholders in proportion to current shareholding. The group increased the cost of its interest by R14.4 million.

	2013	2012
Rates of exchange utilised are:		
Rand/United States dollar exchange rate at year-end	**9.91**	8.18

12.2 The group has a 49.9% shareholding in Fig Leaf (Pty) Ltd, which owns and operates the Gateway SUPERSPAR in Hermanus.

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

Rmillion	GROUP 2013	2012	COMPANY 2013	2012
13. LOANS				
Retailer loans	**69.4**	62.9	**69.4**	62.9
Advance to The SPAR Group Limited Employee Share Trust (2004)			**42.8**	6.9
Loan to Group Risk Holdings (Pty) Ltd	**0.5**	0.5	**0.5**	0.5
	69.9	63.4	**112.7**	70.3
Less current portion	**(5.5)**	(4.4)	**(48.3)**	(11.3)
Non-current loans	**64.4**	59.0	**64.4**	59.0

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

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

Rmillion	GROUP 2013	2012	COMPANY 2013	2012
14. DEFERRED TAXATION				
Asset				
Deferred taxation asset analysed by major category:				
Accelerated capital allowances	**(116.4)**		**(116.5)**	
Provisions, claims and prepayments	**143.6**	10.9	**132.8**	
Closing balance	**27.2**	10.9	**16.3**	–
Reconciliation of deferred taxation asset:				
Opening balance	**10.9**	13.2		2.2
Statement of comprehensive income effect	**16.3**	(2.3)	**16.3**	(2.2)
Closing balance	**27.2**	10.9	**16.3**	–
Liability				
Deferred taxation liability analysed by major category:				
Accelerated capital allowances	**(1.5)**	(106.9)		(105.8)
Provisions, claims and prepayments		103.0		103.0
Closing balance	**(1.5)**	(3.9)	**–**	(2.8)
Reconciliation of deferred taxation liability:				
Opening balance	**(3.9)**	(0.6)	**(2.8)**	
Statement of comprehensive income effect	**2.4**	(3.3)	**2.8**	(2.8)
Closing balance	**(1.5)**	(3.9)	**–**	(2.8)
Total net asset/(liability)	**25.7**	7.0	**16.3**	(2.8)

Notes to the financial statements
for the year ended 30 September 2013

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
15. INVENTORIES				
Merchandise	**1 403.3**	1 444.0	**1 363.0**	1 404.4
Less provision for obsolescence	**(29.3)**	(28.4)	**(29.3)**	(28.4)
Total inventories	**1 374.0**	1 415.6	**1 333.7**	1 376.0
Shrinkages and damages written off	**35.9**	33.9	**35.9**	33.9
16. TRADE AND OTHER RECEIVABLES				
Trade receivables	**5 392.3**	4 963.4	**5 196.8**	4 825.5
Allowance for doubtful debts	**(121.4)**	(104.7)	**(118.7)**	(103.6)
Net trade receivables	**5 270.9**	4 858.7	**5 078.1**	4 721.9
Other receivables	**570.4**	482.4	**554.1**	364.9
Total trade and other receivables	**5 841.3**	5 341.1	**5 632.2**	5 086.8
The other receivables balance includes loans made by The SPAR Guild of Southern Africa to SPAR retail members.				
Movement in the allowance for doubtful debts:				
Allowance at 30 September 2012	**(104.7)**	(95.4)	**(103.6)**	(94.6)
Increase in allowance	**(16.7)**	(9.3)	**(15.1)**	(9.0)
Allowance at 30 September 2013	**(121.4)**	(104.7)	**(118.7)**	(103.6)
Irrecoverable debts written off net of recoveries	**35.6**	36.8	**34.0**	36.8

Trade receivables

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

SPAR

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

Build it

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

Included in trade receivables are debtors with a net carrying amount of R167.0 million (2012: R144.2 million) which are past due. The group has not provided for these amounts as there has not been a significant change in credit quality of the debts and the amounts are considered recoverable.

17. OVERDRAFTS/CASH BALANCES

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

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

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

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Bank balances – Guilds	**112.2**	89.2		
Bank (overdrafts)/balances – SPAR	**(110.9)**	752.4	**(109.0)**	765.7
Net balances/(overdrafts)	**1.3**	841.6	**(109.0)**	765.7

18. STATED CAPITAL

18.1 Authorised

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
250 000 000 (2012: 250 000 000) ordinary shares	**0.2**	0.2	**0.2**	0.2
30 000 000 (2012: 30 000 000) redeemable convertible preference shares				
Issued				
172 800 310 (2012: 172 377 704) ordinary shares	**61.6**	54.5	**61.6**	54.5
18 859 949 (2012: 18 911 349) redeemable convertible preference shares				
	61.6	54.5	**61.6**	54.5

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

Per the resolution passed at the annual general meeting, all shares of par value were converted to no par value.

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

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

During the current financial year 51 400 redeemable convertible preference shares were converted into 18 122 ordinary shares. These relate to the vesting arising from the death of participants in both BBBEE trusts. The average market price used to calculate the payouts to these participants was R115.61, representing a payout value of R2.1 million.

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

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

18. STATED CAPITAL continued

18.2 Shares subject to option

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

Option strike price per share	Option exercisable until	Number of shares under option 2013	2012
R13.05818	3 February 2013		341 700
R13.05818	31 March 2013		129 134
R15.10867	29 January 2014	**453 100**	536 600
R21.04	14 December 2014	**626 114**	729 074
R29.00	13 November 2015	**519 300**	691 900
R30.36	10 January 2016	**110 000**	110 000
R46.22	8 March 2017	**808 334**	939 600
R58.10	3 December 2017	**419 723**	560 600
R50.23	11 November 2018	**861 800**	1 006 400
R66.42	10 November 2019	**896 334**	1 020 000
R95.11	16 November 2020	**732 000**	738 000
R99.91	8 December 2020	**130 000**	130 000
R96.46	8 November 2021	**999 000**	1 013 000
R122.81	13 November 2022	**877 000**	
		7 432 705	7 946 008
Unissued options under the control of the directors		**1 326 132**	2 206 632

19. TREASURY SHARES

During the year The SPAR Group Limited Employee Share Trust (2004) purchased 1 213 423 (2012: 1 072 308) shares in the company at an average purchase price of R119.82 (2012: R115.27) per share. The trust purchased and holds these shares for the purpose of satisfying option holder requirements as and when option holders exercise their share option rights.

Rmillion	GROUP 2013	2012
Cost of shares		
Opening balance	**6.9**	27.8
Share repurchases	**145.4**	123.6
Share issues to trust on exercise of share option rights	**7.1**	4.9
Shares sold to option holders on exercise of share option rights	**(116.6)**	(149.4)
Closing balance	**42.8**	6.9

	Number of shares held 2013	2012
Shares held in trust		
Opening balance	**55 182**	310 800
Share repurchases	**1 213 423**	1 072 308
Share issues to trust on exercise of share option rights	**404 484**	441 100
Shares sold to option holders on exercise of share option rights	**(1 309 909)**	(1 769 026)
Closing balance	**363 180**	55 182

20. SHARE BASED PAYMENTS

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

Share options outstanding at year-end are as follows:

		Number of options 2013	2012
Opening balance		**7 946 008**	8 758 534
New options granted*		**880 500**	1 013 000
Options taken up**		**(1 289 369)**	(1 818 226)
Options forfeited or reinstated		**(104 434)**	(7 300)
Closing balance		**7 432 705**	7 946 008
* Weighted average price of options granted during the year	(R)	**122.81**	96.46
** Weighted average grant price of options taken up during the year	(R)	**41.53**	34.24
** Weighted average selling price of options exercised during the year	(R)	**120.71**	108.34

880 500 Share options were granted on 13 November 2012. The estimated fair value of the options granted was R22 023 480.

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

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

		Assumption			
Grant date	Vesting date	Expected option life time	Rolling volatility %	Dividend yield %	Risk-free rate %
2013					
13/11/2012	13/11/2016	**4**	**19.98**	**3.99**	**5.86**
13/11/2012	13/11/2017	**5**	**19.98**	**3.99**	**6.17**
13/11/2012	13/11/2018	**6**	**19.98**	**3.99**	**6.51**
2012					
8/11/2011	8/11/2014	4	23.77	4.17	6.23
8/11/2011	8/11/2015	5	23.77	4.17	6.64
8/11/2011	8/11/2016	6	23.77	4.17	7.01

Broad-based black economic empowerment deal

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

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

During the current financial year 51 400 redeemable convertible preference shares were converted into 18 122 ordinary shares. These relate to the vesting arising from the death of participants in both BBBEE trusts. The average market price used to calculate the payouts to these participants was R115.61, representing a payout value of R2.1 million.

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

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

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Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
21. POST-RETIREMENT MEDICAL AID PROVISION				
Opening balance – actuarial valuation	**118.3**	98.7	**118.3**	98.7
Recognised as an expense during the current year	**13.6**	12.4	**13.6**	12.4
Interest cost	**8.7**	8.1	**8.7**	8.1
Current service cost	**4.9**	4.3	**4.9**	4.3
Employer contributions	**(4.6)**	(4.3)	**(4.6)**	(4.3)
Actuarial (gain)/loss	**(16.5)**	11.5	**(16.5)**	11.5
Actuarial valuation at end of the year	**110.8**	118.3	**110.8**	118.3
Unrecognised actuarial loss	**(2.8)**	(14.9)	**(2.8)**	(14.9)
Closing balance	**108.0**	103.4	**108.0**	103.4
The principal actuarial assumptions applied in the determination of fair values include:				
Discount rate (%)	**8.7**	7.5	**8.7**	7.5
Health care cost inflation (%)	**7.2**	6.4	**7.2**	6.4
Average retirement age (years)	**63/65**	63/65	**63/65**	63/65

The obligation of the company to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997. There are 274 (2012: 411) pensioners and current employees who remain entitled to this benefit. The current year actuarial gain arises from the clarification of the policy governing post-retirement medical aid benefits. The company continues to adopt the corridor method of recognising actuarial gains and losses.

The last actuarial valuation was performed in September 2013 and the next valuation is expected to be performed during the 2014 financial year.

A 1% movement in the health care cost inflation is not expected to yield a material movement in the recognised obligation, in light of the group adopting the corridor method of recognising actuarial gains and losses.

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
22. TRADE AND OTHER PAYABLES				
Trade payables	**4 805.6**	5 513.9	**4 620.7**	5 322.6
Other payables	**1 399.0**	1 258.7	**1 121.6**	958.8
Trade and other payables	**6 204.6**	6 772.6	**5 742.3**	6 281.4
Deposits received by The SPAR Guild of Southern Africa from SPAR retail members are included in other payables.				
23. PROVISIONS				
Supplier claims	**14.7**	6.7	**11.6**	6.1
Total provisions	**14.7**	6.7	**11.6**	6.1
Balance at the beginning of the year	**6.7**	11.6	**6.1**	9.7
Provisions raised	**8.2**	0.8	**5.7**	0.1
Provisions utilised	**(0.2)**	(5.7)	**(0.2)**	(3.7)
Balance at the end of the year	**14.7**	6.7	**11.6**	6.1

The supplier claim provision represents management's best estimate of the group's liability to suppliers in respect of disputed deliveries and other issues.

Rmillion	GROUP 2013	2012	COMPANY 2013	2012
24. CASH GENERATED FROM OPERATIONS				
Operating profit	**1 650.0**	1 510.2	**1 666.7**	1 527.4
Adjusted for:				
Depreciation	**138.6**	125.4	**126.1**	115.2
Net (profit)/loss on disposal of property, plant and equipment	**(0.2)**	1.5	**1.6**	1.5
Post-retirement medical aid provision	**4.6**	17.9	**4.6**	17.9
BBBEE transaction	**12.4**	12.4	**12.4**	12.4
Share based payments	**19.6**	18.7	**19.6**	18.7
Provision against loans and trade receivables	**8.1**	(8.0)	**8.1**	1.3
Amortisation of prepaid cost		0.6		0.6
Lease smoothing adjustment	**4.7**	6.0	**0.8**	0.6
Impairment of goodwill	**7.5**			
Impairment of investments			**5.0**	
Net loss on disposal of investment	**3.0**			
Cash generated from operations before:	**1 848.3**	1 684.7	**1 844.9**	1 695.6
Net working capital changes	**(1 032.7)**	622.4	**(1 051.1)**	622.8
Decrease/(increase) in inventories	**41.6**	(280.6)	**42.3**	(276.5)
Increase in trade and other receivables	**(514.9)**	(473.2)	**(559.8)**	(361.7)
(Decrease)/increase in trade payables and provisions	**(559.4)**	1 376.2	**(533.6)**	1 261.0
Cash generated from operations	**815.6**	2 307.1	**793.8**	2 318.4
24.1 Net movement in loans and investments	**9.8**	(48.4)*	**(124.9)**	(138.4)
Investment acquired		(19.4)	**(10.6)**	(0.4)
Proceeds from disposal of investments	**16.0**			
Investment in associate	**(5.5)**		**(5.5)**	
Further capital invested in associate		(14.4)		(14.4)
Net movement on retailer and subsidiary loans	**3.1**	(14.6)*	**3.1**	(144.5)
Loan to The SPAR Group Limited Employee Share Trust (2004)			**(108.1)**	20.9
Loan to associate	**(3.8)**		**(3.8)**	

* *The September 2012 values have been restated to ensure correct classifications in terms of IAS 7. The reclassifications did not change the net cash flow position for the year (refer note 38).*

	GROUP 2013	2012	COMPANY 2013	2012
25. TAXATION PAID				
Payable at the beginning of the year	**6.7**	40.6	**7.5**	40.6
Statement of comprehensive income charge	**490.6**	454.2	**478.4**	443.5
Payable at the end of the year	**(11.3)**	(6.7)	**(12.3)**	(7.5)
Total taxation paid	**486.0**	488.1	**473.6**	476.6

Notes to the financial statements

for the year ended 30 September 2013

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
26. CONTINGENT LIABILITIES				
Guarantees issued in respect of the finance obligations of SPAR retailer members	**482.8**	386.8	**482.8**	386.8
– Loan guarantees	**350.9**	278.9	**350.9**	278.9
– Rental guarantees	**6.9**	7.9	**6.9**	7.9
– IT retail computer equipment lease scheme	**125.0**	100.0	**125.0**	100.0
The board has limited guarantee facilities to R676 million (2012: R456 million).				
The company has guaranteed the finance obligations of Klipakkers (Pty) Ltd and Kaplian Trading (Pty) Ltd to its bankers.				
These guarantees commenced on 15 April 2011 and 25 July 2011 respectively and are for an indefinite period			**38.0**	47.0
27. COMMITMENTS				
27.1 Operating lease commitments				
Future minimum lease payments due under non-cancellable operating leases:				
Land and buildings				
Payable within one year	**612.4**	534.2	**612.4**	533.7
Payable later than one year but not later than five years	**2 093.3**	1 839.7	**2 093.3**	1 839.5
Payable later than five years	**980.9**	961.1	**980.9**	961.1
Total land and buildings operating lease commitments	**3 686.6**	3 335.0	**3 686.6**	3 334.3
Other				
Payable within one year	**2.3**	1.4	**2.3**	1.4
Payable later than one year but not later than five years	**4.4**	1.2	**4.4**	1.2
Payable later than five years	**0.7**		**0.7**	
Total other operating lease commitments	**7.4**	2.6	**7.4**	2.6
27.2 Operating lease receivables				
Future minimum sub-lease receivables due under non-cancellable property leases:				
Receivable within one year	**539.3**	473.6*	**586.0**	516.2*
Receivable later than one year but not later than five years	**1 846.5**	1 628.6*	**2 040.8**	1 816.2*
Receivable later than five years	**904.4**	874.1*	**964.0**	961.1*
Total operating lease receivables	**3 290.2**	2 976.3*	**3 590.8**	3 293.5*
* *The September 2012 sub-lease receivables have been restated due to a disclosure error.*				
27.3 Capital commitments				
Contracted	**93.0**	161.4	**93.0**	161.4
Approved but not contracted	**13.2**	56.5	**13.2**	56.5
Total capital commitments	**106.2**	217.9	**106.2**	217.9

Capital commitments will be financed from group resources.

28. DIRECTORS' REMUNERATION AND INTERESTS REPORT

28.1 Emoluments

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel allowance and other benefits[1]	Share option gains	Total
2013						
Executive directors						
WA Hook	**3 102**	**2 384**	**399**	**423**	**3 279**	**9 587**
MW Godfrey	**1 792**	**1 377**	**228**	**376**		**3 773**
R Venter	**2 125**	**1 633**	**266**	**667**		**4 691**
Total emoluments	**7 019**	**5 394**	**893**	**1 466**	**3 279**	**18 051**
2012						
Executive directors						
WA Hook	2 702	2 183	355	453		5 693
MW Godfrey	1 558	1 244	202	339		3 343
R Venter	1 956	1 541	271	333	2 538	6 639
Total emoluments	6 216	4 968	828	1 125	2 538	15 675

(1) *Other benefits include medical aid contributions and a long service award.*

R'000	2013	2012
28.2 Fees for services as non-executive directors		
MJ Hankinson (chairman)[bc]	**885**	809
DB Gibbon[ac*]		371
PK Hughes[a]	**323**	226
RJ Hutchison[b]	**307**	272
MP Madi	**250**	220
HK Mehta[abc]	**438**	390
P Mnganga[d]	**338**	276
CF Wells[acd]	**547**	404
Total fees	**3 088**	2 968

a *Member of Audit Committee.*
b *Member of Remuneration and Nominations Committee.*
c *Member of Risk Committee.*
d *Member of Social and Ethics Committee.*
* *DB Gibbon retired in August 2012.*

	2013 Shares	2012 Shares
28.3 Directors' interests in the share capital of the company		
Executive directors		
WA Hook – direct beneficial holding	**4 200**	4 200
R Venter – direct beneficial holding		1 600
Non-executive directors		
MJ Hankinson – held by associates	**2 800**	2 800
PK Hughes – direct beneficial holding	**64 400**	64 400
RJ Hutchison – indirect beneficial holding	**10 000**	10 000
HK Mehta – direct beneficial holding	**10 000**	10 000
HK Mehta – indirect beneficial holding	**1 000**	1 784
CF Wells – direct beneficial holding	**1 100**	1 100

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

28.4 Declaration of disclosure

Other than the disclosed above and in note 29, no consideration was paid to, or by any third party, or by the company itself, in respect of the services of the company's directors, as directors of the company, during the year ended 30 September 2013.

Notes to the financial statements

for the year ended 30 September 2013

29. DIRECTORS' SHARE OPTION SCHEME INTERESTS

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

29.1 Options held over shares in The SPAR Group Limited

	Date of option issue	Option price Rand	Number of options held 2013	2012
Executive directors				
WA Hook	03/02/2003	13.06		20 000
	29/01/2004	15.11		9 000
	13/12/2004	21.04	**51 000**	51 000
	14/11/2005	29.00	**70 000**	70 000
	09/03/2007	46.22	**120 000**	120 000
	04/12/2007	58.10	**60 000**	60 000
	11/11/2008	50.23	**100 000**	100 000
	10/11/2009	66.42	**50 000**	50 000
	08/12/2010	99.91	**50 000**	50 000
	08/11/2011	96.46	**55 000**	55 000
	13/11/2012	122.81	**60 000**	
			616 000	585 000
R Venter				
	13/12/2004	21.04	**51 000**	51 000
	14/11/2005	29.00	**70 000**	70 000
	09/03/2007	46.22	**80 000**	80 000
	04/12/2007	58.10	**35 000**	35 000
	11/11/2008	50.23	**50 000**	50 000
	10/11/2009	66.42	**38 000**	38 000
	08/12/2010	99.91	**35 000**	35 000
	08/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	
			424 000	394 000
MW Godfrey	13/12/2004	21.04	**26 100**	26 100
	14/11/2005	29.00	**25 000**	25 000
	09/03/2007	46.22	**20 000**	20 000
	04/12/2007	58.10	**8 000**	8 000
	11/11/2008	50.23	**12 000**	12 000
	10/11/2009	66.42	**12 000**	12 000
	08/12/2010	99.91	**25 000**	25 000
	08/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	
			193 100	163 100
Non-executive director				
PK Hughes				
	13/12/2004	21.04	**66 000**	66 000
	14/11/2005	29.00	**1 500**	1 500
	11/01/2006	30.36	**110 000**	110 000
			177 500	177 500

29. DIRECTORS' SHARE OPTION SCHEME INTERESTS continued

29.2 Options exercised

	Date option exercised	Number of options exercised	Option price Rand	Market price on exercise Rand	Gain
WA Hook	19/12/2012	9 000	15.11	126.77	1 004 925
	19/12/2012	20 000	13.06	126.77	2 274 177

30. RETIREMENT BENEFIT FUNDS

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

All funds are governed by the Pension Funds Act No 24 of 1956. The funds are managed by appointed administrators and investment managers, and their assets remain independent of the company.

30.1 In terms of their rules, the defined contribution funds have annual financial reviews, which are performed by the funds' consulting actuaries. At the date of their last reviews the funds were judged to be financially sound. Contributions of R78.9 million (2012: R72.4 million) and R76.2 million (2012: R70.6 million) were expensed for the group and company respectively during the year.

30.2 The SPAR Group Limited Defined Benefit Pension Fund was valued as at 28 February 2013, and the fund was found to be in a sound financial position. The projected unit credit method is used to calculate the present value of plan liabilities. Plan assets are measured at fair value. At that date the actuarial fair value of the plan assets represent 100% of the plan liabilities.

The next actuarial valuation of this fund will take place on 28 February 2014. There are eight members of this fund and this fund is closed to further membership. Contributions of Rnil (2012: Rnil) and Rnil (2012: Rnil) were expensed for the group and company respectively during the year.

The net asset relating to the Defined Benefit Fund is not recognised in the Statement of financial position, as the benefits will not be received by The SPAR Group Limited, and The SPAR Group Limited is not liable for the obligations of the fund while the fund assets exceed the fund liabilities. Therefore actuarial gains and losses are not recognised for this fund, and the potential effects of the adoption of IAS 19 in 2014 are immaterial.

Rmillion		GROUP and COMPANY 2013	2012
30. RETIREMENT BENEFIT FUNDS continued			
Details of the IAS 19 valuation			
The SPAR Group Limited Defined Benefit Pension Plan			
Amounts recognised on the statement of financial position			
Present value of fund obligations		**(11.5)**	(11.1)
Fair value of plan assets		**12.5**	12.3
Surplus in plan		**1.0**	1.2
Unrecognised actuarial gains		**(1.0)**	(1.2)
Net asset/(liability) recognised in the statement of financial position		**–**	–
Amounts recognised on the statement of comprehensive income			
Current service cost		**(0.2)**	(0.2)
Interest on obligation		**(0.9)**	(0.9)
Expected return on plan assets		**1.0**	1.0
Net actuarial gains recognised in the current year		**(0.1)**	(0.1)
Net cost recognised in the statement of comprehensive income		**(0.2)**	(0.2)
Movement on net asset/(liability)			
Net asset at the beginning of the year		**1.2**	1.4
Net expense recognised in the statement of comprehensive income		**(0.2)**	(0.2)
Net asset at the end of the year		**1.0**	1.2
A 1% movement in the discount rate or salaries is not expected to yield a material movement in the recognised obligation, in light of the group adopting the corridor method of recognising actuarial gains and losses.			
Key actuarial assumptions in determining the above provision			
Discount rate	(%)	**7.40**	8.40
Inflation rate	(%)	**6.40**	6.20
Salary increase rate	(%)	**7.40**	7.20
Pension purchased rate	(%)	**5.00**	5.90
Expected rate of return on plan assets	(%)	**7.40**	8.40

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
31. FINANCIAL RISK MANAGEMENT				
Financial instruments classification				
Net bank balances/(overdrafts)	**1.3**	841.6	**(109.0)**	765.7
Loans*	**69.9**	63.4	**112.7**	70.3
Non-controlling interest held in retail stores****		19.0		
Other equity investments***	**1.9**	1.9	**1.9**	1.9
Trade and other receivables*	**5 841.3**	5 341.1	**5 632.2**	5 086.8
Trade and other payables**	**(6 204.6)**	(6 772.6)	**(5 742.3)**	(6 281.4)
FEC (liability)/asset***	**(0.2)**	(0.1)	**(0.2)**	(0.1)

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

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

In the normal course of its operations the group is, inter alia, exposed to credit, interest and liquidity risk on its financial instruments. Executive management meets on a regular basis to analyse these risks and to re-evaluate financial management strategies. Other than forward exchange contracts (FECs), used to hedge foreign currency liabilities, the group has no financial instruments that are classified at fair value through profit and loss. FECs represent an insignificant portion of the group's financial instruments and amounted to a net liability of R0.2 million in the current year (2012: net asset of R0.1 million). The group does not speculate in or engage in the trading of derivatives or other financial instruments.

The group does not have any exposure to commodity price movements or other obligations that are index linked.

Currency risk
The group is exposed to currency risks through the import of merchandise and its investments in foreign operations. These risk exposures are not considered significant.

Foreign currency risks that do not influence the group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the group's reporting currency) are not hedged.

It is the group's policy to cover its material foreign currency exposure, which amounted to R10.8 million at year-end (2012: R10.1 million), in respect of liabilities and purchase commitments. Forward exchange contracts have been taken out to hedge this currency risk at year-end. There were no speculative positions in foreign currencies.

Foreign exchange contracts
All foreign exchange contracts constitute designated hedges of currency risk at year-end.

	GROUP				COMPANY			
	Average contract rate	Commit-ment (Rm)	**Fair value of FEC 2013 (Rm)**	Fair value of FEC 2012 (Rm)	Average contract rate	Commit-ment (Rm)	**Fair value of FEC 2013 (Rm)**	Fair value of FEC 2012 (Rm)
Imports								
USD	10.47	10.8	**(0.2)**	(0.1)	10.47	10.8	**(0.2)**	(0.1)

The group has no significant uncovered foreign payables at year-end and consequently no sensitivity analysis has been presented.

Interest rate risk
The group is exposed to interest rate risk on its cash deposits and loan receivables which impact on the cash flows arising from these instruments. In the current year, net interest received on cash deposits net of overdraft was R2.3 million (2012: net interest paid of R1.4 million) and interest received from loans was R0.9 million (2012: R1.7 million). The exposure of cash deposits and overdrafts to interest rate risk is managed through the group's cash management system which enables the group to maximise returns while minimising risk. Loan receivables are funded from the group's cash resources.

Changes in market interest rates do not have a material impact on the group's profits and hence no sensitivity analysis has been presented.

Notes to the financial statements
for the year ended 30 September 2013

31. FINANCIAL RISK MANAGEMENT continued

Credit risk

Trade receivables and lease receivables, short-term investments and loans and guarantees to retailers represent the significant categories of the group's financial instruments exposed to credit risk.

Trade receivables consist of SPAR and Build it member debts, comprising 1 171 (2012: 1 149) stores with an average trading exposure of R4.3 million (2012: R4.5 million) per store at year-end.

Overdue receivables balances, representing 4.9 % (2012: 5.4%) of the total trade receivables and loans balances, amounted to R288.5 million (2012: R247.1 million) at the reporting date. Allowances for doubtful debts totalling R121.4 million (2012: R104.7 million) have been raised against overdue balances. It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure and at 30 September 2013, security representing 70.82% (2012: 73.43%) of the trade receivables and loans balances was held by the group. Ongoing credit evaluations are performed including regular reviews of security cover held (refer note 16 for additional disclosure).

Loans to retailers may be discounted with approved financial institutions under standard conditions with recourse block discounting agreements. Loans which have been discounted with the financial institutions are disclosed as contingent liabilities due to the group providing guarantees against these discounting agreements. Management have assessed the credit risk relating to these guarantees and where applicable, provision has been made in the event that the group does have an exposure. The maximum value of exposure to credit risk relating to guarantees has been disclosed in note 26. We have assessed the group's exposure and suitable provision has been made where required.

In 2009, the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams. In relation to the continuing operation of this scheme, the group is exposed to credit risk in the event of the retail stores defaulting on their payments. At year-end, 896 SPAR stores, 441 TOPS at SPAR stores, 16 Pharmacy at SPAR stores and 1 Build it store were participants in the IT retail scheme, with an average debt of R93 013 per store.

The group selectively assists retail members suffering financial stress in order to ensure the continued operation of stores, thereby preserving the recoverability of trade and loan receivable balances.

The directors are of the opinion that the credit risk in respect of short-term cash investments is low as funds are only invested with acceptable financial institutions of high credit standing and within specific guidelines laid down by the board of directors.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The group has the following overdraft/call facilities at its disposal:

Rmillion	**2013**	2012
Unsecured bank overdraft facilities, reviewed annually, and at call:		
– Utilised as at year-end	**333**	
– Unutilised	**1 417**	1 750
Total available overdraft/call facilities	**1 750**	1 750

The majority of the trade payables at year-end will be paid within 30 days of year-end from available facilities or cash received from debtors.

The group has no long-term borrowings giving rise to cash payment obligations. The company has unlimited borrowing powers in terms of the Memorandum of Incorporation.

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The group's overall capital management strategy remained unchanged in 2013. The strategy entails a philosophy of tight risk management and minimum use of derivative instruments.

The capital structure of the group consists only of equity attributable to shareholders comprising issued capital, reserves and retained earnings as disclosed in notes 18 and 20 respectively.

Treasury shares (refer note 19) are held from time to time for the purpose of settling option holder obligations and these are only acquired on approval from shareholders and where the market presents value in their acquisition.

The strong cash inflow generated by group operations is utilised to fund distribution centre expansions and other capital expenditure, and to settle dividends declared, taxation and trade payable obligations.

32. RELATED PARTY TRANSACTIONS

Related party relationships exist between the company, its subsidiaries, key personnel within the group and its shareholders. These transactions occurred under terms and conditions no more favourable than transactions concluded with independent third parties, unless otherwise stated below:

32.1 Company

During the year, the following related party transactions occurred:

- SPAR P.E. Property (Pty) Ltd is a property company owning the SPAR Eastern Cape distribution centre. This property is rented by The SPAR Group Limited. During the year rentals of R16 584 000 (2012: R15 642 000) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R11 942 422 (2012: R11 262 288) were paid by SPAR P.E. Property (Pty) Ltd to The SPAR Group Limited. The intercompany liability due to The SPAR Group Limited as at 30 September 2013 amounted to R61 871 582 (2012: R61 693 601). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd have accounting services provided to them by The SPAR Group Limited. During the year dividends of R9 900 000 (2012: R8 500 000) and R2 763 750 (2012: R2 946 690) and management fees of R2 757 000 (2012: R2 100 000) and R1 767 000 (2012: R1 636 886) were paid to The SPAR Group Limited by SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd respectively. The intercompany liability due to The SPAR Group Limited as at 30 September 2013 amounted to R27 584 176 (2012: R18 842 272) and R34 171 122 (2012: R19 194 056) for SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd respectively. These liabilities are interest-free, unsecured and no date has been set for repayment.
- The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa are non-profit-making companies set up to co-ordinate and develop SPAR in Southern Africa. The members of the Guild consist of SPAR retailers (who are independent store owners) and SPAR distribution centres. The members pay subscriptions to the Guild, which uses these monies to advertise and promote SPAR.

  During the year subscriptions of R4 286 448 (2012: R4 136 720) were paid to The SPAR Guild of Southern Africa. The intercompany liability/(asset) with The SPAR Group Limited as at 30 September 2013 amounted to R20 182 033 (2012: (R14 233 573)) and R974 320 (2012: R2 831 566) for the SPAR Guild and the Build it Guild respectively.
- The SPAR Group Limited Employee Share Trust (2004) purchased shares in the company for the purpose of satisfying option holder obligations. To fund these purchases, the company advances monies to the Trust. At 30 September 2013, funds had been advanced by the company to the Trust to the amount of R42 756 520 (2012: R6 955 348) (refer notes 13 and 19).

  No interest is charged on the intercompany loan balances.
- During the 2009 financial year, The SPAR Group donated an amount of R4 539 and R6 808 to The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust respectively. These amounts were used by the trusts to invest in The SPAR Group Limited redeemable convertible preference shares, issued in terms of the broad-based black economic empowerment transaction (refer note 35).
- Klipakkers (Pty) Ltd is a wholly owned subsidiary of The SPAR Group Limited. During the year The SPAR Group Limited made sales to Klipakkers (Pty) Ltd to the value of R590 349 786 (2012: R535 889 051). The intercompany liability due to The SPAR Group Limited as at 30 September 2013 amounted to R183 798 907 (2012: R173 100 000).
- Kaplian Trading (Pty) Ltd is a subsidiary of The SPAR Group Limited. During the year The SPAR Group Limited made sales to Kaplian Trading (Pty) Ltd to the value of R44 553 756 (2012: R56 194 925). The intercompany liability due to The SPAR Group Limited as at 30 September 2013 amounted to R15 000 026 (2012: R15 000 026).
- The SPAR Group Limited entered into a joint venture agreement with Fig Leaf (Pty) Ltd during the 2010 financial year. The joint venture relates to the Gateway SUPERSPAR in Hermanus. During the year sales of R61 462 163 (2012: R107 132 271) were made to the Gateway SUPERSPAR.
- The SPAR Group Limited entered into a joint venture agreement with Gezaro Retailers (Pty) Ltd during the 2013 financial year. The joint venture relates to the Zevenwacht SUPERSPAR in Kuils River. During the year sales of R 20 724 797 were made to the Zevenwacht SUPERSPAR.
- SPAR South Africa (Pty) Ltd, Savemor Products (Pty) Ltd, Nelspruit Wholesalers (Pty) Ltd, Rubean Trading (Pty) Ltd and SPAR Academy of Learning (Pty) Ltd, are all dormant companies.
- Dividends from SPAR Harare (Pvt) Limited of Rnil (2012: Rnil) were received during the year.

32. RELATED PARTY TRANSACTIONS continued

32.2 Investment in associate

Details of the company's investment in its associates are disclosed in note 12.

32.3 Shareholders

Details of major shareholders of the company appear on page 103.

32.4 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group. No key management personnel had a material interest in any contract with any group company during the year under review. Details of directors' emoluments and shareholding in the company are disclosed in notes 28 and 29 as well as in the Directors' statutory report. The board has determined that prescribed officers in accordance with the Companies Act are the executive and non-executive directors only.

Rmillion	**2013**	2012
Key management personnel remuneration comprises:		
Directors' fees	**3.1**	3.0
Remuneration for management services	**31.1**	27.8
Retirement contributions	**3.3**	3.2
Medical aid contributions	**1.0**	0.9
Performance bonuses	**18.0**	18.0
Fringe and other benefits	**0.7**	0.5
Expense relating to share options granted	**22.0**	40.7
Total	**79.2**	94.1

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of the individual and market trends.

33. SEGMENT REPORTING

The group operates its business from distribution centres situated throughout South Africa. The distribution centres individually supply goods and services of a similar nature to the group's voluntary trading members. The Chief Executive Officer (the Chief Operating Decision Maker) is of the opinion that the operations of the individual distribution centres are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. As a consequence thereof, the business of the group is considered to be a single segment.

	Issued share capital		Effective holding		Cost of investment	
	2013	2012	**2013**	2012	**2013**	2012
	Rand	Rand	**%**	%	**Rmillion**	Rmillion
34. INVESTMENT IN SUBSIDIARIES						
Subsidiary*						
SPAR South Africa (Pty) Ltd[(2)]	**10 000**	10 000	**100**	100		
SPAR Namibia (Pty) Ltd[(1)] (registered in Namibia)**	**100**	100	**100**	100		
The SPAR Group (Botswana) (Pty) Ltd[(1)] (registered in Botswana)**	**136**	136	**100**	100		
SPAR Mozambique Limitada[(1)] (registered in Mozambique)**	**8 033**	8 033	**100**	100		
SPAR P.E. Property (Pty) Ltd[(3)]	**11 467 875**	11 467 875	**100**	100	**2.3**	2.3
Savemor Products (Pty) Ltd[(2)]	**1**	1	**100**	100		
SPAR Academy of Learning (Pty) Ltd[(2)]	**100**	100	**100**	100		
Nelspruit Wholesalers (Pty) Ltd[(2)]	**109**	109	**100**	100		
Klipakkers (Pty) Ltd[(1)]	**100**	100	**100**	100	**191.7**	186.1
Kaplian Trading (Pty) Ltd[(1)]	**120**	120	**100**	100	**15.0**	15.0
Rubean Trading (Pty) Ltd[(2)]	**235**	235	**100**	100		
Power Build (Pty) Ltd[(2)]	**100**		**100**			
Consolidated entities						
The SPAR Guild of Southern Africa[(1)]***						
The Build it Guild of Southern Africa[(1)]***						
The SPAR Group Limited Employee Share Trust (2004)[(1)]						
The SPAR BBBEE Employee Trust[(1)]						
The SPAR BBBEE Retailer Employee Trust[(1)]						
Total					**209.0**	203.4
Directors' valuation					**209.0**	203.4

* *The SPAR Group Limited Employee Share Trust (2004), The SPAR BBBEE Employee Trust, and The SPAR BBBEE Retailer Employee Trust have 28 February as their year-end. SPAR Mozambique Limitada has a 31 December year-end. All other companies have a 30 September year-end.*

** *All legal entities are incorporated in the Republic of South Africa unless otherwise indicated.*

*** *Association incorporated under Section 21 of the Companies Act over which the company exercises control.*

(1) *Operating company or entity.*

(2) *Dormant.*

(3) *Property owning company.*

35. BBBEE TRANSACTION

On 12 August 2009, shareholders approved a broad-based black economic empowerment (BBBEE) transaction. The participants in the transaction are:

- all fulltime employees of the company as at 12 August 2009, but excluding Paterson E or F graded employees; and
- fulltime employees of SPAR and Build it retail stores subject to a minimum employment period pre-condition and the election of the store to participate in the transaction.

In terms of the transaction, 7 564 540 redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust and 11 346 809 redeemable convertible preference shares were issued to The SPAR BBBEE Retailer Employee Trust. Shares were issued to the trusts at a notional value of R59.18 per share.

To fund the transaction, notional loans were advanced by the company to the trusts. Loans will bear notional interest at 80% of prime, with the loans being credited with notional dividends equivalent to the actual dividends declared by the company during the duration of the transaction. At year-end, the notional outstanding redemption amount was R1 177 189 752 (2012: R1 180 408 417).

The shares issued to the trusts are subject to restrictions on transferability for a period of seven years from issue date. Thereafter the trusts will be required to settle their notional loans by way of surrendering such number of redeemable convertible preference shares at the then market value as will be required to settle the loan liability. The remaining convertible preference shares held by the trusts will be converted into ordinary SPAR shares and distributed to participants of the relevant trusts.

Full details of the scheme were set out in the circular to shareholders (dated 17 July 2009), copies of which are obtainable from the company.

The cost of the BBBEE scheme including transaction costs amounted to R13.3 million (2012: R13.0 million).

The charge relating to employees is recognised in profit and loss over the duration of the scheme.

	GROUP		COMPANY	
Rmillion	**2013**	2012	**2013**	2012
BBBEE transaction costs				
The SPAR BBBEE Retailer Employee Trust				
The SPAR BBBEE Employee Trust	**12.4**	12.4	**12.4**	12.4
Legal and other costs	**0.9**	0.6	**0.9**	0.6
	13.3	13.0	**13.3**	13.0

36. BUSINESS COMBINATIONS

36.1 Subsidiaries acquired

	Principal activity	Proportion of shares acquired (%)	Consideration transferred in cash Rmillion
2013			
2012			
Kaplian Trading (Pty) Ltd (including one SPAR store)	Retail	11	1.7

The principal business activity of all the business acquisitions listed above is that of retail trade and all its aspects.

All businesses were acquired for cash.

36.2 Assets acquired and liabilities assumed at date of acquisition

The assets and liabilities acquired relate to Savoy SPAR and Kenilworth SPAR acquired by the company (prior year Plattekloof SPAR).

	GROUP		COMPANY	
		Restated*		
Rmillion	**2013**	2012	**2013**	2012
Retail stores				
Non-current assets	**5.9**	3.8	**5.9**	
Property, plant and equipment	**5.9**	3.6	**5.9**	
SPAR development fund		0.2		
Non-current liabilities		(1.9)		
Operating lease liability		(0.9)		
Loan		(1.0)		
Goodwill	**18.4**	9.1	**18.4**	
Purchase price	**24.3**	11.0	**24.3**	

* *The 2012 values have been restated to ensure correct classifications in terms of IAS 7. The reclassifications do not change the net cash flow for the year nor the assets acquired and liabilities assumed at date of acquisition (refer note 38).*

36.3 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to Sea Point SUPERSPAR.

	GROUP		COMPANY	
Rmillion	**2013**	2012	**2013**	2012
Retail stores				
Non-current assets	**5.0**			
Property, plant and equipment	**5.0**			
Non-current liabilities	**(2.3)**			
Operating lease liability	**(2.3)**			
Goodwill	**14.3**			
Selling price	**17.0**			

36.4 Impact of retail stores on the results of the group

Included in the group profit before tax for the year is a loss of R36.6 million (2012: R33.1 million) attributable to the retail businesses. Consolidated turnover (net of intergroup sales) for the period includes R201.0 million (2012: R187.5 million) in respect of these retail operations.

Rmillion	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
37. OTHER INVESTMENTS				
Opening balance	**20.9**	1.5	**1.9**	1.5
Acquisition of other investments		19.0		0.4
Fair value adjustments		0.4		
Disposal of other investments	**(19.0)**			
Closing balance	**1.9**	20.9	**1.9**	1.9
Non-controlling interest held in retail stores		19.0		
Cala		7.0		
Lady Frere		12.0		
Group Risk Holdings (Pty) Ltd	**1.9**	1.9	**1.9**	1.9
Closing balance	**1.9**	20.9	**1.9**	1.9

During 2012, two additional retail stores were purchased by Klipakkers (Pty) Ltd. These stores were classified as other investments held at cost, as they did not meet the recognition criteria for non-current assets held for sale. The SPAR Group Limited did not exercise control over these stores, therefore they were not consolidated.

Group Risk Holdings (GRH) is a South African based holding company which wholly owns an offshore captive insurance company, being Group Risk Mutual (GRM) in the Isle of Man. GRH is owned by a number of shareholders in varying proportions. The shareholdings are recalculated on an annual basis based on premium contributions to GRM. There are no transactions which take place directly between GRH and GRM other than the share ownership and resulting dividend payments. The shareholders of the parent company, GRH, pay insurance premiums directly to the CFC and receive premium rebates therefrom.

As at the 2013 financial year-end, The SPAR Group Limited has an 8.9% shareholding in Group Risk Holdings (Pty) Ltd at a fair value of R1 922 717 (2012: R459 426). Further to our shareholding, SPAR has loaned to them an amount of R546 563 (refer note 13).

Our shareholding and loan is based on our proportionate market insurance premium contribution relative to other members of this captive insurance scheme. SPAR accounts for this shareholding balance as an investment held at fair value with any relevant fair value movement adjusted at year-end. The loan is accounted for at cost and is interest-free, unsecured and bears no fixed terms of repayment. Please see financial instruments accounting policy note.

38. RESTATEMENT OF PRIOR YEAR FIGURES

A restatement of prior year figures was required in two areas of the 2012 reported figures: the statements of cash flow and the disclosure note on operating lease receivable commitments (note 27.2). The disclosure below sets out the position as previously reported in 2012 and the restated 2012 values.

Rmillion	GROUP Restated	GROUP 2012 Previously Reported	COMPANY Restated	COMPANY 2012 Previously Reported
38.1 Statements of cash flow				
Acquisition of businesses	(11.0)	(9.1)		
Investment to expand operations	(89.1)	(92.7)		
Net movement in loans and investments	(48.4)	(48.4)		
Acquisition of partial interest in a subsidiary that does not involve a change of control	(1.7)			

These September 2012 values have been restated to ensure correct classification in terms of IAS7. The reclassifications did not alter the net cash flow position for the year.

Rmillion	GROUP Restated	GROUP 2012 Previously Reported	COMPANY Restated	COMPANY 2012 Previously Reported
38.2 Operating lease receivable commitment				
Future minimum sub-lease receivables due under non-cancellable property leases:				
Receivable within one year	473.6	431.2	516.2	473.8
Receivable later than one year but not later than five years	1 628.6	1 441.2	1 816.2	1 628.8
Receivable later than five years	874.1	786.9	961.1	874.0
	2 976.3	2 659.3	3 293.5	2 976.6

These September 2012 values have been restated due to a disclosure error.

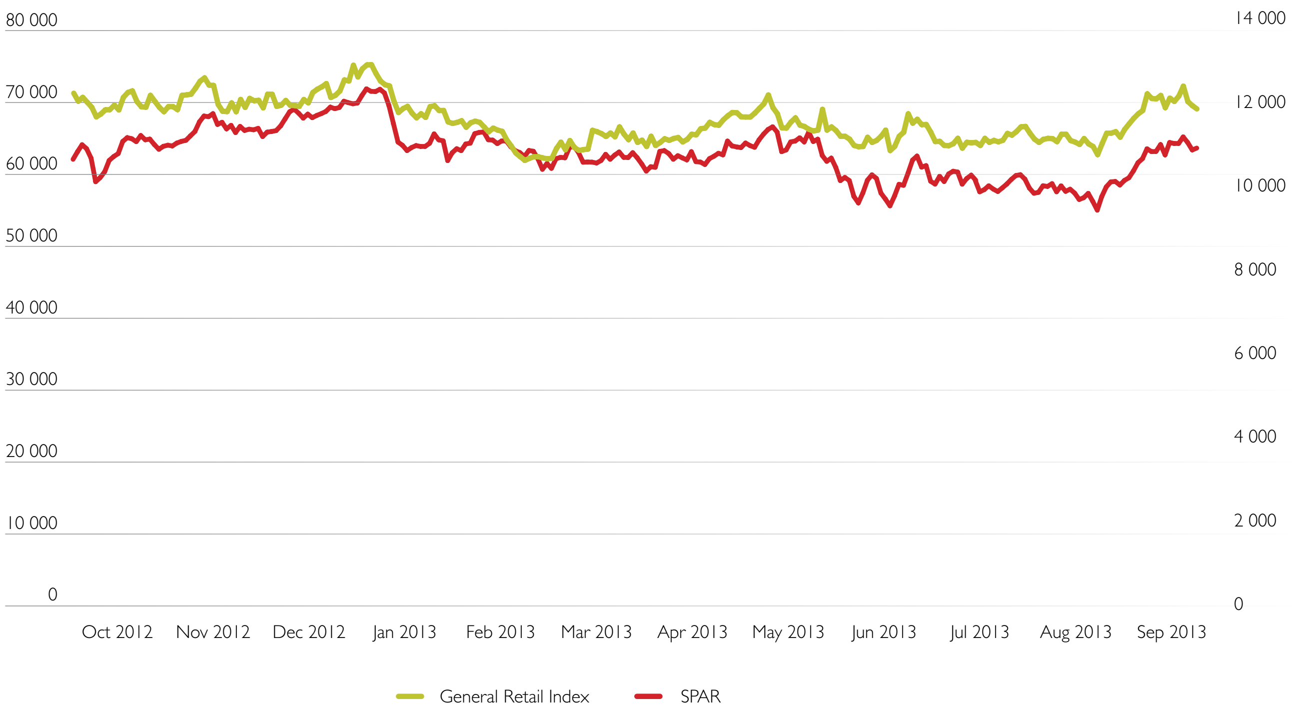
Share ownership analysis

Rmillion		Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholder spread as at 30 September 2013					
Public shareholders		16 081	99.97	172 341 430	99.74
Non-public shareholders		5	0.03	458 880	0.26
– shares held by directors		4	0.02	90 700	0.05
– shares held by The SPAR Group Limited Employee Share Trust (2004)		1	0.01	363 180	0.21
		16 086	100.00	172 800 310	100.00
Type of shareholders					
Pension funds		243	1.51	43 757 945	25.32
Mutual funds		139	0.86	34 603 617	20.03
Private investors		11 707	72.78	13 513 613	7.82
Insurance companies		42	0.26	4 654 185	2.69
Other		3 955	24.59	76 270 950	44.14
Beneficial owners holding in excess of 5% of the company's equity					
GEPF Equity (PIC)				28 908 094	16.77
State Street Bank and Trust Company				14 137 437	8.20
Fund managers controlling in excess of 5% of the company's equity					
PIC				35 389 864	20.53
State Street Bank and Trust Company				28 908 094	16.77
The Northern Trust Company				12 565 405	7.29
Stock exchange statistics					
Market price per share					
– at year-end				cents	12 120
– highest				cents	13 335
– lowest				cents	10 750
Number of share transactions					225 437
Number of shares traded				millions	129.4
Number of shares traded as a percentage of total issued shares				%	75.1
Value of shares traded				Rmillion	15 159.7
Earnings yield at year-end				%	5.8*
Dividend yield at year-end				%	4.0
Price earnings ratio at year-end				multiple	17.2*
Market capitalisation at year-end (including treasury shares)				Rmillion	20 899
Market capitalisation to shareholders' equity at year-end				multiple	6.6

* *Based on headline earnings excluding BBBEE cost.*

Share price performance

SPAR (SPP) (share price) versus General Retail Index



Shareholders' diary

Financial year-end	30 September
Annual general meeting	February
Reports and profit statements	
Interim report	May
Annual report	November
Integrated annual report issued	December
Interim dividend	
Declaration	May
Payable	June
Final dividend	
Declaration	November
Payable	December

Notice to shareholders

Notice is hereby given that the annual general meeting of The SPAR Group Limited ("the company") will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 11 February 2014 at 09:00 for the purpose of conducting the following:

ANNUAL GENERAL MEETING OF THE COMPANY

ORDINARY BUSINESS

1. To receive, consider and approve the annual financial statements of the company for the year ended 30 September 2013, including the reports of the directors, the Audit Committee and the auditors, which annual financial statements are included in the integrated annual report of which this notice forms part.
2. To consider the re-election, as a director of the company, of:

   2.1 Mr HK Mehta who retires in accordance with the Memorandum of Incorporation of the company, but being eligible, offers himself for re-election; and

   2.2 Mr MP Madi who retires in accordance with the Memorandum of Incorporation of the company, but being eligible, offers himself for re-election.

   A brief CV of such directors can be found on pages 28 to 29 of the integrated annual report of which this notice forms part.

   The Remuneration and Nominations Committee of the company has conducted an assessment of the performance of each of the retiring candidates, and the board accepted the results of that assessment. Accordingly, the board recommends their re-election.
3. To ratify the appointment of Mr GO O'Connor as a director and the chief executive of the company with effect from 1 February 2014.

   A brief CV of Mr GO O'Connor can be found on page 23 of the integrated annual report of which this notice forms part.
4. To reappoint Deloitte & Touche as auditors of the company and to appoint Mr B Botes as the designated auditor to hold office until the next annual general meeting.
5. To confirm the appointment of:

   5.1 Mr CF Wells, an independent non-executive director, as chairman of the company's Audit Committee;

   5.2 Mr HK Mehta, an independent non-executive director, as a member of the company's Audit Committee; and

   5.3 Mr PK Hughes, an independent non-executive director, as a member of the company's Audit Committee.

   A brief CV of such directors can be found on pages 28 to 29 of the integrated annual report of which this notice forms part.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following special resolutions and ordinary resolutions:

1. **Proposed special resolution number 1 – Financial assistance to related or inter-related companies**
   "Resolved that the directors, in terms of and subject to the provisions of Section 45 of the Companies Act No. 71 of 2008 as amended ("the Act"), are hereby authorised to cause the company to provide any financial assistance, whether by lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies, during the period of 1 March 2014 to 28 February 2015."

   Reason and effect
   This resolution is required in order to comply with the requirements of Section 45 of the Act. In terms of the said provisions, a company cannot render financial assistance to a related or inter-related company or corporation unless the board of the company is authorised thereto either in terms of an employee share scheme that satisfies the requirements of Section 97 of the Act, or pursuant to a special resolution of the shareholders. It is the intention that the company should be authorised to render financial assistance to its subsidiary companies or other related or inter-related companies from time to time and to facilitate this by way of a general authority, a special resolution is required.

2. **Proposed special resolution number 2 – Basis of remuneration payable to non-executive directors for the period 1 March 2014 to 28 February 2015**
   "Resolved that the directors' fees payable to the non-executive directors of the company, for the period 1 March 2014 to 28 February 2015, will be determined by reference to the following:

• Chairman of the board of directors (including his participation on all committees)	R970 000
• Members of the board of directors	R275 000
• Chairman of the Audit Committee	R165 000
• Members of the Audit Committee	R80 000
• Chairmen of the board committees (excludes Audit)	R97 000
• Members of the board committees	R63 000"

Reasons and effect

This special resolution is required in order to comply with the requirements of the Act. Section 65(11)(h) provides that a special resolution is required to authorise the basis for compensation to directors of a profit company, as required by Section 66(9).

Section 66(9) provides that remuneration may be paid to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

Section 66(9) applies only to the remuneration paid to directors for their services as such. Unlike the non-executive directors of the company, the executive directors do not receive any fees/remuneration for their services as directors; their remuneration is for their services as employees of the company.

The company's annual general meeting is held in February of each year and it is the intention that the basis of determining the remuneration payable to directors for their services as such shall be determined annually in advance for the then forthcoming period that commences at the beginning of March and ends at the end of the following February.

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

3. Proposed special resolution number 3 – Adoption of The SPAR Group Limited Conditional Share Plan

"Resolved that The SPAR Group Limited Conditional Share Plan ("CSP") be, and is hereby, adopted."

Reasons and effect

The company currently has a Share Option Plan ("SOP") in place. An option plan will only render value to participants if the share price increases between the grant date and exercise date. Due to the relatively stable growth in the company's share price, it has been noted that the SOP is not adequate to address retention or incentivise participants. In order to address these issues, the company intends to adopt a CSP. The CSP is intended to replace the SOP, but historic awards made under the SOP will be allowed to continue to fruition.

The CSP will be used as a retention mechanism or as a tool to attract prospective employees or as an incentive to participants to deliver the group's business strategy over the long-term. Under the CSP, awards can comprise of shares (Restricted Shares) that are subject to the condition that the participants remain employed with the Company and/or shares (Performance Shares) that are subject to employment conditions and company related performance conditions over a predetermined period. The award will only be settled after the vesting date and the participant will not have any shareholder or voting rights prior to the vesting date.

The effect of this special resolution, if passed, will be the adoption and implementation of the CSP. A summary of the salient features of the CSP is annexed hereto marked "A". A copy of the rules of the CSP can be inspected at 22 Chancery Lane, Pinetown, Durban, South Africa by arrangement with the company secretary, Mr KJ O'Brien.

In terms of Schedule 14 of the JSE Listings Requirements, the CSP must be approved by an ordinary resolution of the shareholders with a 75% majority of the votes cast in favour of the resolution. In terms of Section 44 of the Act, a company cannot render financial assistance for the purposes of the subscription of options or securities issued by the company or for the purchase of any securities of the company unless the board of the company is authorised thereto either in terms of an employee share scheme that satisfies the requirements of Section 97 of the Act, or pursuant to a special resolution of the shareholders. It is the intention that the company should be authorised to render such assistance from time to time for the purposes of the CSP and to facilitate this, a special resolution is required.

4. Proposed ordinary resolution number 1 – Authority to issue shares for the purpose of share options

Pursuant to the granting of share options by The SPAR Group Limited Employee Share Trust (2004), and in the event of any of the option holders exercising his/their rights thereto, authority is sought to place the issuing of the necessary shares under the control of the directors.

"Resolved as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of satisfying the obligations of The SPAR Group Limited Share Trust (2004) ("the Trust") to option holders, be and are hereby placed under the control of the directors, who are hereby, as a specific authority, authorised to allot and issue those shares in terms of the Trust deed."

Reasons and effect

The reason for, and the effect of, this resolution is to facilitate, in terms of the requirements of Article 2.2(2) of the Memorandum of Incorporation of the company, the issue of the requisite number of ordinary shares to the abovementioned Trust so as to enable it to meet its obligations to holders of the relevant share options when such options are exercised.

5. **Proposed ordinary resolution number 2 – Authority to issue shares for the purpose of the CSP**
   "Resolved as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of the CSP be, and are hereby, placed under the control of the directors, who are hereby, as a specific authority, authorised to allot and issue those shares in terms of the rules of the CSP."

   Reasons and effect
   The reason for, and the effect of, this resolution is to facilitate, in terms of the requirements of Article 2.2(2) of the Memorandum of Incorporation of the company, the issue of the requisite number of ordinary shares in terms of the rules of the CSP. The intended settlement method of the CSP is a market purchase of shares, which will result in no dilution to shareholders. The rules of the CSP, however, are flexible in order to allow for settlement by way of a market purchase of shares, the use of treasury shares or the issue of shares and this resolution, if passed, will facilitate an award under the CSP being made by an issue of shares if, for whatever reason, this least preferred settlement method is used.

NON-BINDING ADVISORY VOTE

"Resolved that the Remuneration Policy of the company, which can be found on pages 48 to 51 of the integrated annual report of which this notice forms part, be and is hereby approved."

Reason
This is a recommended practice in terms of the King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009 (together "King III") and in line with sound corporate governance.

PERCENTAGE OF VOTING RIGHTS REQUIRED FOR RESOLUTIONS

1. **Special resolutions**
   The percentage of voting rights that will be required for the adoption of each special resolution to be adopted is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

2. **Ordinary resolutions**
   The percentage of voting rights that will be required for the adoption of each ordinary resolution to be adopted is the support of more than 50% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

RECORD DATE

The record date that has been set by the board for the purpose of determining which shareholders are entitled to participate in, and vote at, the meeting, is Friday, 31 January 2014. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the meeting is Friday 24 January 2014.

VOTING AND PROXIES

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder.

Proxy forms must be forwarded to reach the company's transfer secretaries, Link Market Services South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Friday, 7 February 2014. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with "own name" registration. A proxy form is attached.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. Subject to the rights and other terms associated with any class of shares, on a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

IDENTIFICATION

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

By order of the board

KJ O'Brien
Company Secretary 12 November 2013

Annexure A

SALIENT FEATURES OF THE SPAR GROUP LIMITED CONDITIONAL SHARE PLAN

INTRODUCTION

In 2012, the Company presented a Forfeitable Share Plan for approval to shareholders, which was withdrawn to further refine this plan. The Remuneration Committee has since evaluated the concerns of institutional investors, the company's business requirements, market practice and sound corporate governance standards and has revised the salient terms of the proposed plan as described below.

In line with local and global best practice, the The SPAR Group Limited (the "Company") intends to adopt a new long-term incentive plan, namely the Conditional Share Plan ("CSP"). The purpose of the CSP is to provide eligible employees with the opportunity of receiving shares in the Company ("Shares") through the making of conditional awards ("Awards") to receive such Shares at a future date.

The rationale behind the introduction of the CSP is to align the interests of participants of this plan ("Participants") closely with that of shareholders in respect of the Company's performance. In line with best practice and King III, the CSP will primarily be used for annual incentive Awards to Participants. Therefore the vesting of all annual Awards to executives and senior management will be subject to Company performance conditions ("Performance Conditions"). The Company is constantly faced by a shortage of skills and the risk of losing key individuals. For this reason, the CSP can also be used to make an Award of Shares to address retention and sign-on requirements, as discussed below. Awards made to address retention will only be made in the event of specific retention risks identified and be based on sound past Individual Performance.

On approval of the CSP, no further awards will be made to Participants under the Company's existing plan, namely the SPAR Share Option Plan ("Existing Plan"), but existing awards will continue to fruition.

The salient features of the CSP are detailed below.

ELIGIBLE EMPLOYEES

The CSP will be aimed at executives and senior management and key talent specifically identified. The Remuneration Committee can however, in its discretion, include any person holding permanent salaried employment or office with any Employer Company (excluding any non-executive director of the group) for participation in the CSP, but these will be in exceptional circumstances.

NATURE OF AWARDS

Awards can comprise of Shares ("Restricted Shares") that are subject to the condition that the Participants remain employed with the group ("Employment Condition") and/or Shares ("Performance Shares") that are subject to an Employment Condition and Company-related performance conditions ("Performance Condition) over a predetermined period ("Performance Period). The Award will only be settled after the vesting date and the Participant will not have any shareholder or voting rights prior to the vesting date.

BASIS OF AWARDS

Depending on the seniority of an Employee, Awards can be made on the following basis:

- annual Awards of Performance Shares to executives and senior management;
- ad-hoc Awards of Restricted Shares to selected Employees (including executives and senior management) based on the sustainable past performance of the Employee ("Individual Performance") to address specific retention risks; or
- award of Restricted Shares to specifically address sign-on requirements.

The Participant will give no consideration for the grant or settlement of an Award.

The Remuneration Committee will determine the vesting period(s) for each Award. The vesting period for annual Awards of Performance Shares will be a period of three years commencing on the date of Award. Ad-hoc Awards of Restricted Shares, will be subject to longer vesting periods and will vest in equal parts after three, four and five years following the date of Award.

The Remuneration Committee will ensure that Award levels are fair with reference to the Employee's salary, grade, retention requirements, individual performance, and market practice (as applicable) and affordability to the Company. Annual allocations will be benchmarked and set at a market related level of remuneration whilst considering the overall affordability thereof to the group.

SETTLEMENT AND DILUTION LIMITS

The intended settlement method of the CSP is a market purchase of shares. Unlike the Existing Plan which has been settled by issuing shares, a market purchase will result in no dilution to shareholders. The rules of the CSP will, however, be flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of Shares; or
- use of treasury Shares; or
- issue of Shares.

The cumulative aggregate number of Shares which may be allocated under the CSP shall not exceed 5 200 000 Shares (approximately 3% of the issued shares). Shares allocated under the CSP which are not subsequently settled to a Participant as a result of the forfeiture thereof, will be excluded in calculating the company limit. Similarly, any shares purchased in the market or shares which were originally purchased in the market but held in treasury in settlement of the CSP will be excluded. The Remuneration Committee must, where required, adjust this company limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the Company. Such adjustment should ensure that the limit represents the same proportion of the equity capital in the Company as it represented before such event.

The aggregate number of Restricted Shares that may be allocated under the CSP may not exceed 1 300 000 Shares (25% of the Company limit).

The cumulative aggregate number of Shares which may be allocated to any one Participant may not exceed 570 000 Shares (approximately 0.33% of the issued shares). Awards of Performance Shares or Awards of Restricted Shares which have been forfeited by the Participant shall be excluded from the said limit. The Remuneration Committee may, where required, adjust this individual limit to take account of a capitalisation issue, a special dividend, a Rights Issue or reduction in capital of the Company. Such adjustment should give a Participant entitlement to the same proportion of equity capital as that to which he was previously entitled.

The Auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the Rules and must be reported on in the Company's financial statements in the year during which the adjustment is made. The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the company and individual limit.

The limits of the CSP will be set and monitored independently from the Existing Plan.

PERFORMANCE CONDITIONS

The Performance Conditions applicable to an Award of Performance Shares will be set annually by the Remuneration Committee and, where considered necessary, in consultation with shareholders. The Performance Condition will be measured over a Performance Period of three years. The intended Performance Conditions and the manner in which targets will be set are as follows:

PERFORMANCE CONDITION	DEFINED AS	DETAIL	WEIGHTING	THRESHOLD	ON-TARGET	STRETCH
Return on net assets ("RONA")	Operating profit expressed as a percentage of the net closing asset value at the relevant year-end	The average RONA over the Performance Period will be compared to the targets set out herewith	30%	80% of the on-target (on-target defined as RONA as per the operating budget approved by the board)	RONA as per the operating budget approved by the board	120% of the on-target (on-target defined as RONA as per the operating budget approved by the board)

Annexure A continued

PERFORMANCE CONDITION	DEFINED AS	DETAIL	WEIGHTING	THRESHOLD	ON-TARGET	STRETCH
Growth in headline earnings per share ("HEPS")	Headline earnings divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the relevant financial year. Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items	Growth in HEPS will be calculated as the growth between the base year and the last year in the Performance Period	50%	CPI growth over the Performance Period	Growth between HEPS as per the operating budget approved by the board for the last year in the Performance Period and the base year HEPS	Target plus 9% over the Performance Period
Total shareholder return ("TSR") relative to a peer group	The TSR will be measured as the compound annual growth rate ("CAGR") in the TSR index for the Company and the peer companies over the Performance Period after holding the Shares and reinvesting the dividends over the Performance Period.	To remove vagaries in the market, the CAGR in TSR calculation to be smoothed by using the average TSR index for the 20 business days up to and including the start of the Performance Period and 20 business days up to and including the end of the Performance Period. The peer group will constitute suitably constructed and appropriate peer companies	20%	80% of on-target (on-target defined as weighted average TSR of peer group)	Weighted average TSR of peer group	120% of on-target (on-target defined as weighted average TSR of peer group)

The targets will represent the levels of achievement required for each Performance Condition in order for certain portions of the Performance Shares to vest. Threshold performance will act as a "gatekeeper" and will represent the minimum performance that is required before Performance Shares will start to vest. On-target performance relates to good, but sufficiently stretching performance, and stretch performance relates to exceptional performance in the context of the prevailing business environment. The portion of the Performance Shares that will vest at each target will be as follows:

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

Linear Vesting will apply for performance between threshold and on-target or between on-target and stretch performance.

EARLY VESTING, TERMINATION OF EMPLOYMENT AND CORPORATE ACTION

Participants terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct, abscondments or any reason other than stated below will be classified as bad leavers and will forfeit all unvested Awards.

Participants terminating employment due to death, retirement, retrenchment, ill-health, disability, injury or the sale of the Employer Company will be classified as good leavers and a portion of the Award will vest. This portion will reflect the number of months served since the Award Date to the Date of Termination of Employment over the total number of months in the Vesting Period and the extent to which the Performance Condition (if any) has been met. The remainder of the Award will lapse.

In the event of a Change of Control, a portion of the Award will vest. This portion will reflect the number of months served since the Award Date to the Change of Control Date over the total number of months in the Vesting Period and the extent to which the Performance Condition (if any) has been met on the Change of Control Date. The portion of the Award that does not vest on the Change of Control Date will, except on the termination of the CSP, continue to be subject to the terms of the Award Letter relating thereto unless the Remuneration Committee determines that the terms of the Award Letter relating thereto are no longer appropriate.

In this case the Remuneration Committee shall make such adjustment to the number of Awards or convert Awards into awards in respect of shares in one or more other companies provided the Participants are no worse off. The Remuneration Committee may also vary the Performance Condition relating to this portion.

ADJUSTMENT OF AWARDS

In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares, liquidation etc, participants shall continue to participate in the CSP. The Remuneration Committee may make an adjustment to the number of unvested Awards or take such other action to place Participants in no worse a position than they were prior to the happening of the relevant event. Such adjustment should give the Participant an entitlement to an equivalent proportion of the equity capital of the Company as that to which he was entitled prior to the occurrence of the relevant event. The Auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules and must be reported on in the Company's financial statements in the year during which the adjustment is made

The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to Awards.

AMENDMENTS

The provisions relating to:

- eligibility to participate in the CSP;
- the number of Shares which may be utilised for the purpose of the CSP;
- the limitations on benefits or maximum entitlements envisaged in the individual limit;
- the basis upon which Awards are made as stipulated in the rules;
- the voting, dividend, transfer and other rights attached to the Awards, including those arising on a liquidation of the Company;
- the adjustment of Awards in the event of a variation of capital of the Company or a Change of Control of the Company; and
- the procedure to be adopted in respect of the vesting of Awards in the event of termination of employment.

may not be amended without the prior approval of the JSE and by ordinary resolution of 75% (seventy-five per cent) of shareholders of the Company present or by proxy, in general meeting, excluding all the votes attached to all Shares owned by persons as a result of the vesting of Performance Shares and Restricted Shares under this CSP who are existing Participants in the CSP and who may be impacted by the changes.

The Rules of the CSP are available for inspection 14 days prior to the annual general meeting at the Company's office at 22 Chancery Lane, Pinetown, South Africa.

Corporate information

Company name
The SPAR Group Limited

Registration number
1967/001572/06

JSE code
SPP

ISIN
ZAE000058517

Company Secretary
KJ O'Brien
Appointed Company Secretary 2006

Business address
22 Chancery Lane
Pinetown
3610

Postal address
PO Box 1589
Pinetown
3600

Telephone: +27 31 719 1900

Facsimile: +27 31 719 1990

Website: www.spar.co.za

Bankers
First National Bank
PO Box 4130
Umhlanga Rocks
4320

Attorneys
Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

Auditors
Deloitte & Touche
PO Box 243
Durban
4000

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

Sponsor
One Capital
PO Box 784573
Sandton
2146

ince

Form of proxy

THE SPAR GROUP LIMITED
Registration number: 1967/001572/06
JSE code: SPP
ISIN: ZAE000058517
("SPAR" or "the group")

Only for use by members who have not dematerialised their shares or members who have dematerialised their shares with "own name" registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the meeting.

For use by SPAR shareholders at the meeting of holders of ordinary shares of the company; the meeting of holders of preference shares of the company; and the annual general meeting of the company to be held at 22 Chancery Lane, Pinetown, South Africa on Tuesday, 11 February 2014 at 09:00.

I/We

of (address)

being the holder/s of shares, appoint (see note 1)

1. or failing him/her/it;

2. or failing him/her/it;

3. the chairman of the annual general meeting

as, my/our proxy to act for me/us on my/our behalf at the annual general meeting which will be held for the purposes of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

ORDINARY BUSINESS		For	Against	Abstain
1.	Approval of 2013 annual financial statements			
2.1	Re-election of Mr HK Mehta as a director			
2.2	Re-election of Mr MP Madi as a director			
3.	Ratification of the appointment of Mr GO O'Connor as a director and CEO with effect from 1 February 2014			
4.	Reappointment of Deloitte as auditor and Mr B Botes as designated auditor			
5.1	Appointment of Mr CF Wells as chairman of the Audit Committee			
5.2	Appointment of Mr HK Mehta as a member of the Audit Committee			
5.3	Appointment of Mr PK Hughes as a member of the Audit Committee			
SPECIAL BUSINESS		**For**	**Against**	**Abstain**
1.	Special resolution number 1 – Financial assistance to related or inter-related companies			
2.	Special resolution number 2 – Basis of remuneration payable to non-executive directors for the period 1 March 2014 to 28 February 2015			
3.	Special resolution number 3 – Adoption of The SPAR Group Limited Conditional Share Plan			
4.	Ordinary resolution number 1 – Authority to issue shares for the purpose of share options			
5.	Ordinary resolution number 2 – Authority to issue shares for the purpose of the CSP			
OTHER		**For**	**Against**	**Abstain**
	Non-binding advisory vote on the Remuneration Policy of the company			

Signed at this day of 2014

Signature

Completed forms of proxy must be received at the office of the company's transfer secretaries, Link Market Services, South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Friday, 7 February 2014.

Notes to the form of proxy

1. A member's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chair of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the member wishes to vote.

The SPAR Group Limited
Central Office
PO Box 1589, Pinetown 3600
Tel: +27 31 719 1900
Fax: +27 31 719 1990
www.spar.co.za