SPAR

INTEGRATED REPORT 2015

ABOUT THIS REPORT

This integrated report describes how The SPAR Group Ltd (SPAR or the group) creates value over time by presenting a holistic account of its performance, strategy and future prospects. The report is intended for all stakeholders, but is specifically relevant to investors and shareholders.

The report provides historical data for users to understand SPAR's past performance and to accurately gauge the future trajectory of our value creation model. It covers material that is relevant to the six capitals described by the International Integrated Reporting Council's (IIRC) <IR> Framework, namely the financial, manufactured, human, social and relationship, intellectual, and natural capitals.

The most significant business event impacting the comparability of historical information was the acquisition of 80% of the BWG Group (BWG) on 1 August 2014. BWG, which owns the SPAR brand in Ireland and South West England, contributed 12 months in 2015, but only two months in the prior year. Furthermore, BWG acquired the trading business of fellow Irish retailer, ADM Londis Plc (Londis), in June 2015.

REPORTING GUIDELINES

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

- King Report on Governance for South Africa 2009 (King III)
- International Financial Reporting Standards (IFRS)
- The Companies Act, 71 of 2008, as amended
- JSE Listings Requirements
- Department of Trade and Industry's broad-based black economic empowerment (BBBEE) Codes of Good Practice
- IIRC Integrated Reporting <IR> Framework
- The Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

SCOPE AND BOUNDARY

This report covers the activities of the SPAR Group from 1 October 2014 to 30 September 2015. Financial and non-financial information was provided for the Southern African and Irish operations, with as much comparability as possible. As BWG is further integrated into the group, the extent and depth of non-financial reported information will improve.

It is important that the user distinguishes between the JSE-listed company, SPAR – which is first and foremost a warehousing and distribution business – and our retailer members' operations, which are governed by the SPAR and Build it Guilds of Southern Africa, both non-profit companies.

More detail about the guilds is provided on page 80.

MATERIALITY PROCESS

The content determination process involved an analysis of the broad material matters relevant to the group and a selection of those with the most significant impact on our ability to create value. Risks and opportunities that can materially affect our strategy, governance, performance and prospects were selected for inclusion in the report. This understanding of materiality is informed by the <IR> Framework and the GRI's G4 guidelines.

The most significant outcome of the materiality process was appreciating the importance of relationships relating to SPAR's business model, and how these drive growth. Accordingly, we have reported material matters within the framework of four material relationships which have a substantive impact on the group's sustainability, namely retailers, suppliers, consumers and communities.

Further detail of the four material relationships is provided on pages 32 – 35.

ASSURANCE

Financial information contained in this report was independently audited by Deloitte & Touche. No external assurance was sought on non-financial data, with the exception of the group's 2015 BBBEE verification, which was evaluated independently by AQRate.

BOARD RESPONSIBILITY STATEMENT

The SPAR Group board applied its collective mind to the contents of the report and is satisfied that it provides a fair account of the business's performance, risks, opportunities and prospects. The board acknowledges its responsibility for the information contained in this report and has authorised it for release to stakeholders.

Mike Hankinson
Chairman

10 November 2015

FEEDBACK

We are committed to communicating meaningfully with our stakeholders and would value feedback on the effectiveness of this report. Any comments or requests for additional information can be emailed to our Company Secretary, Kevin O'Brien, at kevin.obrien@spar.co.za.

This report can be downloaded from the website: www.spar.co.za, or requested as a printed document from the Company Secretary.

FORWARD-LOOKING STATEMENTS

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

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

CONTENTS

NAVIGATION

The following icons feature throughout the report to improve usability and show integration between the various elements:

This icon refers to additional information available online at **www.spar.co.za**.

This icon refers to additional information that can be found in other sections within this report.

This icon refers to case studies highlighting operational examples of how SPAR creates value.

ABOUT THIS REPORT (CONTINUED)

COMMONLY USED TERMS

SPAR

SPAR refers to the brand under which independent retailers choose to trade and is used as an overarching term for our other retail brands, namely KWIKSPAR, SUPERSPAR, TOPS at SPAR, Build it, Pharmacy at SPAR and SaveMor, unless otherwise stated. In this report, we also use the word **SPAR** to refer to the listed company, The Spar Group Ltd.

BWG GROUP

The SPAR Group operates in Ireland and South West England through its ownership of **BWG**, and all references thereto encompass BWG's SPAR branded stores (SPAR and EUROSPAR) and other brands, namely MACE, XL, Londis and Value Centre Cash and Carry, unless otherwise stated.

DISTRIBUTION CENTRE

SPAR operates seven warehousing facilities in South Africa, called **distribution centres**, that supply goods and services to our retailers. This function is performed by the national distribution centre in Ireland and the Appleby Westward warehouse and distribution facility in South West England.

GUILDS

The SPAR and the Build it **Guilds** of Southern Africa are non-profit companies that are the custodians of the SPAR and Build it brands. Guild members are made up of independent retailers and representatives of the listed company.

INDEPENDENT RETAILERS

SPAR is essentially a wholesaler and distributor of goods and owns a few retail stores. We provide a service to **independent retailers**, who own (in the case of South Africa) or lease (in some cases in Ireland) their stores and who choose to operate under the SPAR brand. Each store owner is free to source their stock as they choose, but operate under specific guidelines and take advantage of the support provided by SPAR and the relevant regional guild.

LSM

The South African Audience Research Foundation **Living Standards Measure** (SAARF LSM) is the most widely used marketing research tool in Southern Africa. It divides the population into 10 LSM groups, from 1 as the lowest to 10 as the highest. This measure is useful in identifying and discussing the target market of particular retail stores. Owing to our various store formats, geographic spread and diverse independent retailer group, SPAR is unique in that we operate across the entire LSM spectrum.

VOLUNTARY TRADING

The relationship between the listed company and our independent retailers is one of a **voluntary trading** partnership, where retailers are required to follow certain operating guidelines to use the brand, but are not obligated to source all their stock from SPAR. The success of this model depends on SPAR's ability to attract and retain their business.

GROCERY RETAIL AND CONVENIENCE RETAIL

In South Africa, stores are large and provide a comprehensive range of **groceries**, while the Irish stores are physically smaller, focusing predominantly on **convenience** items, similar to garage forecourt stores in South Africa. Simply put, a shopper in a South African SPAR uses a basket or a trolley to buy groceries for a few days or more, while a shopper in an Irish SPAR pays a short visit for a handful of convenience items, mostly food and drink.

HOUSE BRANDS

The group has two primary **house brands**, which it sources centrally. *SPAR* branded products cover a wide range of over 1 695 fresh and dry goods stock-keeping units and are positioned as a premium choice at competitive prices. *SaveMor* products are available in all stores, offering a basic range of just over 100 items targeted at the value-conscious customer. Build it offers a wide range of quality building products at competitive prices through its house brand, *Build it*. SPAR Ireland has a three-tier house brand strategy with *S-Budget* (entry level), *SPAR* (emphasis on value and quality) and *SPAR Select* (a new premium offering).

HIGHLIGHTS

- Steady year-on-year growth from existing store base
- Innovation Excellence Awards – Corporate Livewire Winner for outstanding commitment to sustainability
- Ongoing efficiency improvements and innovation in warehousing, distribution and logistics
- Investments Analysts' Society of Southern Africa Best Reporting and Communications Awards – Best Company Presentation to Companies with Market Capitalisation between R5 billion and R30 billion
- Contribution of BWG for the full year (including Londis for three months)
- Participated in the CDP (formerly the Carbon Disclosure Project) for the first time on 2014 output

HIGHLIGHTS (CONTINUED)

KEY FACTS

SPAR HAS THE MOST STORES IN URBAN RESIDENTIAL AREAS IN SOUTH AFRICA (NEARLY TWICE AS MANY AS THE CLOSEST COMPETITOR)

BWG IS THE LARGEST COMPANY IN THE IRISH CONVENIENCE RETAIL MARKET BY MARKET SHARE

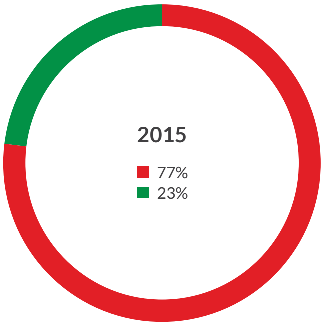
TURNOVER	NORMALISED HEADLINE EARNINGS PER SHARE	ANNUAL DIVIDEND PER SHARE	OPERATING PROFIT
R73.3bn	**940.0c**	**632c**	**R2.3bn**
2014: R54.5bn	2014: 779.8c	2014: 540c	2014: R1.9bn
▲ **34.5%**	▲ **20.5%**	▲ **17.0%**	▲ **23.0%**

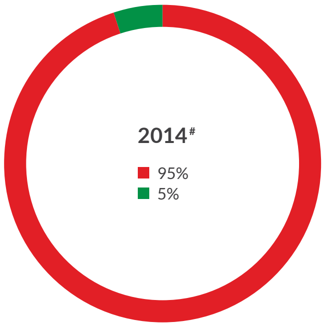
TOTAL NUMBER OF RETAIL STORES (SOUTH AFRICA)	TOTAL NUMBER OF RETAIL STORES (IRELAND)	CASES DESPATCHED PER ANNUM (SOUTH AFRICA)	CASES DESPATCHED PER ANNUM (IRELAND)
1 935	**1 332**	**219m**	**22.9m**
2014: 1 864	2014: 1 151	2014: 210.8m	2014: 20.1m
▲ **71 stores**	▲ **181 stores**	▲ **3.9%**	▲ **13.9%**

NUMBER OF EMPLOYEES (SOUTH AFRICA)	NUMBER OF EMPLOYEES (IRELAND)	TOTAL CARBON FOOTPRINT (SOUTH AFRICA)	KMS TRAVELLED PER ACCIDENT
3 297	**1 427**	**78 078t**	**3.9m**
2014: 2 901	2014: 1 124	2014: 87 634t	2014: 1.8m
▲ **13.7%**	▲ **26.9%**	▼ **10.9%**	▲ **116.7%**

TURNOVER CONTRIBUTION

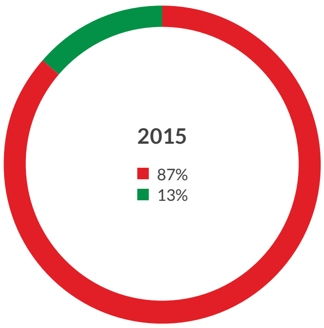
- SOUTH AFRICA
- IRELAND

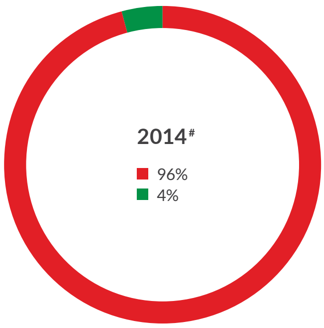




OPERATING PROFIT CONTRIBUTION

- SOUTH AFRICA
- IRELAND





The 2014 figures for Ireland only represent the trading performance for two months.

GROUP AT A GLANCE

OUR VISION IS TO BE THE FIRST-CHOICE BRANDS IN THE COMMUNITIES WE SERVE.

SPAR is a warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the Food and Drug Retailers sector. The business has been operating in Southern Africa for over five decades and, with the acquisition of BWG in Ireland in 2014, broke new ground in the global retail market.

In South Africa, we operate six distribution centres and one Build it distribution centre, which supply and service 1 935 independently owned SPAR stores locally, and in a number of countries on the African continent. The Irish operations comprise 1 332 independently owned SPAR, MACE, XL and Londis stores and 22 wholesale Value Centre Cash and Carry branches in Ireland and South West England.

Goods are distributed to the stores by a fleet of trucks and trailers owned by the SPAR Group.

OUR VALUES AND CULTURE

SPAR has worked hard to entrench the three core values that inform the way we operate. During 2014, a broad spectrum of management and employees collaborated on a review of the values to determine a clear definition and set of behaviours applicable to each. Over the past year, the values were formally integrated into our strategic framework to ensure they form the foundation of our decision-making and leadership approach. We are also integrating the three values in the performance management process by measuring and rewarding behavioural indicators that embody passion, family values and entrepreneurship.

Further detail about our business model and strategy is provided on page 30.

SPAR'S VALUES

PASSION

- Unrelenting commitment to our customers (consumers and retailers), suppliers, brand, job and colleagues
- Displaying authentic positive energy and attitude
- Enthusiasm
- Wanting to do what you currently do and enjoying it in the process

FAMILY VALUES

- Creating a sense of belonging to the SPAR family, particularly with our people and our retailers
- Supporting and embracing every person's contribution
- Personalising work and business relationships
- Working together for the greater good of the group – putting personal agendas aside and demonstrating true teamwork

ENTREPRENEURSHIP

- Creativity and innovation
- Problem-solving, taking ownership and responsibility for outcomes
- Visionary leadership and the ability to take calculated risks
- Long-term focus vs short-term gain

OUR PURPOSE IS TO PROVIDE EXPERT LEADERSHIP AND SUPPORT TO RETAILERS TO ENABLE THEM TO RUN SUSTAINABLY PROFITABLE AND PROFESSIONAL BUSINESSES.

GROUP AT A GLANCE (CONTINUED)

UNDERSTANDING VOLUNTARY TRADING

One of SPAR's key differentiators is its system of voluntary trading. The concept of voluntary trading is almost a century old and is based on co-operation between the independent wholesaler (SPAR) and its retailers, to the mutual benefit of both parties. The voluntary trading model is at the core of SPAR's business. SPAR, therefore, is not a franchise business nor do we operate chain stores. We are essentially a wholesaler and distributor of goods and services to our independently owned SPAR retail stores.

Therefore, the key driver of the group's performance is its ability to attract and retain retailers' business, by using its trading power to offer competitively priced products and superior warehousing and distribution capabilities. We have developed world-class retail operations services to support our retailers in running their businesses. This is illustrated in the diagram on the opposite page.

The model relies on the quality of the relationship between the independent wholesaler (SPAR) and our retailers, to sustain a mutually beneficial co-operative trading arrangement. Because the voluntary trading model allows our retailers to access our various brands and support structures and affords them the freedom to stock their stores from any supplier of their choosing, each SPAR store has its own personality and unique offering.

As a wholesaler and distributor of products, our primary source of income is the sale of goods to these independently run stores. Their profitability is essential to the group's overall sustainability, particularly in tough economic conditions, and we place significant emphasis on supporting retailers to earn their business and loyalty. During the year, on average 86.5% (2014: 84.2%) of goods sold out of our retailers' stores in South Africa were supplied by SPAR, which is an indication of the effectiveness of the model.

UNDERSTANDING THE GUILDS

The group holds the licence to trade under the brand in South Africa. The group's licence was granted in 1963 by the global owner of the brand, SPAR International, based in the Netherlands, where SPAR originated. BWG was licensed to trade under the SPAR brand in Ireland in 1963. SPAR South Africa is the second largest membership country and SPAR Ireland the tenth largest.

The SPAR Guild pays a membership fee to SPAR International. The Group CEO represents SPAR South Africa on the board of SPAR International and the CEO of BWG was the chairman of SPAR International in 2015. Through this relationship, the group benefits from knowledge sharing and exposure to international leading practice.

The guilds represent a key stakeholder group that contributes significantly to the sustainability of SPAR's business model. Their purpose is to serve as custodian of the brands, to drive growth and to grant membership.

In South Africa, the SPAR Guild operates within six geographic areas, each with its own regional guild comprising retailers and distribution centre employees. The Build it Guild similarly has six regional guilds in its six operating areas and distributes imported and locally produced goods through one distribution centre on a national basis.

All retailer members contribute a percentage of turnover, and an administrative fee, to run the guilds. The SPAR Guild in South Africa currently has 885 members (2014: 875 members) and the Build it Guild has 320 members (2014: 294 members). The Irish Guild operates differently to the South African Guilds and therefore a straight membership comparison with South Africa is not possible.

WHAT WE OFFER RETAILERS

Listed company
THE SPAR GROUP LTD

- Guild custodianship
- Superior warehousing and distribution capability
- Single delivery source and purchasing convenience
- Competitive pricing

VOLUNTARY TRADING MODEL

WHAT RETAILERS GAIN FROM THE MODEL

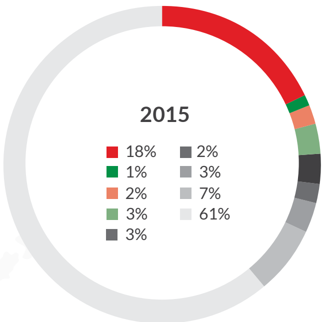
INDEPENDENT RETAILERS

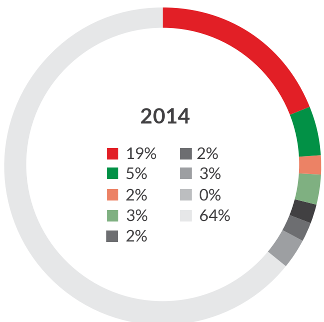
- SPAR brands
- Freedom to source local products
- Support from SPAR, including planning and procurement
- World-class retail operations services

OWNERSHIP PROFILE

SPAR has a broad range of shareholders. No single shareholder owns more than 21% of the total shares and, at 30 September 2015, 46% of SPAR shares were held by offshore investors.

- GOVERNMENT EMPLOYEES PENSION FUND
- FIRST STATE INVESTMENT
- GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION
- CORONATION FUND MANAGERS
- VANGUARD
- ISHARES
- ALLAN GRAY
- OPPENHEIMER FUNDS
- OTHER





GROUP AT A GLANCE (CONTINUED)

STRATEGY AT A GLANCE

During the year, the group reviewed and refined its strategy to ensure we focus on the critical imperatives that will support the achievement of our desired outcomes. A key enhancement of the strategy is the foregrounding of our values of passion, entrepreneurship and family values, which underpin the way we do business.

STAKEHOLDER RETURNS

VALUES

- Passion
- Entrepreneurship
- Family values

SUSTAINABLE SYSTEM

(society, environment)

VISION:

First-choice BRANDS in the communities we SERVE.

OUTCOMES

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

IMPERATIVES

- Excellence in Fresh
- Supply chain optimisation
- Retail relationships, leadership and support
- Competitive pricing
- Centre of community
- New business opportunities
- Transformation

ENABLERS

Retailer profitability

- 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."

Further detail on our business model and strategy is provided on page 30.

ORGANISATIONAL STRUCTURE

THE SPAR GROUP LTD

DISTRIBUTION CENTRES	See page 50
NEW BUSINESS	Geographical expansion into Africa, forecourt retailing and other business opportunities
GROUP SERVICES	Finance, human resources, logistics, IT, retail operations and merchandise
BUILD IT	See page 47
PROPERTIES	Distribution centres and leases
SPAR SA (100% ownership)	SPAR licence and trademark holder
SPAR HARARE (35% shareholding)	SPAR Zimbabwe operations
THE BWG GROUP (80% ownership)	SPAR Ireland and South West England operations

GROUP AT A GLANCE (CONTINUED)

GEOGRAPHIC FOOTPRINT

OUR DISTRIBUTION CENTRES ARE AN ESSENTIAL COMPONENT OF OUR BUSINESS MODEL

DISTRIBUTION CENTRES

SOUTH AFRICA STORES

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

BWG GROUP

13.5 million
cases despatched

APPLEBY WESTWARD GROUP LTD

9.4 million
cases despatched

WESTERN CAPE

33 550 m²
31.8 million cases per annum

KWAZULU-NATAL

62 712 m²
51.7 million cases per annum

NORTH RAND

31 460 m²
37.7 million cases per annum

EASTERN CAPE

22 680 m²
27.5 million cases per annum

SOUTH RAND

61 000 m²
58.7 million cases per annum

LOWVELD

21 400 m²
11.6 million cases per annum

IMPORTS WAREHOUSE (BUILD IT)

10 000 m²
1.5 million cases per annum

IRELAND STORES

SPAR, BWG Foods, MACE, XL, BWG Wines & Spirits, SPAR express, Value Centre – Your Local Cash & Carry, BWG Foodservice, EUROSPAR – The supersavvy supermarket, Londis

CHAIRMAN'S REPORT

MIKE HANKINSON, CHAIRMAN

'SPAR's business model, which is grounded in the voluntary trading relationship with our network of independent retailers, remains robust.'

The SPAR Group had a milestone year in 2015, as the first full year of operating in a global context. The board and management recognised, at the time of the Ireland acquisition, that the inclusion of BWG would be a fundamental shift for SPAR. It has increased SPAR's exposure to global thinking in different market contexts, allowing us to gain and share knowledge. That being said, the change has not affected our commitment to the values and relationships that are the bedrock of the business.

Overall, turnover improved by 34.5% to R73.3 billion (2014: R54.5 billion) and operating profit increased by 23% to R2.3 billion (2014: R1.9 billion), to which the Irish operations contributed 23% and 13% respectively. New store openings in South Africa were in line with the prior year, bringing the domestic footprint to 1 935 (2014: 1 864). Growth was primarily driven by organic accretion among existing businesses. Excluding the BWG contribution, SPAR improved operating profit by 10.4% on the prior year, thereby delivering real growth. BWG grew its store footprint in Ireland and South West England from 1 151 to 1 332, of which 145 are attributable to the acquisition of Londis.

SPAR's business model, which is grounded in the voluntary trading relationship with our network of independent retailers, remains robust. The board endorses management's renewed strategic focus on extracting optimal value from the model to the mutual benefit of the group and our

‘The SPAR Group had a milestone year in 2015, as the first full year of operating in a global context.’

stakeholders. The guilds remain vital in sustaining the culture of quality and caring associated with the SPAR brand. Our connection with SPAR International provides us with access to a unique information-sharing nexus and further enhances our global trading platform.

THE IRISH TRANSACTION IN RETROSPECT

We are pleased that the rigorous decision-making process that led to the acquisition of the BWG Group has delivered returns in line with expectations. The addition of the Irish business strengthens SPAR’s model by diversifying our revenue streams, thereby mitigating exposure to a single currency. Furthermore, the board is confident about the future value creation potential of a geographically expanded, global SPAR.

Four SPAR Group executives are represented on the BWG board, including the CEO and Financial Director, who attend four meetings per year. I attended one BWG board meeting in my capacity as Group Board Chairman. In addition, the Financial Director chairs the BWG Audit Committee and reports back to the group Audit Committee. The Irish business has a distinct strategy, with several major overlaps with the SPAR Group strategy. Going forward, we will emphasise our common objectives towards achieving a shared vision for the group, while appreciating the challenges and opportunities unique to the different geographies.

In the last three months of the financial year, SPAR further benefited from the contribution of Londis, acquired in June. Prior to this, the board undertook a comprehensive due diligence process, applying its experience from the BWG transaction to ascertain the merits of the deal. Londis adds another brand to the Irish stable of convenience and forecourt stores (along with SPAR, MACE and XL), making BWG the largest player in that market. This multi-brand strategy is highly effective in the Irish retail market, which is experiencing a consolidation trend, and where there is sufficient demand to sustain a number of chains with similar offerings.

CHAIRMAN'S REPORT (CONTINUED)

STRATEGIC IMPERATIVES IN CONTEXT

The domestic operating environment presents ongoing challenges in the form of systemic economic shortcomings, social instability and infrastructural limitations. The outcome of this is simple: consumers have less money to spend. In the retail market, this has created an environment of intense competition defined by increased promotional activity and an aggressive chase for sites and stores to drive growth.

SPAR has responded to these conditions by managing and mitigating the challenges within our sphere of influence, and taking advantage of the opportunities arising. Our strategy, developed by management and approved by the board, outlines the outcomes, imperatives and enablers required to achieve sustainable growth within the broader framework of our core values and our vision of being the first choice in the communities we serve.

Driving new business remains an imperative for SPAR. We have experienced the benefits of geographic diversification through our African operations and, more recently, through our exposure to a developed market.

GOVERNANCE

SPAR benefits from the collective leadership provided by the members of the board who, individually, offer their expertise and insights to contribute meaningfully to decision-making processes. Although there are four formal meetings annually, in reality there are regular ad hoc engagements throughout the year that sustain the members' relationships and connection with the business. We completed the annual board evaluation and were satisfied that the board is appropriately constituted to add value to the business, in accordance with the principles of good corporate governance.

We continue enhancing our understanding and appreciation of the importance of stakeholders to our business. Indeed, we have opted to address our material matters in this report within the framework of the four material relationships underpinning our business model: retailers, suppliers, consumers and communities. The extent to which we effectively balance the requirements of the group, suppliers and retailers, to deliver a compelling value proposition to customers, determines the sustainability of the voluntary trading model. Part of SPAR's identity is our commitment to playing a positive role in our communities, not only through individual stores, but also our emerging farmer development programme, leadership development and training opportunities, and ongoing support of numerous foundations and charities. The board constantly monitors the strength and depth of these relationships and ensures that business is conducted ethically and sustainably.

We bid farewell to Peter Hughes and Rowan Hutchison, who retire from the board at the AGM on 9 February 2016, having each served SPAR for nine and 11 years respectively, as independent non-executive directors. We thank them both for their contributions.

On 1 December 2015, we welcomed Marang Mashologu as a new independent board member. Marang gained investment management experience as a research analyst and portfolio manager at asset management companies Futuregrowth Asset Management and SCMB Asset Management. She is a BCom graduate from the University of the Witwatersrand and has been awarded a CFA charter from the CFA Institute. Marang is a director of Sphere Holdings, an investment holding company.

DIVIDEND

SPAR maintains a progressive dividend policy as part of our commitment to growing and sharing value with shareholders. Headline earnings increased by 7% to R1.45 billion (2014: R1.35 billion) and headline earnings per share increase by 6.9% to 835.5 cents (2014: 781.8 cents). Adjusting for business-defined exceptional items, normalised headline earnings improved by 20.7% to R1.63 billion (2014: R1.35 billion). Accordingly, the board approved a final dividend of 393 cents per share (2014: 345 cents per share), which amounts to a total dividend for the year of 632 cents per share (2014: 540 cents per share). This is an increase of 17%.

APPRECIATION

Our employees are our most valuable asset as their hard work and commitment is what keeps the business running on a day-to-day basis.

The board is acutely aware of the role played by the managing directors of the distribution centres. Their tenacity and passion for managing the daily operations, while sustaining a commitment to addressing social and environmental issues in their regional operating environments, is the glue that binds the business.

The SPAR Group management, along with those of BWG, are to be commended for a stellar first year in this new partnership. Much has been achieved, and there is still much to be gained.

We extend our appreciation to the executive committee and all board members, in particular Mr Hughes and Mr Hutchison, for their dedication to and belief in the SPAR Group during their period of service.

OUTLOOK

While conditions in the domestic market do not show substantial signs of improving, we have taken steps to strengthen the business against adverse impacts. Sustainable growth remains our ultimate goal and we continue exploring new business opportunities in Africa and beyond.

Dear Shareholder

On behalf of the board, I invite you to attend the Annual General Meeting of The SPAR Group Ltd to be held at Pinetown in the company's boardroom, 22 Chancery Lane, Pinetown on 9 February 2016 at 09:00.

Mike Hankinson
Chairman

10 November 2015

CHIEF EXECUTIVE OFFICER'S REPORT

'Our values play a fundamental role in how we do what we do, and inform how we treat one another and our stakeholders.'

'SPAR's 2015 results are attributable to great teamwork and our commitment to driving our values and our strategy.'

In the current world economy, managing volatility is the main challenge facing businesses, and growth is hard won. Yet it is achievable through bold decision-making. For SPAR, our Ireland venture has broadened and diversified our base, and has changed the way we, and others, think about the SPAR Group. Our 2015 performance demonstrates our ability to create substantial value, and we are committed to realising the strong potential for sustainable returns into the future.

HIGHLIGHTS OF 2015

- Group turnover increased by 34.5%, bolstered by the inclusion of BWG for the full year
- Overall group operating profit grew by 23%
- Operating profit of the South African business grew by 10.4%
- Sales from house brands grew to R6.5 billion (2014: 5.8 billion) due to sustained focus on this strategically important initiative
- Refinancing of the BWG debt
- Acquisition of Londis in June established BWG's dominance in the Irish convenience retail market

GRAHAM O'CONNOR, CEO

FOCUS ON SOUTHERN AFRICA

Our Southern African operations contribute 77% to overall turnover. The domestic economy remains difficult with continued low economic growth. Input costs are on the rise and customers are under pressure and in search of value. As a result, the retail environment is acutely competitive.

We are confident that SPAR's operating model in the region is sound because of the footprint of regional distribution centres catering for the distinct customer profiles relevant to their market. On an individual store basis, our retailers are able to customise their product offering, making SPAR unique in our ability to offer value to the entire LSM spectrum. This limits our exposure to any one customer group or geographic region.

SPAR's independent retailers recognise the value added by our brand and support services. We achieved an increase of 8% in wholesale turnover to R45.6 billion (2014: R42.2 billion) against retail turnover growth of 7.6% to R67.9 billion (2014: 63.1 billion). In other words, despite the voluntary nature of our trading relationship, the bulk of goods sold by our independent retailers is supplied by SPAR.

Volumes handled at the distribution centres grew by 3.9%, despatching a total of 219 million cases (2014: 210.8 million). Volumes into Africa, particularly Botswana and Namibia, are growing solidly, though stalling factors in Zambia and Zimbabwe are hindering our short-term expansion plans.

We made progress in enhancing distribution capacity and efficiency to service retailers' product volume and mix needs. The perishables facility in KwaZulu-Natal was completed at the end of September, adding 5 600 m^2 of floor space with high-density storage capability. Work has begun on the inland slow-moving product facility. Construction of an eighth regional distribution centre in Gauteng remains in planning phase, pending the outcome of land rezoning processes with the relevant municipalities.

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Retailers opened 111 new stores, bringing the total to 1 935 (2014: 1 864), while 242 stores were revamped. We believe that a disciplined reinvestment cycle is important for sustainable growth and have revamped a number of existing stores over the past five years. We continue to search for expansion opportunities – prioritising quality and scalability of greenfield sites over store numbers.

TOPS stores were the star performers for the year, while Build it delivered excellent growth after a tough 2014.

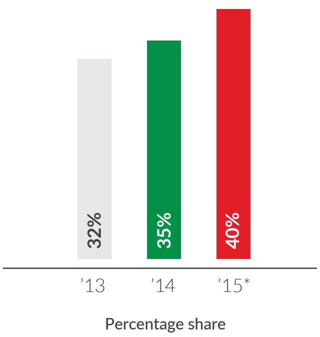
A summary of the performance of each of the South African store formats is provided on page 46.

FOCUS ON IRELAND

Conditions in the Irish economy have improved since the global financial crisis and the retail market is showing positive signs of a return to health. Encouraging trends in the labour market are expected to spur consumer demand. The management at BWG steered the company through the difficult years, continuing to strategically reinvest in the business. They remain at the helm of BWG with a 20% shareholder for the remainder of the five-year lock-in period supported by an internally funded capital investment programme.

The convenience retail market in Ireland and South West England is highly competitive and BWG has the largest share of the market, as illustrated in the following graph.

BWG SHARE OF IRISH BRANDED CONVENIENCE RETAIL MARKET



* *Includes Londis acquisition in June 2015*

BWG is therefore good shape and is well positioned to benefit from emergent improvements in the market. There is still substantial room to harness the synergy between the South African and Irish businesses, and both parties have demonstrated eagerness to share know-how. While the operating environments are different environments are different (developing market, primarily grocery retail in South Africa; developed market, primarily convenience retail in Ireland), we have already "cross-pollinated" practices between the two businesses. A concerted drive to align financial reporting systems was completed early on, and key performance indicators and progress against stated initiatives are reported on monthly.

The acquisition of Londis in June added additional scale and operating leverage to BWG, which now holds four of the leading convenience retail brands in Ireland: SPAR, MACE, XL and Londis. The Value Centre Cash and Carry direct wholesaling business supplies all these and other stores, further increasing our presence in the convenience value chain. Trading at EUROSPAR, which represents the supermarket offering in Ireland, came under pressure as that sector's turnaround has been slower to realise. However, we remain confident that EUROSPAR has good prospects and we are focusing on applying operational knowledge from our South African grocery experience to bring about improvements in the short to medium term.

SPAR and EUROSPAR have successful partnerships with a number of prominent third-party brands who operate stand-alone counters in-store, such as premium coffee brand, *Insomnia* and the global takeaway snack brand, *Subway*. This diversified offering is highly effective in the context of convenience products, and the South African SPAR stores have applied a similar model by developing their own in-house stand-alone brands, namely *Chicka Chicken* and *Beantree*. We are exploring further opportunities for growth in this area, with the added benefit of insight from the Irish experience.

We implemented a chilled product facility at the distribution centre, as this had previously been handled by a third party. This facility was launched in May. It has the capacity to handle an additional 7.8 million cases per year and will contribute to enhanced operating margins.

Going forward, we will build on the momentum already established and take advantage of further synergy, focusing initially on logistics and distribution. Regular visits to Ireland have already proven beneficial through exposure to leading practice in convenience retail. We were delighted to welcome over 130 Irish retailers to our annual retailer conference held in South Africa.

A summary of store format performance in Ireland is provided on page 66.

STRATEGY OVERVIEW

We reviewed our strategy during the year and affirmed our commitment to our core values, namely passion, entrepreneurship and family values. These values play a fundamental role in how we do what we do, and inform how we treat one another and our stakeholders. They remind us of the important role we, as SPAR people, can play in society, in the way we create and share value. Individuals who 'live' these values are recognised and rewarded through the non-financial indicators which we have integrated into the performance management process. One result of this culture is a high level of employee retention. We go to great lengths to sustain a supportive work environment.

Our commitment towards our family values – SPAR Guinness World Record Holder for largest cupcake mosaic.

Our retailers' profitability is the greatest determinant of SPAR's sustainability. We invest time and resources to ensure that they are well supported and that the relationship is positive and mutually rewarding. We have taken major steps to optimise our supply chain and supplier relationships, particularly with regard to our logistics and distribution systems, to ensure retailers can offer competitively priced products to grow customer loyalty. Achieving excellence in our Fresh offering remains a key priority to respond to growing demand in this area, allowing SPAR to take advantage of the higher margins it affords.

We have redoubled our focus on transformation, recognising that this is an imperative that goes beyond compliance. Sourcing black retailers has been a major challenge and is the subject of intensified attention and resources. Internally, we run a number of programmes to improve our demographic diversification.

Our pursuit of new business is ongoing and a dedicated business development executive, former CEO Wayne Hook, drives this agenda.

OUTLOOK

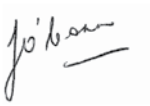
We are aware of the challenges in our operating environment and remain upbeat about the future. Our domestic operations are well resourced and will benefit from a focused capital investment drive, while the Ireland business is ripe with value potential. Investing in expanding our retail support in the rest of the African continent remains a priority, facilitated by our SPAR licences for selected countries. In our expanded form, we are able to consider possibilities on a wider stage that will drive the future growth of SPAR.

APPRECIATION

Sincere thanks to our retailers for their commitment to the SPAR brand and to all our distribution centre staff for their loyalty and hard work during this busy year.

Special thanks to the board and the executive committee for their guidance and support throughout the year.

Finally, we thank all our suppliers for their willingness to work collaboratively with us.



Graham O'Connor
Chief Executive Officer

10 November 2015

FINANCIAL REVIEW

SALIENT FEATURES

Rmillion	2015	2014	Change %
Turnover	**73 258.8**	54 483.0	+34.5
Gross profit	**6 366.6**	4 497.9	+41.5
Gross profit (%)	**8.7**	8.3	
Operating profit	**2 294.2**	1 864.9	+23.0
Profit after tax	**1 420.9**	1 345.0	+5.6
Headline earnings per share (cents)	**835.5**	781.8	+6.9
Normalised headline earnings per share (cents)*	**940.0**	779.8	+20.5
Dividend per ordinary share (cents)	**632.0**	540.0	+17.0
Net asset value per share (cents)	**1 922.6**	1 751.1	+9.8

* *Adjusted for:*

- *Fair value adjustment to minority financial liability.*
- *Foreign exchange loss on translation of financial liability.*
- *Exceptional items incurred relating to transaction and restructuring costs of Londis acquisition.*

SPAR again delivered an excellent set of financial results for the 2015 financial year, including the consolidation of the Irish business for the full period. The purpose of this review is to provide additional information on the trading performance and financial position of the group, and should be read in conjunction with the annual financial statements, together with the notes to the financial statements presented on pages 102 to 153.

FINANCIAL PERFORMANCE

Reported group turnover increased by 34.5% to R73.3 billion (2014: R54.5 billion). The turnover of Southern African operations grew by 9.0% to R56.4 billion and the remaining R16.9 billion was contributed by BWG (Ireland) which was included for the full 12-month period.

The group's gross margin maintained on a positive trend, increasing to 8.7% (2014: 8.3%), also benefiting from the full year contribution of BWG, whose customer base in the convenience sector typically commands higher wholesale gross margins. SPAR Southern Africa's gross margin was marginally higher at 8.2%, reflecting the increasing ex-warehouse contribution.

Operating profit rose 23.0% to R2.3 billion, with the Southern African operations showing a strong 10.4% increase to R2.0 billion. The Irish business reported R306 million for the year.

SPAR's headline earnings grew 7.0% to R1.4 billion with reported headline earnings per share growth of 6.9% to 835.5 cents. The calculation of headline earnings was negatively impacted by the following exceptional items:

- The annual measurement of the financial liability relating to the future buyout of the minority interests in BWG amounted to R108.1 million in the period. This comprised a present value adjustment of R45.9 million and an unrealised foreign exchange loss on translation of R62.2 million, arising from the significant rand-euro depreciation over the year.
- The financial liability was also revised to recognise the inclusion of the additional profit contribution arising from the Londis business, resulting in a further exceptional charge of R72.8 million.
- One-off costs arising from the acquisition and integration of the Londis business amounted to R46.0 million. This comprised transaction-related expenses, costs associated with the closure of the warehousing facility and retrenchments costs that were recognised in the year under review.

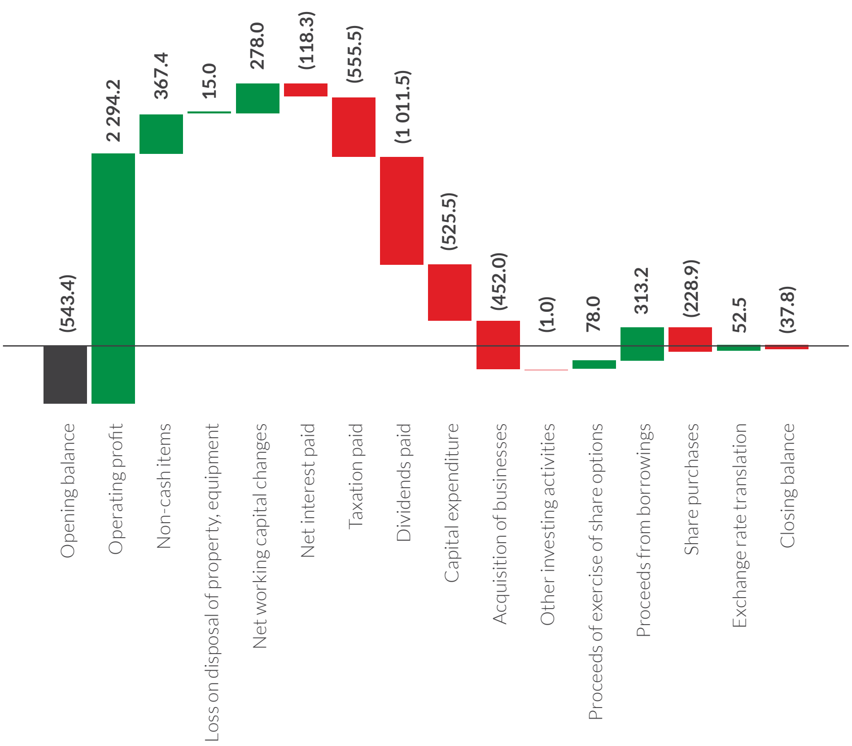
Adjusting for these exceptional items results in a normalised headline earnings of R1.6 billion, representing a growth of 20.7%. This translates into normalised headline earnings per share of 940.0 cents, up 20.5%.

The board declared a final dividend of 393 cents per share (2014: 345 cents per share), resulting in a total annual dividend of 632 cents (2014: 549 cents), up 17.0%.

CASH FLOW

The stronger operating performance as well as a continued focus on working capital management saw a substantial improvement in cash generated from operations, which increased to R3.0 billion (2014: R1.8 billion). Capital expenditure rose to R525.5 million (2014: R221.4 million), as the group completed a number of property-related projects, including the expansion of the KwaZulu-Natal perishables facility, the introduction of a chilled product facility in the Kilcarbery facility in Dublin and the commencement of the slow-moving product facility at the South Rand Distribution centre. The group also concluded the acquisition of ADM Londis plc, a convenience retail chain in Ireland supporting some 145 branded retailers.

CASH FLOW (Rm)



OPERATIONAL OVERVIEW

SOUTHERN AFRICA

Against the backdrop of continued pressure on consumer spending, SPAR stores reported a pleasing performance with retail turnover growth of 7.6% to R67.9 billion (2014: R63.1 billion), while wholesale turnover grew 8.0% to R45.6 billion (2014: R42.2 billion), demonstrating that SPAR's merchandising, logistics and distribution capability continues to be valued by independent retailers and their customers alike. Internally measured inflation was recorded at 5.2% for the period, with the individual dry grocery category rising 4.2%. SPAR house brands gained further traction, increasing by 13.4% to more than R6.5 billion in sales as cash-strapped consumers increasingly recognise the quality and value provided by SPAR's private label products. Existing stores delivered strong like-for-like growth of 6.2% as the group maintained its organic growth focus, supporting the revamp and modernisation of a further 159 stores during the year. SPAR store formats and value proposition continue to attract strong interest from independent retailers, as reflected by the 26 new stores opening during the year, resulting in a 3.2% increase in retail space and bringing the total store number to 885 SPAR stores at year-end.

Underpinned by its broad geographic presence and diverse product offering, and supported by its strong and vibrant marketing campaigns during the year, TOPS extended its double-digit growth trend, with retail turnover growth of 17.3% to R7.8 billion (2014: 6.6 billion), while same-store growth measured 13.5%. Wholesale turnover increased by 14.3% with total sales reaching R4.6 billion. The number of TOPS stores grew to 652, including 39 new stores openings in 2015.

Combined food and liquor retail sales, which allow for a better industry comparison, increased by 8.6% and 6.9% on a like-for-like store basis.

Built it maintained its strong first-half performance despite continued pressure on consumer spending with retail turnover growth of 14.0% to R10.4 billion, while wholesale turnover increased 12.4% to R6.2 billion. Build it's growth was strongly supported by 39% growth in neighbouring countries. On a like-for-like basis, same stores reported a 9% improvement in retail turnover. Build it house brand imports continued to gain acceptance with total sales growing to R259.9 million, up 9.2% on the prior year. Build it entered the DIY market with the opening of the first branded TrenDIY store late in the year.

Capital Investment

Volumes handled by SPAR's seven distribution centres rose 3.9% with 219.0 million cases despatched (2014: 210.8 million cases). The KwaZulu-Natal perishables warehouse extension is now in operation, having been completed on schedule in September 2015, and within the budget cost of R95.0 million. Installation of the slow-moving product facility at the South Rand distribution centre is well underway and on track to become operational during the first quarter of the 2016 financial year. SPAR's projected capital

FINANCIAL REVIEW (CONTINUED)

expenditure budget for the year ahead, amounting to R462 million, includes a significant extension of the Western Cape perishables facility, the purchase of additional land to expand the Eastern Cape distribution centre and the completion of the slow-moving installation at South Rand. The previously reported planned new facility in the Lanseria area has been frustrated by administrative delays and the group has commenced negotiations on an alternative site. This development project is expected to commence during 2017. The group will continue investing in its information technology platforms and R70 million has been allocated for new projects in 2016.

IRELAND

SPAR Ireland continues to perform on plan with sales of €1.2 billion in 2015, showing euro-denominated growth of 6.7% over the full prior year. This was positively impacted by the recognition of the Londis business for three months of the year. The comparable turnover growth measure would be an increase of 2.6%, which is a very satisfying result in light of continuing deflation in foodstuffs measured at (2.1%). Profit after tax was negatively impacted by one-off, non-operational costs relating to the acquisition and integration of the Londis wholesale business. Significant future synergies have been identified and the inclusion of the Londis retailers into BWG's operating infrastructure is well on track. This transaction further extended BWG's leadership position in the convenience sector and increased the overall store footprint in convenience and forecourt stores by 145 stores throughout Ireland.

The new Kilcarbery chilled product facility was commissioned as planned in May 2015. Volumes through the facility are steadily growing and further productivity gains are anticipated as the product range through this facility increases.

BORROWINGS

At year-end, the group had external banking facilities in South Africa totalling R3 600 million of which R634 million was drawn down. Committed facilities totalled R2 200 million, while the group has access to R1 400 million of uncommitted facilities.

The business in Ireland has access to €60 million of overdraft facilities.

CAPITAL EXPENDITURE AND COMMITMENTS

A summary of the group's capital expenditure and approved capital commitments as at 30 September 2015 is set out below:

CAPITAL EXPENDITURE AND COMMITMENTS

	2015			2014		
	Contracted	Approved, not contracted	Total	Contracted	Approved, not contracted	Total
South Africa	**70.3**	**10.8**	**81.1**	137.8	102.3	240.1
Ireland	**88.6**	**7.4**	**96.0**	7.9	38.9	46.8
Total	**158.9**	**18.2**	**177.1**	145.7	141.2	286.9

FINANCIAL RISK MANAGEMENT

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

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Reporting Standards and the requirements of the Companies Act of South Africa. The group has considered and adopted all new standards, interpretations and amendments to existing standards that are effective as at the year-end.

There has been no material impact of these amendments on the financial statements.

GOING CONCERN STATUS

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

Mark Godfrey
Group Financial Director

10 November 2015

FIVE-YEAR FINANCIAL REVIEW

Rmillion	2015	2014*#	2013	2012	2011
CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME					
Revenue	**74 060**	**55 016**	47 796	43 560	38 820
Operating profit	**2 294**	**1 865**	1 646	1 510	1 405
Other non-operating items	**(131)**	**(1)**			
Interest received	**29**	**34**	34	33	18
Interest paid	**(122)**	**(38)**	(25)	(28)	(25)
Finance costs including foreign exchange gains and losses	**(108)**	**(3)**			
Share of equity accounted associate (loss)/profit	**(4)**	**(13)**	3	4	7
Profit before taxation	**1 958**	**1 844**	1 658	1 519	1 405
Taxation	**(537)**	**(499)**	(471)	(460)	(452)
Profit for the year attributable to ordinary shareholders	**1 421**	**1 345**	1 187	1 059	953
Actuarial loss on retirement funds	**(12)**	**(21)**			
Actuarial (loss)/gain on post-retirement medical aid	**(3)**	**(8)**	12		
Exchange differences from translation of foreign operations	**21**	**16**	1		
Total comprehensive income	**1 427**	**1 332**	1 200	1 059	953
CONDENSED STATEMENT OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**3 221**	**2 878**	1 749	1 588	1 550
Goodwill and intangible assets	**3 281**	**2 726**	387	391	382
Loans and investments	**138**	**124**	120	119	59
Operating lease receivables	**97**	**85**	98	113	119
Other non-current assets					1
Deferred taxation asset	**34**	**41**	28	15	13
Current assets	**12 365**	**11 254**	7 405	7 673	6 178
Assets classified as held for sale	**194**	**15**			
Total assets	**19 330**	**17 123**	9 787	9 899	8 302
Equity and liabilities					
Capital and reserves	**3 328**	**3 027**	3 176	2 827	2 489
Deferred taxation liability	**215**	**179**	2	4	1
Post-retirement medical aid provision	**141**	**129**	111	118	86
Retirement benefit fund	**306**	**286**			
Financial liability	**730**	**549**			
Long-term borrowings	**2 368**	**1 866**			
Operating lease payables	**109**	**119**	115	129	130
Current liabilities	**12 133**	**10 968**	6 383	6 821	5 596
Total equity and liabilities	**19 330**	**17 123**	9 787	9 899	8 302
CONDENSED STATEMENT OF CASH FLOWS					
Cash flows from operating activities before dividends	**2 281**	**1 348**	339	1 824	1 362
Dividends paid	**(1 012)**	**(867)**	(782)	(671)	(625)
Cash flows from investing activities	**(978)**	**(924)**	(296)	(222)	(254)
Cash flows from financing activities	**162**	**(101)**	(101)	(71)	(56)
Net movement in cash and cash equivalents	**453**	**(544)**	(840)	860	427

* *Reclassified for measurement period adjustment, refer to note 36.5.*
\# *Reclassified for changes in presentation, refer to note 41.*

FINANCIAL REVIEW (CONTINUED)

RATIOS AND STATISTICS

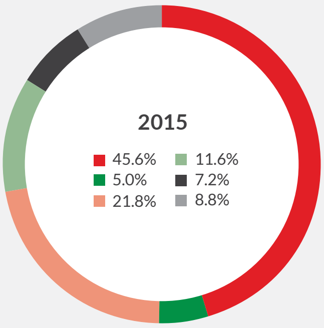
		2015	2014	2013	2012	2011
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	**millions**	**173.1**	172.8	172.4	172.3	171.6
Headline earnings per share	**cents**	**835.5**	781.8	694.8	623.9	564.6
Normalised headline earnings per share^	**cents**	**940.0**	779.8			
Dividends per share	**cents**	**632.0**	540.0	485.0	430.0	377.0
Dividend cover	**multiple**	**1.45^**	1.45	1.45	1.45	1.50
Net asset value per share	**cents**	**1 922.6**	1 751.1	1 842.2	1 643.6	1 450.5
COMPREHENSIVE INCOME INFORMATION						
Gross margin	**%**	**8.7**	8.3	8.1	8.0	8.1
Operating profit margin	**%**	**3.1**	3.4	3.5	3.5	3.7
Headline earnings	**Rmillion**	**1 446.3**	1 351.3	1 197.7	1 073.0	968.0
SOLVENCY AND LIQUIDITY						
Return on equity	**%**	**44.7**	43.4	39.6	39.8	40.7
Return on net assets	**%**	**68.9**	61.7	51.8	53.4	56.4
EMPLOYEE STATISTICS						
Number of employees at year-end		**4 724**	4 025	3 886	3 904	3 816
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	**cents**	**18 500**	12 558	12 120	12 800	9 629
– highest	**cents**	**20 617**	13 632	13 335	13 091	10 448
– lowest	**cents**	**12 142**	11 089	10 750	9 283	8 200
Number of share transactions		**399 399**	228 064	225 437	188 043	183 725
Number of shares traded	**millions**	**132.7**	104.5	129.4	112.7	144.7
Number of shares traded as a percentage of total issued shares	**%**	**76.7**	60.4	75.1	65.5	84.6
Value of shares traded	**Rmillion**	**23 190.3**	12 998.2	15 159.7	12 651.0	13 808.0
Earnings yield at year-end^	**%**	**5.1**	6.2	5.7	4.9	6.1
Dividend yield at year-end	**%**	**3.4**	4.3	4.0	3.4	3.9
Price earnings ratio at year-end^	**multiple**	**19.7**	16.1	17.4	20.5	17.3
Market capitalisation at year-end net of treasury shares	**Rmillion**	**32 027**	21 708	20 899	22 057	16 327
Market capitalisation to shareholders' equity at year-end	**multiple**	**9.6**	7.2	6.6	7.8	6.6

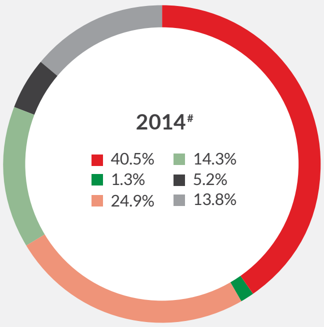
^ *Normalised headline earnings represent headline earnings excluding business-defined exceptional items.*
The dividend cover is calculated using normalised headline earnings adjusted for the cash-related exceptional business acquisition costs of R46.0 million (see note 7).

VALUE ADDED STATEMENT

	2015 Rmillion	% of revenue	%	2014# Rmillion	% of revenue	%
Revenue	**74 060**			55 016		
Less:						
Net cost of product and services	**69 454**			51 566		
Value added	**4 606**			3 450		
Add:						
Income from investments and associates	**25**			21		
Wealth created	**4 631**	**6.3**	**100.0**	3 471	6.3	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	**2 111**		**45.6**	1 407		40.5
Providers of capital	**1 242**		**26.8**	908		26.2
Interest on borrowings	**230**		**5.0**	41		1.3
Dividends to ordinary shareholders	**1 012**		**21.8**	867		24.9
Taxation	**537**		**11.6**	499		14.3
Depreciation of assets	**332**		**7.2**	179		5.2
Retained in the group	**409**		**8.8**	478		13.8
Wealth distributed	**4 631**		**100.0**	3 471		100.0

- SALARIES, WAGES AND OTHER BENEFITS
- INTEREST ON BORROWINGS
- DIVIDENDS TO ORDINARY SHAREHOLDERS
- TAXATION
- DEPRECIATION OF ASSETS
- RETAINED IN THE GROUP





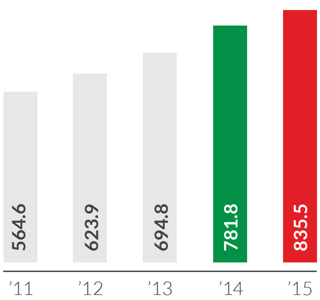
Reclassified for changes in presentation, refer to note 41.

INVESTMENT CASE

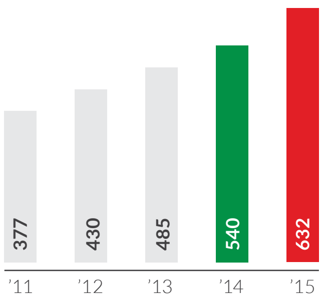
SINCE LISTING ON THE JSE IN 2004, THE GROUP HAS SHOWN SOLID GROWTH IN EARNINGS, DIVIDENDS AND VALUE PER SHARE.

We have also grown operationally in terms of store footprint and distribution capacity.

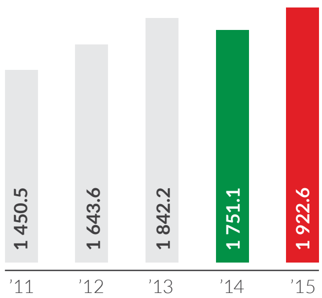
HEADLINE EARNINGS PER SHARE (CENTS)



ANNUAL DIVIDEND PER SHARE (CENTS)



NET ASSET VALUE PER SHARE (CENTS)



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

CENTRALISED PROCUREMENT, WAREHOUSING AND DISTRIBUTION

- Independent retailers benefit from economies of scale and procurement power.
- Collective responsibility is focused at distribution centre level to manage risk in the supply chain.
- Purchasing freedom, integral to the voluntary trading relationship, allows retailers to tailor their offering to their specific market.

SUPPLY CHAIN EFFICIENCIES

- Joint business planning with major suppliers targets vertical co-ordination and mutually beneficial initiatives (promotions, packaging, logistics, innovation and category development).
- Independent retailers benefit from reduced administration time and costs resulting from a single invoice and a single delivery from SPAR, reducing the cost per unit.

MARKETING SUPPORT

- The SPAR and Build it Guilds support national and regional campaigns and strategic sponsorships.
- A promotions and communication strategy exists across a range of media channels.

INFORMATION SHARING NETWORK

- SPAR International members meet regularly to share brand, marketing, logistics and operational expertise and best practice.
- Substantial scope exists to further leverage synergy and operational expertise between the Southern African and Irish operations.
- In South Africa, information sharing at distribution centre level with retailers and suppliers exposes opportunities to improve planning, procurement and new product development.

GEOGRAPHICAL FOOTPRINT

- More than 1 935 stores in Southern Africa create a particularly strong presence in urban and rural residential areas (nearly twice as many stores as the closest competitor).
- Sustained focus is maintained on new business development in Africa.
- The range of store formats in Ireland and South West England has significantly expanded our footprint.

DIVERSIFICATION OF REVENUE STREAMS WITH A COMMON BUSINESS MODEL

- Exposure to international currencies mitigates the group's reliance on emerging markets, which are particularly vulnerable in a volatile global economic climate.
- While SPAR's euro-based business currently contributes 23%, there is significant upside potential for growth.

STORE OWNERSHIP AND FOCUS

- SPAR stores are predominantly owner-managed.
- Entrepreneurial emphasis means independent retailers have a vested interest in the success of their stores.

FRESH COMBINED WITH SERVICE

- Focus on the Fresh offering leverages typically higher gross margins and responds to growing consumer demand for convenience.
- SPAR store turnover from fresh produce, butchery and bakery food service departments is targeted at 30%.

MARKET POSITIONING

- Store format range and geographic footprint mean SPAR's market is spread across all LSM groups.
- Brands, Fresh offering and competitive pricing strategies targeted at specific customer profiles ensure appeal across a number of market segments.

COMMITTED LEADERSHIP

- Motivated and capable management teams in South Africa and Ireland are supported by an experienced and committed board of directors.

BUSINESS MODEL AND STRATEGY

BUSINESS MODEL

Our business model is grounded in SPAR's core business as a wholesaler and distributor of goods to a broad network of independent retailers. At each point of the value chain, stakeholder relationships play a key role in ensuring the efficient use of all available resources and the six capitals of value creation.

The diagram on the opposite page outlines key challenges in our external context that have an impact on the core activities of the SPAR Group. This is followed by a discussion of our four material external stakeholder groups, whose relationship with SPAR is critical to the sustainability of our business model. Quantitative data refers only to South Africa, while the narrative is applicable to the group as a whole.

Challenges and opportunities in our operating environment

- Aggressive competitive environment – retail companies vying for sites and retailers; stores vying for customers
- Infrastructure constraints – roads, water, electricity supply
- Rising costs – labour, fuel, certain food items, electricity, interest rates
- Labour unrest – operational disruptions at supplier operations, at distribution centres and at stores
- Growing demand for convenience and Fresh offering – with quality as the differentiator

Strategic focus at group level to optimise our core business functions

THE SPAR GROUP LTD

PROCUREMENT

> 5 000
suppliers and service providers

> 1 300
SPAR branded products

Buying goods from suppliers and selling them to retailers at a margin.

Bulk procurement power benefiting economies of scale – fixed costs spread over vast volumes, reducing cost per unit.

Joint business planning with key suppliers, targeting supply chain efficiencies, including responsible use of resources.

Local sourcing supports small businesses wherever possible, including emerging farmer development programme.

WAREHOUSING

242 800 m²
total floor area

22 700 m²
satellite warehouse space

604 000
average number of cases despatched per day

Warehousing facilities across our distribution centres and satellite facilities, across various temperature disciplines.

Advanced technology to optimise complex process of storing vast quantities of goods for delivery.

Goods are received from suppliers and unpacked into pick slots.

Retailers' orders are processed electronically and sorted for transportation.

Consolidated slow-moving product facility will improve efficiency.

DISTRIBUTION

369 trucks
in South Africa

396 trailers
in South Africa

219 million
number of cases dispatched

Fluctuations in fuel price emphasise the importance of route management systems, truck turnaround times, truck specifications and driver efficiency.

Dual strategic drive to increase our bottom line and decrease our carbon footprint.

Increasing use of biodiesel as fuel, which we collect and recycle from our retailers.

Joint business planning to streamline with supplier processes, including backhauling and packing techniques.

RETAILER SUPPORT AND MARKETING

1 024 465 m²
SPAR retail space in South Africa

109 540 m²
TOPS retail space

Emphasis on relationship with retailers to share benefits inherent in the voluntary trading model.

Encouraging retailers' entrepreneurial flair, within SPAR group guidelines for consistency.

Provision of a range of support services enables retailers to compete in a market dominated by supermarket chains:

- Store revamp and design assistance
- Merchandising best practice
- Public relations assistance
- SPAR development fund

SUPPLIERS page 33 | RETAILERS page 32 | CONSUMERS page 34

CENTRE OF COMMUNITY page 35

OUR RELATIONSHIP WITH RETAILERS

WHO THEY ARE

1 935
INDEPENDENT STORE OWNERS WHO OPERATE UNDER THE SPAR BRAND

111
NEW STORES JOINED THE GROUP IN THE PAST YEAR

HOW WE ENGAGE

- Regular interaction with regional distribution centre management and operations teams
- Regular store visits and monthly performance monitoring
- Annual retail conference
- Guild membership

RELATED STRATEGIC IMPERATIVES

- Retailer profitability
- Retail relationships, leadership and support
- Centre of community
- Competitive pricing
- Excellence in Fresh
- New business opportunities
- Transformation

OUR APPROACH

The success of the voluntary trading model hinges on the relationship between wholesaler and retailer. In Southern Africa, we are one of the few companies who operate in this way, while it is fairly standard in the Irish retail environment. Under the current economic conditions, the profitability of our retailers is our number one priority. In the face of substantial inflationary cost pressures, combined with increasing competition in the market, margins are tight.

We scrupulously manage wholesale margins relative to retail margins to ensure the balance between group and retailer profitability is sustainable. If the former takes precedence over the latter, the business as a whole suffers, because retailers will be driven to source their stock elsewhere. For this reason, we have increased our focus on this relationship on an individual basis through the development of tailored service packages, recognising that leadership and support provided by SPAR needs to take the unique challenges of each store into account. This is particularly the case in South Africa, where there is a huge range in customer spending power, demographic profiles and surrounding infrastructure of each location.

All retailers have access to an online database through their dedicated tablet applications, where various SPAR manuals of store and product specifications and best practice are available, including recipes and pricing guidance to achieve consistency and quality in fresh produce and the growing home-meal replacement segment. The guilds provide retailers with marketing support and access to SPAR's development fund to invest in refurbishments and, particularly recently on the domestic front, equipping their stores with generators to mitigate the impact of an unstable power supply.

Growing our retailer base remains a critical priority and we are especially focused on attracting black entrepreneurs to become SPAR retailers in South Africa. All new retailers receive support and guidance from the group and the guild, focused on weathering the challenges associated with the initial set-up phase.

OUR RELATIONSHIP WITH SUPPLIERS

WHO THEY ARE

WE HAVE OVER **5 000 SUPPLIERS** FROM MULTINATIONALS TO SMMES AND INDIVIDUAL TRADERS

OUR TOP 20 SUPPLIERS **SUPPLY 60% OF OVERALL STOCK**

OUR EMERGING FARMER DEVELOPMENT PROGRAMME FOCUSES ON **INCREASING SMALLHOLDER PARTICIPATION** IN THE RURAL FOOD SUPPLY CHAIN

HOW WE ENGAGE

- Regular interaction through distribution centres and satellite warehouses during deliveries
- Joint business planning to target efficiency in the supply chain to the benefit of both parties
- Emerging farmer development programme

RELATED STRATEGIC IMPERATIVES

- Excellence in Fresh
- Supply chain optimisation
- Competitive pricing

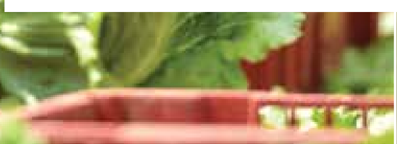
OUR APPROACH

SPAR focuses on maintaining robust relationships with suppliers, which allow the group to offer an appealing value proposition to retailers at acceptable wholesale margins. Our scale provides suppliers with substantial volumes, enabling them to plan and manage their activities strategically to reduce operating costs. The high volumes handled at our distribution centres ensures a spread of fixed costs and, consequently, reduced unit costs.

As a warehouse and distribution business, SPAR's operating model relies on an efficient supply chain. We constantly strive to optimise our core function, namely, getting the products held by suppliers to the customers who want to buy them, through superior logistics and distribution systems. This is a major strength of the South African business, and we have allocated resources to identify enhancement opportunities in the Irish operation.

To achieve further improvements, our joint business planning with our biggest suppliers is aimed at driving vertical co-ordination and efficiency. This includes recycling, packaging reduction and innovation, natural resource management and joint corporate social investment (CSI) initiatives to provide nutrition to communities. We have focused substantial resources on identifying cost reduction opportunities within our own fleet, including improving truck turnaround times, truck specifications and driver training. We have also increased our backhauling activity to limit the unnecessary labour and fuel costs associated with delivery trucks returning to their point of origin empty. Backhauling requires the collaboration of our suppliers to deliver goods directly to SPAR retailers, where possible, on their return journey from our distribution centres. Conversely, we deliver goods to retail stores near our suppliers, collect goods from the supplier and return to the distribution centre with a full truck.

Most of our procurement happens at distribution centre level, while certain products are sourced centrally, such as SPAR branded products. This enables local sourcing in support of local enterprises. We work with suppliers to encourage sustainable product development and transparent sourcing. We have launched an exciting new venture with our emerging farmer development programme, which will have long-term benefits for the surrounding rural economies.



OUR RELATIONSHIP WITH CONSUMERS

WHO THEY ARE

OWING TO OUR GEOGRAPHIC SPREAD AND VOLUNTARY TRADING MODEL, WE **SERVE THE FULL SPECTRUM OF LSM GROUPS** IN SOUTH AFRICA

HOW WE ENGAGE

- Marketing and promotional campaigns
- Ad hoc customer perception surveys
- Benchmarking exercises between cluster stores
- Owner-managed stores with daily direct interaction with consumers

RELATED STRATEGIC IMPERATIVES

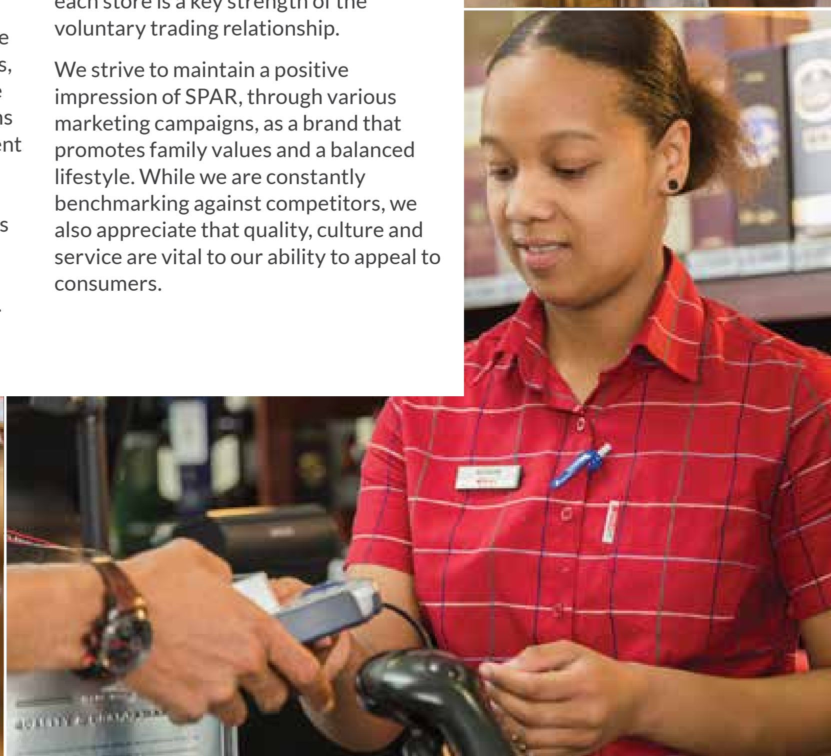
- Centre of community
- Retailer profitability
- Competitive pricing
- Fresh offering

OUR APPROACH

The *SPAR* brand is well established in the South African and Irish retail landscapes, as both have been in operation for more than five decades. Customer perceptions of SPAR as a value, quality and convenient choice are critical to maintaining and growing our share of the market. The outcome of current economic conditions is a customer base with less money to spend, and therefore highly responsive to discounting and promotional activity. While this has a positive impact on volumes at wholesale and retail level, it has a negative impact on profit margins.

Demand for convenience products is the driver of the Irish business and is growing in significance in the domestic market. Higher-income consumers, in particular, are increasingly opting for fast-moving products, including fresh produce, ready-to-eat, home-meal replacement items and daily top-up shopping. In lower-income brackets, the opposite trend is true: consumers are driven to do once-off shopping for a month's worth of supplies with the emphasis on commodity and bulk products. The ability to stock the appropriate product mix to accurately cater to the unique customer profile at each store is a key strength of the voluntary trading relationship.

We strive to maintain a positive impression of SPAR, through various marketing campaigns, as a brand that promotes family values and a balanced lifestyle. While we are constantly benchmarking against competitors, we also appreciate that quality, culture and service are vital to our ability to appeal to consumers.



OUR RELATIONSHIP WITH THE COMMUNITY

WHO THEY ARE

OUR STORES ARE OWNER-MANAGED BY INDIVIDUALS WHO **ENGAGE WITH THEIR LOCAL COMMUNITY**

WE **SUPPORT A RANGE OF GOOD CAUSES**, FOCUSING ON NUTRITION, SPORT, SAFETY AND HEALTHCARE

HOW WE ENGAGE

- Each SPAR aims to be the centre of its community by offering an end-to-end product range
- Philanthropic activities at retailer level to grow brand loyalty and play a positive role
- Investment in community development initiatives at group level, including sponsorships

RELATED STRATEGIC IMPERATIVES

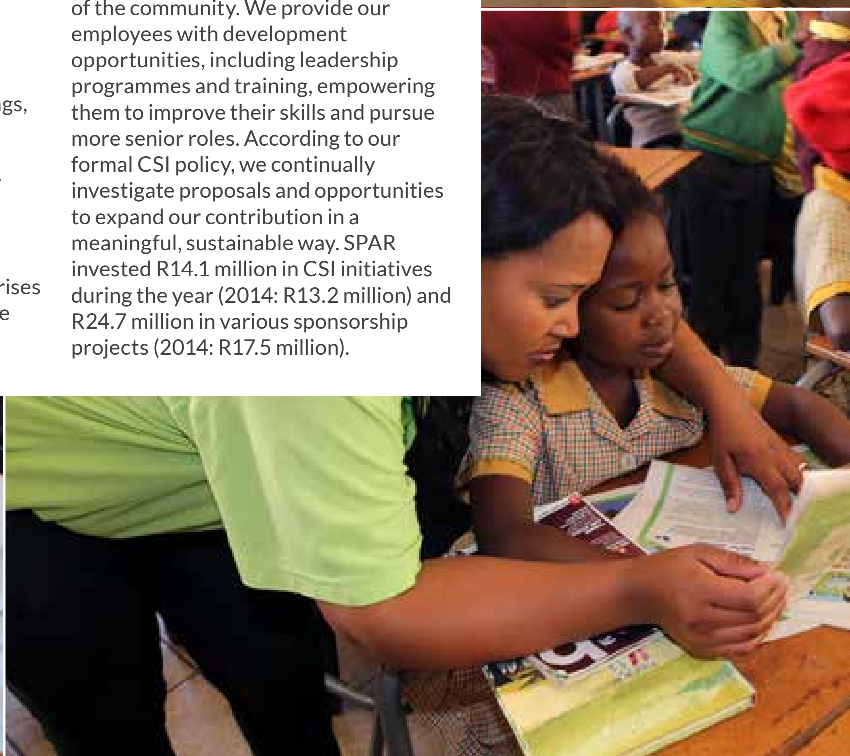
- Centre of community
- Retail relationships, leadership and support

OUR APPROACH

SPAR stores play a key role in the community as the local supplier of household goods. Other brand offerings, such as TOPS and Pharmacy at SPAR, available at these stores, ensure the neighbourhood SPAR becomes a daily one-stop shopping destination for families. Because retailers are able to source goods according to their preference, they support local enterprises in their community, adding value to the local economy. Because retailers and their employees are often from the community, they have personal ties with their target market. This is particularly so in the Irish context, where BWG emphasises local store ownership.

The group encourages the support of philanthropic and sponsorship initiatives at store level. As this is a fundamental aspect of our culture, the passion and generosity demonstrated by many of our retailers is gratifying. These initiatives create awareness of and positive association with the *SPAR* brand as a force for good in society.

The SPAR Group embraces its role as a responsible corporate citizen. We are particularly committed to realising our strategic imperative of being the centre of the community. We provide our employees with development opportunities, including leadership programmes and training, empowering them to improve their skills and pursue more senior roles. According to our formal CSI policy, we continually investigate proposals and opportunities to expand our contribution in a meaningful, sustainable way. SPAR invested R14.1 million in CSI initiatives during the year (2014: R13.2 million) and R24.7 million in various sponsorship projects (2014: R17.5 million).



BUSINESS MODEL AND STRATEGY (CONTINUED)

STRATEGIC AND SUSTAINABILITY OBJECTIVES

SPAR's strategy guides the business towards our overarching goal of generating stakeholder returns through a sustainable system that is beneficial for society and the environment.

STRATEGIC DEVELOPMENTS

We review our strategy every year to ensure we are responsive to the risks and opportunities arising in our external context. Furthermore, we perform a comprehensive enterprise risk analysis to ensure our sustainability risks are integrated with our group risks and group strategy, with appropriate action plans in place.

More detail is provided in the Risk Committee report on page 88.

The material developments in our strategy are summarised below.

Foregrounding of group values

Passion, entrepreneurship and family values constitute the fundamental characteristic of the way we do business and the primary criteria informing our decision-making. We encourage and reward behaviour that exemplifies these values.

Read more in 'Our values' on page 7.

Focusing on competitive pricing in two tiers

We recognise that the sustainability of our business model relies on balancing pricing at two points – between wholesaler and retailer, and between retailer and customer. If we get this right, retailers have a compelling offering to consumers and cultivate the perception of SPAR as a value and quality choice.

Read more in 'Our relationship with consumers' on page 34.

Emphasis on transformation

SPAR is committed to empowerment and transformation in our South African business, which we measure through an improved BBBEE score. We appreciate that having an employee base that reflects the diversity of the South African population adds depth to our organisation and bolsters our social licence to operate. We have increased resources to drive our employment equity status and have various initiatives to establish greater representation in our supply chain, thereby improving our preferential procurement and enterprise development scores.

Read more in 'Social sustainability in South Africa' on page 52.

Retailer profitability as the critical driver of the future finance model

We have redoubled our focus on ensuring the profitability of our retailers through various support mechanisms, including financial mentoring, assistance and access to loan facilities. We pay attention to stores identified as 'vulnerable' and guide those retailers in how best to manage their unique challenges.

Read more in 'Our relationship with retailers' on page 32.

Going forward: integrating the BWG strategy into the broader group strategy

Market conditions in South Africa and Ireland are different, and these dictate the price and value methodologies to appeal to local consumers. However, there are shared broad imperatives driving the two businesses to achieve a common outcome, and we are looking to formalise a group strategy that captures these in the short to medium term.

Read more in 'Operational overview' on page 40.


R66
SPAR

BUSINESS MODEL AND STRATEGY (CONTINUED)

STRATEGIC OUTCOMES

The following table provides an overview of our stated strategic outcomes and associated imperatives:

WORLD-CLASS REPLENISHMENT

OUTCOME	ASSOCIATED RISKS	KEY PERFORMANCE INDICATORS	PROGRESS
Strategic imperatives • Excellence in Fresh • Supply chain optimisation	• Inadequate information technology (IT) systems limiting data quality and analysis capabilities • IT systems failure causing business disruption • Industrial action or labour disputes causing business disruption • Shortcomings in Fresh supply chain logistics impacting poor retail delivery • Long-term sustainability of Fresh supply	• Percentage contribution of fresh produce to SPAR turnover • In-stock levels • Stockholding levels • Input costs – fuel, energy and labour • Carbon footprint • Percentage of biofuel to total fuel used • Tonnes of recycled plastic and cardboard	• Joint business planning with major suppliers • New perishables facility completed at KwaZulu-Natal distribution centre • Initial construction work begun on inland consolidation facility for slow-moving product • Ongoing innovation in logistics management, addressing route and load optimisation, truck specifications, turnaround times and driver training • Efficiency initiatives resulting in a steady reduction in CO_2 emissions and running costs • Productivity incentive schemes to drive labour output at distribution centres

COMPETITIVE PRICING

OUTCOME	ASSOCIATED RISKS	KEY PERFORMANCE INDICATORS	PROGRESS
Strategic imperatives • Retailer profitability • Centre of community • Supply chain optimisation	• Inaccurate customer price perceptions • Severely competitive environment forcing unsustainable promotional activity • Rising input costs, particularly labour, putting pressure on wholesale and retail margins • Supply chain inefficiencies resulting in uncompetitive landed costs to retailers	• Own and external industry pricing surveys • Market share • Food price inflation • Customer survey responses • Wholesale profit margin • Retail profit margin	• Sustained high returns from larger stores, indicating their competitiveness • Monthly Business Monitor International (BMI) research shows we remain within 1% of the industry benchmark on the surveyed basket • Calculated marketing approach to drive value and quality message of the *SPAR* brand to better communicate our price position to customers

COMPREHENSIVE RANGE

OUTCOME	ASSOCIATED RISKS	KEY PERFORMANCE INDICATORS	PROGRESS
Strategic imperatives • Excellence in Fresh • Supply chain optimisation • Retailer profitability	• Poor forecasting and delivery against our retailers' requirements • Delayed or inaccurate responses to shifts in customer tastes • Poor delivery of Fresh offering • Ability to position house brands to appeal to consumers with different value expectations	• Service department sales ratio • House brand sales • House brand packaging costs • In-stock levels • New products	• All retailers have access to an online database providing guidance on production planning, recipe costing and food safety • Ongoing innovation of house brands to introduce new products has been especially effective as consumers favour value-for-money products • Responding to growth in demand for convenience items, including ready-to-eat and home-meal replacement products

OUTCOME	ASSOCIATED RISKS	KEY PERFORMANCE INDICATORS	PROGRESS
WORLD-CLASS BRAND			
Strategic imperatives • Retailer profitability • Centre of community	• Insufficient focus on house brands • Reputational damage due to product responsibility shortcomings and consumer activism	• House brands as a percentage of total sales • Customer survey responses • Loyalty programme uptake	• Concerted effort to innovate in terms of product range and sustainability aspects of house brands • Sponsorships and funding of public events to raise brand awareness associated with family values and healthy lifestyles • The My SPAR Rewards programme was launched. Consumers who join the programme receive electronic coupons on their mobile phones
BEST RETAILERS			
Strategic imperatives • Retail relationships, leadership and support • Retailer profitability • Centre of community	• Industrial action or labour disputes causing business disruption • Effectiveness of financial model in sustaining retailer profitability • Poor-quality service, including health and safety • Poor adherence to and implementation of group standards by retailers leading to lack of consistency among stores • Loss of retailers to competitors • Inability to attract new retailers, particularly black retailers • Security issues leading to significant losses	• Retail performance • Market share • Health and safety incidents • New retailers and stores • Existing store growth • Existing store revamps and refurbishments	• Formal, targeted service package to assist retailers in managing their unique challenges • Monthly financial monitoring of retailer performance and store cluster comparison • Steady reinvestment programme to ensure stores are regularly upgraded, assisted by the guilds and access to the SPAR development fund • Store quality audits against group standards • Sustainable expansion of our footprint with growth driven particularly by the rapid expansion of TOPS at SPAR stores • Revised regional marketing strategy to attract new retailers • Robust year-on-year growth from existing stores
NEW BUSINESS GROWTH			
Strategic imperatives • New business opportunities	• Inability to attract new retailers and develop new sites stunts growth • New and existing competitors taking market share • Challenges of doing business in Africa restricting expansion plans • Operational obstacles of integrating African business in distribution structure • Managing expanded risk base associated with global business	• Contribution from Irish business • New stores and trade agreements in Africa	• BWG contributed returns in line with expectations and has the potential for substantial future gains • Major opportunities for further growth in Namibia and Botswana from solid base • New business established in Angola in 2014 performing well despite oil price dynamics in the local economy • Challenges in Zimbabwe and Zambia limited growth, but remain a priority due to their latent market potential and geographic proximity • Distribution of SPAR products to a number of other countries with SPAR licences

OPERATIONAL OVERVIEW

SPAR OPERATES IN TWO DISTINCT GEOGRAPHICAL REGIONS.

It is important to understand the challenges and opportunities relative to each operating environment, and the strategic imperatives common to both.

DISTINCT OPERATING ENVIRONMENTS

- Developing economy
- Projected GDP growth of < 2.0% in 2016
- Inflationary environment
- Population of 52 million
- Wide diversity of customer profiles

- 2.6% labour costs as a percentage of turnover
- SPAR predominantly grocery retailing
- Seven distribution centres in South Africa servicing domestic and regional stores
- Predominantly truck and trailer hauling
- Retail offering consolidated under SPAR brand

Developed economy

Projected GDP growth of > 4.0% in 2016

Deflationary environment

Population of 4.5 million

Relative homogeneity of customer profiles

3.8% labour costs as a percentage of turnover

BWG predominantly convenience retailing

Two distribution centres – one in Ireland and one in South West England.

Predominantly box hauling

SPAR brand one of multiple retail brands

COMMON STRATEGIC IMPERATIVES

SOUTHERN AFRICAN OPERATION

- Sustain profitable retailers
- Offer excellent convenience and fresh products
- Optimise supply chain and distribution capability
- Maintain price competitiveness
- Centre of community through voluntary trading relationship

IRISH OPERATIONS

FOCUS ON SOUTHERN AFRICA

OVER 5 000 SUPPLIERS AND SERVICE PROVIDERS, AND OVER 1 300 SPAR BRANDED PRODUCTS

'The successful expansion of TOPS at SPAR continued unabated. The brand continues extending its market-leading position.'

FINANCIAL OVERVIEW

SPAR performed well during the year, despite significant challenges in the local environment. Southern African operations grew by 9% to R56.4 billion (2014: R51.7 billion), with leading contributions from the TOPS at SPAR and SUPERSPAR brands. Internally measured food inflation remained relatively low at 5.2% (2014: 5.7%).

We maintained the positive trend in the sales mix, with an increased focus on Fresh products, particularly in higher-LSM markets, which contributed to a fractional gross margin improvement. Against a backdrop of substantial input cost increases, SPAR is committed to balancing group margins relative to retailer margins to ensure mutual sustainability.

Robust performances at retail level saw retail turnover grow by 7.6% to R67.9 billion (2014: R63.1 billion), supporting a 9% increase in wholesale turnover to R56.4 billion (2014: R51.7 billion).

Operating profit grew by 10.4% to R2 billion (2014: R1.8 billion), thereby delivering real growth.

FOCUS ON SOUTHERN AFRICA (CONTINUED)

OPERATIONAL OVERVIEW

SPAR stores continue generating steady returns, with a stellar contribution from the SUPERSPAR format. The larger stores proved more resilient against inflationary pressure, owing to their scale and location in predominantly metropolitan areas. Sales from house brands grew by 13.4%, outstripping SPAR's other wholesale categories. This growth was achieved through sustained innovation and promotions focus to appeal to increasingly value-conscious consumers.

The successful expansion of TOPS at SPAR continued unabated. The brand continues extending its market-leading position. Uptake from existing SPAR retailers has been significant, and 74% of SPAR stores now have a TOPS at SPAR in close proximity, thereby offering consumers a comprehensive shopping solution.

Despite the closure of certain underperforming stores in Botswana, Build it saw considerable improvements in same-store growth and increased contributions from its Namibian operations in particular. The business model benefited from the reintegration of retailers into the decentralised distribution network, combined with an increased focus on relationships and support, in line with our broader group strategy. Build it focused on improving the product range – particularly through its house brands, which increased sales by 9.2% – and expanding and renovating the selling area of its stores. Before the end of the 2015 calendar year, Build it will launch a new store brand, TrenDIY, to appeal to the middle to upper-LSM interior decorating market.

The SaveMor group of stores offers a compelling value proposition, though it was negatively impacted by the economic downturn, which was felt most acutely in its lower-LSM target market. SPAR continues exploring models to enhance the brand's profitability and appeal to black entrepreneurs entering the retail space for the first time, as was its initial purpose.

In line with expectations, returns from Pharmacy at SPAR remain muted, while its footprint is expanding steadily over time as retailers see the value in being able to offer their consumers with an end-to-end home shopping range.

SPAR Express stores are now in place at 3 Shell garages. The convenience format is a high-return business and we are committed to achieving the requisite scale to realise its value potential.

During the year, SPAR took ownership of nine additional stores, bringing the total company-owned stores to 13 (2014: 5). These stores are strategically important sites that we aim to defend and sell on to new retailers in due course. They also offer the opportunity to directly experience and therefore better understand the challenges faced by our retailers.

Steady volumes of dry goods and perishables supported growth in ex-warehouse sales to 55.6% of revenue (2014: 55.4% of revenue). Overall volumes despatched by SPAR's seven distribution centres increased by 3.9%, equating a total of 219 million cases (2014: 210.8 million cases). The completion of the KwaZulu-Natal perishables facility adds 5 700 m^2 to our combined dry and perishables storage space, bringing the total to 62 700 m^2.

STAKEHOLDER CASE STUDY:
EMERGING FARMER SUPPLIERS

SPAR IS DEVELOPING AGRICULTURAL BUSINESSES, NOT JUST RETAIL BUSINESSES

SPAR's sustainability vision is built on an understanding that retailers and their communities are interdependent and that, from an agricultural point of view, it is critical that emerging farmers play a greater role in the rural food supply chain. To this end, SPAR is driving an emerging farmer development programme with a unique model that could have lasting implications for the way rural and commercial supply chains operate in South Africa.

We believe that our approach will help support the achievement of goals set out in the National Development Plan. It states that agriculture – as the primary economic activity in rural areas – has the potential to create one million new jobs by 2030, and that the majority of these new jobs will be in the smallholder farmer segment.

SPAR's unique decentralised distribution model allows us to target areas with high development potential and implement action plans across our regional distribution centres and multiple independent retail outlets. We plan to develop a central Fresh Assembly Point on an identified site, much like a mini distribution centre, to which local farmers in the surrounding rural hub bring their supplies for distribution to stores within a 200 km radius.

The project is well underway, with key partnerships secured and planning for the first rural hub at an advanced stage in Mopani, Limpopo. It will supply 27 SPAR stores in the area. Through funding provided by the Dutch government as part of its wider mandate to promote food security in Africa, and a Jobs Fund grant from the South African government, the requisite training will be provided to participants by a non-profit organisation specialising in emerging farmer development.

In addition, the SPAR Group has committed to funding the capital and operational expenditure required for the development of three initial Fresh Assembly Points, and the associated logistics infrastructure. These sites are identified by having high numbers of emerging farmers, robust agricultural potential and close proximity to multiple SPAR stores. The facilities will not carry the SPAR brand and are intended to serve the broader agricultural economy, allowing farmers to supply a range of retailers in the formal and informal trade. The ultimate goal is for farming communities to jointly own the Fresh Assembly Points, thereby taking ownership of the rural hub at the heart of their local food supply chain.

SPAR faces many challenges in realising its goals in this endeavour. To be sustainable, this initiative requires support from a wide range of stakeholders, including farmers, communities, food manufacturers and wholesalers, financial institutions and funders. Key to the success of the venture is the creation of dedicated markets for fresh produce consisting of local retail stores, potential informal markets and government-led schemes within the area. SPAR engaged with the Department of Agriculture, Forestry and Fisheries to share knowledge and gain support for the programme, which can assist in wider adaptation resiliency in South African agriculture.

FOCUS ON SOUTHERN AFRICA (CONTINUED)

STORE FORMAT OVERVIEW

WE HAVE A RANGE OF STORE FORMATS OFFERING CONSUMERS DIFFERENT PRODUCT AND VALUE PROPOSITIONS.

SUPERSPAR

- > 1 300 m^2 selling area
- Large metropolitan focus
- Aggressively priced
- Full range of groceries and general merchandise
- Extensive service departments, such as fresh produce, in-store bakery, butchery, deli, ready-to-eat and home-meal replacements

SPAR

- ≥ 700 m^2 selling area
- Neighbourhood and rural supermarket focus
- Competitively priced
- Comprehensive range of groceries and general merchandise
- Fresh produce, in-store bakery, butchery, deli, ready-to-eat and home-meal replacements

KWIKSPAR

- 300 – 700 m^2 selling area
- Neighbourhood and rural focus
- Range of prices offering good value
- Core groceries and general merchandise
- Fresh produce, baked goods, meat and ready-to-eat

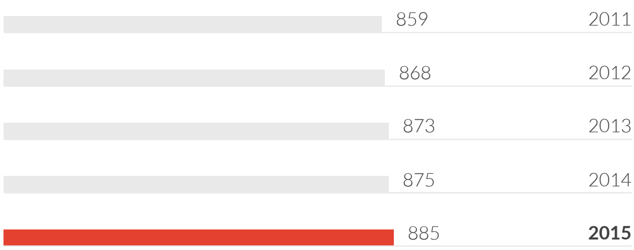
PERFORMANCE

- Retail turnover increased by 7.6% to R67.9 billion
- Existing store retail turnover growth of 6.2%
- Wholesale turnover increased by 8% to R45.6 billion
- Opened 26 new stores
- Closed 16 stores
- Upgraded 159 stores (against a target of 180)

TARGETS

- Focus on organic growth
- Upgrade 170 stores
- Improvements in Fresh offering and service departments

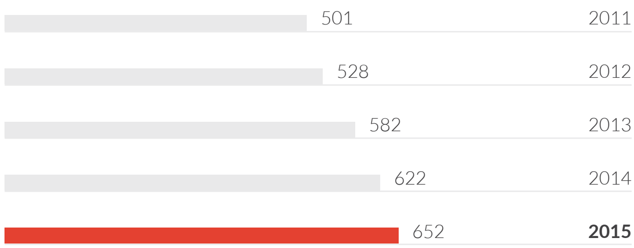
NUMBER OF STORES





- Stand-alone liquor stores
- Full range of liquor products
- Located in close proximity to existing SPAR stores

NUMBER OF STORES



PERFORMANCE

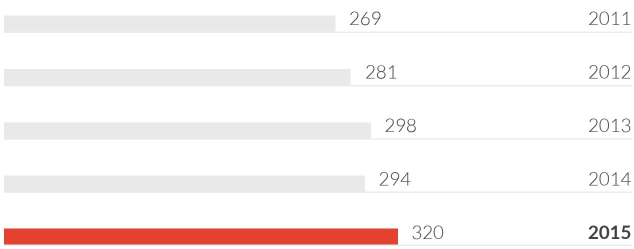
- Retail turnover increased by 17.3% to R7.8 billion
- Existing store retail turnover growth of 13.5%
- Wholesale turnover increased by 14.3% to R4.6 billion
- Opened 39 new stores
- Closed 9 stores
- Upgraded 35 stores (against a target of 35)

TARGETS

- Focus on organic growth
- Focus on new store acquisitions

- Stand-alone building materials stores
- Building and hardware products – all the material required to build a basic house
- Aimed at home builders and renovators in lower to middle-income sectors

NUMBER OF STORES



PERFORMANCE

- Retail turnover increased by 14% to R10.4 billion
- Existing store retail turnover growth of 9%
- Wholesale turnover increased by 12.4% to R6.2 billion
- Opened 34 new stores
- Closed 8 stores
- Upgraded 48 stores (against a target of 35)

TARGETS

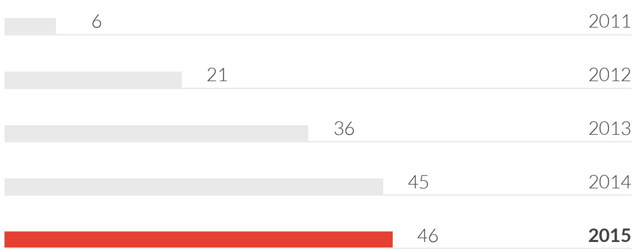
- Expanding store formats and layouts to meet consumers' changing needs
- Introduce new TrenDIY store format with home improvement and interior decorating offering

FOCUS ON SOUTHERN AFRICA (CONTINUED)

Pharmacy at SPAR

- Stand-alone family pharmacy stores
- Comprehensive range of medicinal and health-related products
- Located within close proximity to existing SPAR store

NUMBER OF STORES



PERFORMANCE

- Retail turnover increased by 13.9% to R301.6 million
- Opened 6 new stores
- Closed 5 stores

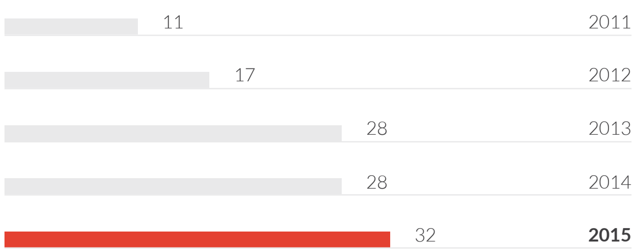
TARGET

- Open 20 new stores

SaveMor

- Value focus
- Neighbourhood and rural
- Essential groceries and general merchandise
- Fresh produce, baked goods, meat and ready-to-eat

NUMBER OF STORES



PERFORMANCE

- Retail turnover increased by 17.9% to R541.3 million
- Opened 6 new stores
- Closed 2 stores

TARGET

- Open 10 new stores

SPAR express

- Garage forecourt convenience stores
- Partnership with Shell SA, first store opened in August 2013
- Open 24 hours
- Core products in groceries, fresh produce, baked goods
- Comprehensive offering of snacking, ready-to-eat, on-the-go products

PERFORMANCE

- Opened 3 new stores

FOCUS ON SOUTHERN AFRICA (CONTINUED)

DISTRIBUTION CENTRES

SPAR HAS SIX SPAR DISTRIBUTION CENTRES AND ONE BUILD IT DISTRIBUTION CENTRE IN SOUTH AFRICA. THESE ARE SUPPORTED BY A NUMBER OF SATELLITE WAREHOUSING HUBS, WHICH ASSIST IN REDUCING TRANSPORT COSTS ON CERTAIN ROUTES.

SOUTH RAND DISTRIBUTION CENTRE

61 000 m² | 58.7 million cases per annum

Number of stores serviced	2015	2014
SUPERSPAR	**88**	78
SPAR	**127**	134
KWIKSPAR	**36**	38
SaveMor	**2**	2
TOPS	**158**	153
Build it	**65**	62
Pharmacy	**7**	7
Total	**483**	474

NORTH RAND DISTRIBUTION CENTRE

31 460 m² | 37.7 million cases per annum

Number of stores serviced	2015	2014
SUPERSPAR	**56**	57
SPAR	**80**	78
KWIKSPAR	**13**	13
SaveMor	**8**	6
TOPS	**124**	117
Build it	**38**	35
Pharmacy	**19**	20
Total	**338**	326

KWAZULU-NATAL DISTRIBUTION CENTRE

62 712 m² | 51.7 million cases per annum

Number of stores serviced	2015	2014
SUPERSPAR	**81**	79
SPAR	**64**	62
KWIKSPAR	**25**	25
SaveMor	**8**	5
TOPS	**132**	124
Build it	**81**	77
Pharmacy	**12**	11
Total	**403**	383

WESTERN CAPE DISTRIBUTION CENTRE

33 550 m² | 31.8 million cases per annum

Number of stores serviced	2015	2014
SUPERSPAR	**43**	42
SPAR	**83**	82
KWIKSPAR	**39**	39
SaveMor	**–**	–
TOPS	**123**	116
Build it	**51**	47
Pharmacy	**4**	4
Total	**343**	330

EASTERN CAPE DISTRIBUTION CENTRE

22 680 m² | 27.5 million cases per annum

Number of stores serviced	2015	2014
SUPERSPAR	**43**	39
SPAR	**42**	43
KWIKSPAR	**19**	20
SaveMor	**4**	4
TOPS	**87**	85
Build it	**41**	36
Pharmacy	**1**	1
Total	**237**	228

LOWVELD DISTRIBUTION CENTRE

21 400 m² | 11.6 million cases per annum

Number of stores serviced	2015	2014
SUPERSPAR	**18**	18
SPAR	**28**	28
KWIKSPAR	**–**	–
SaveMor	**10**	11
TOPS	**28**	27
Build it	**44**	37
Pharmacy	**3**	2
Total	**131**	123

IMPORTS WAREHOUSE (BUILD IT)

10 000 m² | 1.5 million cases per annum

Number of stores serviced	2015	2014
Total	**320**	294

FOCUS ON SOUTHERN AFRICA (CONTINUED)

TOP FIVE RISKS

The following table provides a high-level overview of the top five risks to SPAR South Africa, in accordance with our enterprise-wide risk management process undertaken during the year.

RISK	MITIGATING ACTIONS
Loss of retailers and retail stores to competitors	• Focus on retail relationships, leadership and support • Increased attention paid to 'vulnerable' stores
Lack of adherence to and implementation of group initiatives by retailers	• Focus on building retailer discipline and commitment to national strategies, including Fresh, loyalty programmes and online • Quarterly assessment of standards at all stores and remedial actions and guidance for non-adherent stores
Poor individual retailer performance	• Tailored support for individual retailer needs, monthly monitoring of sales and profitability • Benchmarking against cluster store performance and development of unique actions to assist underperforming stores
Rising employee costs with a negative impact on profitability and resource base	• Analysis and management of this cost driver at distribution centre level to optimise the resource base, for example, productivity incentives introduced • Guidance to retailers on managing employee costs as a percentage of turnover
New and existing competition gaining market share	• Marketing strategies for each region, including targeted promotional campaigns • Continued focus on leveraging the SPAR brand and cultivating a positive price perception among consumers

Furthermore, the following emerging risks were identified as having a high potential impact, with low likelihood of occurrence:

- IT systems failure causing significant business disruption
- Long-term sustainability of fresh produce supply
- Substantial physical damage to a distribution centre or central office
- Long-term infrastructural limitations
- Failure to comply with legislation

These emerging risks have corresponding action plans and key risk indicators (KRIs) and are monitored along with the top five risks described above.

More detail is provided in the Risk Committee report on page 88.

GOVERNANCE OF SUSTAINABILITY

The implementation of the social and environmental sustainability objectives within the broader strategy is the joint responsibility of our executive team, with dedicated leadership under our Group Risk, Sustainability and Governance executive. The Social and Ethics Committee provides oversight at board level to ensure this takes place in a compliant and ethical manner that contributes to the welfare of the business and our stakeholders.

Environmental and social compliance is materially relevant to the achievement of our strategy for sustainable growth. From an economic perspective, operating in a compliant manner reduces the associated financial risks, either directly from fines or indirectly from reputational damage.

SPAR's integrated sustainability strategy considers regulatory risks in the form of labour laws, fuel and energy taxes and physical risks in the form of changing weather patterns and the associated implications for resource availability.

SOCIAL SUSTAINABILITY REPORT

SPAR embraces the responsibility that comes with operating on a large scale where the business's activities have a far-reaching impact on a range of stakeholders. We are committed to ensuring SPAR upholds the highest principles of ethics and sustainability in the way we manage our social footprint.

COMMUNITY INVESTMENT

SPAR has an established community investment programme that is implemented according to a formal CSI policy. We are actively engaged at a national, distribution centre and community level, with a focus on nutrition, sport, safety and healthcare. Sport, in particular, is an area where we promote SPAR as a brand associated with healthy living, personal development and community wellness. Our main focus areas are:

- Feeding schemes and community upliftment initiatives.
- Training unemployed youth and thus creating a talent pool for retailers.
- Fighting health issues like cancer, HIV and malnutrition.

The following is a summary of our main CSI and sponsorship activities during the year:

- Donation to Heaven's Nest, a home providing emergency care for children who have been neglected, abused or abandoned, including those who are HIV-positive.
- SPAR provides funding for the Victim-Friendly Facility upgrade programme in police stations throughout the Western Cape, in partnership with Business against Crime (BAC).
- SPAR, in association with Root to Grow, provides funding for a number of vegetable garden activities at schools, including landscaping, fertilising, bedding and one year's worth of externally facilitated maintenance and training.
- SPAR, in collaboration with Izulu Orphans Project, provides food on a daily basis for 150 orphaned and destitute children from households in KwaZulu-Natal with an income below R1 500 per month.
- SPAR supports Gozololo, a crèche and day-care facility for vulnerable children in KwaZulu-Natal, by providing the facility with dry groceries every month and perishable products on a weekly basis. SPAR also assisted Gozololo to launch a vegetable garden in Mgababa as a sustainability project.
- SPAR, in partnership with Operation Hunger, provides a feeding scheme for destitute people living on the outskirts of Hammarsdale, KwaZulu-Natal. Currently, the scheme supports approximately 200 recipients on a daily basis. To build on the success with Gozololo, the next phase is to develop a vegetable garden.
- SPAR has committed to supporting the KwaZulu-Natal Blind and Deaf Society and will fund eight computer literacy programmes for 90 blind and deaf persons at the society's Durban and Pietermaritzburg campuses.
- SPAR spent R24 750 000 on sport sponsorship in the year under review. Sponsorship has been provided to the following sports: football, netball, women's 10 km runs and women's indoor hockey.
- The very successful Cancer*vive* initiative, aimed at highlighting the plight of cancer sufferers and cancer survivors, also received R1 million.

More detail of our main CSI initiatives are provided online.

OUR EMPLOYEES

Attracting and retaining competent and motivated employees is crucial to SPAR's future. We pride ourselves on being a business built on solid relationships, as evidenced in our emphasis on family values and personalising meaningful workplace interaction.

Skills shortages in key technical roles are a key risk and we place emphasis on our internal employee development programmes to cultivate a pipeline of expertise and leadership. These programmes are targeted at previously disadvantaged candidates as part of SPAR's social mandate and commitment to increase the demographic diversity of our workforce.

Rising employee costs are a further challenge. We are committed to maintaining positive relationships with unions at the relevant distribution centres to agree on acceptable terms of employment of unionised members. We have complied with the changes in the amended Labour Relations Act, 66 of 1995, regarding labour broking and contract labour.

Details of our remuneration structures and incentive schemes are provided in the Remuneration Committee report on page 82.

Employee development

During the year, 15 067 days were spent in employee training (2014: 9 182 days). 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

New employee hires and turnover rate

We endeavour to retain our talented human capital, while appreciating that a level of turnover creates opportunities for growth. The number and rate of new employee hires reflects the strength of our brand as an employer, as indicated below.

	2015	2014
New employees	**396**	139
Employee exits	**148**	197
Employee turnover rate (%)	**4.2**	4.7

FOCUS ON SOUTHERN AFRICA (CONTINUED)

Employee demographics

Achieving greater transformation is a major aspect of our strategy, and our employee demographics are a core focus area. We are committed to building a culture that embraces diversity and promotes equal opportunity, as these contribute to our strength as an organisation through access to a wide range of skills, talent and ideas. This is an ongoing challenge for SPAR, and we have allocated responsibility at executive level to drive the necessary change.

The following table provides data regarding SPAR's employee demographics as at 30 September 2015.

Occupational levels	SPAR categories	2015 %*	2014 %*
Board of directors	Executives and non-executives Paterson Grades EU and F	**27.3**	27.3
Senior management	Group divisional executives and specialised group functions E band	**17.9**	19.1
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL and DU	**43.3**	43.0
Skilled technically and academically qualified workers, junior management, supervisors, foremen and superintendents	Supervisory and technical positions Paterson Grades CL and CU	**75.4**	71.3
Semi-skilled and discretionary decision-making	Operators and clerical staff	**96.0**	97.8
Unskilled and defined decision-making	Defined decision-making positions Paterson Grade 1	**100.0**	100.0
Total permanent black employees as a percentage of total employees		**84.5**	80.7

* *Black employees as defined in the BBBEE Act.*

Broad-based black economic empowerment (BBBEE)

We measure our BBBEE score at central office and at the seven distribution centres.

Our rating in the respective elements is provided in the table below. According to the latest verification conducted in April 2015, the group is a level 6 contributor (2014: level 7) with a 60% recognition level (2014: 50%). These ratings are in terms of the previous BBBEE Codes. The new Codes will be used in the 2016 ratings.

Scorecard element	Weighting	2015	2014	Commentary
Ownership	20	**10.8**	8.8	Positive impacts relate to the appointment of more black managers and improved data collection. Negative impacts were the result of a change in targets (management control) and lower levels of investment.
Management control	10	**2.9**	4.1	
Employment equity	15	**8.3**	4.8	
Skills development	15	**2.9**	4.4	
Preferential procurement	20	**10.4**	2.4	
Enterprise development	15	**11.5**	14.8	
Socio-economic development	5	**4.2**	3.4	
Overall score	100	**51.0**	42.7	

Freedom of association and collective bargaining

Strikes within our supply chain and at distribution centres have the potential to materially disrupt our service to our retailers, causing stock shortages that ultimately impact customer perceptions of the brand. On a wider platform, large-scale industrial action in labour-intensive sectors has an indirect but significant impact on SPAR, as they further reduce the spending power of consumers, particularly in lower-LSM brackets.

SPAR upholds our employees' rights to freedom of association and collective bargaining. We have a record of strong relations with our workforce and the trade union, the South African Commercial Catering and Allied Workers Union (SACCAWU), and focus on maintaining this. We are pleased that no material incidents occurred during 2015.

Three of our distribution centres, namely KwaZulu-Natal, North Rand and South Rand, are unionised and have recognition agreements in place with SACCAWU. Each distribution centre engages in wage negotiations according to a cyclical programme, and these are conducted directly between senior management and union representatives.

The Lowveld distribution centre has no recognition agreement with a union due to the low representation among employees. The other three distribution centres, namely Western Cape, Eastern Cape and Build it, are not unionised.

Health and safety

A comprehensive risk management programme is in place, which is audited on a regular basis by an external risk management service provider. The five components of the programme are emergency planning, health and safety, transport, fire and security.

Implementation is monitored and reviewed on an ongoing basis, with the understanding that legislative compliance is the minimum standard and that excellence should be pursued. Each distribution centre has its own health and safety committee, which oversees regular training and emergency drills, and is responsible for resolving or escalating issues that arise. During the year, 507 employees received health and safety training (2014: 3 047 employees). Significant retraining took place in 2014, whereas only new employees were trained and selected retraining was done in 2015.

The bulk of our health and safety incidents occur at the distribution centres, where employees handle bulk goods and operate heavy machinery. During the year, we were saddened to record two deaths, one at the North Rand distribution centre and the other at the Lowveld distribution centre.

The table below indicates our health and safety performance for the year.

Incident	2015	2014
Disabling injuries	**14**	11
Non-disabling injuries	**172**	144
Deaths on duty	**2**	–
Number of employee visits to on-site clinic	**10 899**	10 168

FOCUS ON SOUTHERN AFRICA (CONTINUED)

SPAR provides employees with a wellness service through clinics at each distribution centre. We invested R2.8 million in this service during the year (2014: R3 million). The service is provided free of charge to all on-site employees, with support focused on health and wellness, alcohol and substance abuse.

SPAR has an HIV/Aids policy and management framework in place. HIV-positive employees have access to voluntary counselling and support. SPAR runs HIV/Aids awareness campaigns, accompanied by regular training facilitated by dedicated peer counsellors, to address workplace challenges relating to HIV/Aids. All employees have access to a voluntary medical examination on an annual basis.

OUR SUPPLY CHAIN

As a provider of food, SPAR recognises its responsibility to deliver quality products to our consumers. All SPAR stores are subject to hygiene and safety audits, and the group has a central resource to ensure food safety, compliance and audits for all suppliers appointed by SPAR.

Sustainable sourcing and food safety

SPAR adopted the Sustainable Initiative of South Africa (SIZA) standard to support the ethical treatment of farm workers. The purpose of the audit is to identify areas that are non-compliant with ethical labour practices and require correcting and improvement.

SPAR has food safety standards with which suppliers must comply. We provide leadership to retailers regarding their direct suppliers, with an emphasis on ethical sourcing and food safety. With the growing participation of emerging farmers in the SPAR supply chain, we adopted LocalGAP as an entry-level food safety standard towards full compliance with GlobalGAP within two years, while large-scale commercial farmers are expected to fully comply with GlobalGap. All suppliers are expected to comply with the Global Foods Safety Initiative (GFSI).

Product responsibility

We have traceability systems in place for products delivered to our distribution centres and warehouses. The group has an in-house customer care line that addresses complaints and queries relating to products sold at retailers' stores. This number is provided on all SPAR branded products. All queries relating to non-SPAR branded products are directed to the relevant suppliers.

SPAR developed a nutritional strategy in support of its commitment to innovate house brands and to raise awareness about healthy nutrition for consumers. 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
- Fortifying products for lower-LSM consumers on an economically sustainable basis
- Collaborating with government where possible to deliver nutritious food to the bottom end of the market

Alcohol is sold through TOPS at SPAR. We are committed to promoting the responsible consumption of alcohol, and SPAR is a member of the Industry Association for Responsible Alcohol Use (ARA).

SOCIAL SUSTAINABILITY SUMMARY

The following is a summary of the social sustainability commitments made by SPAR in the previous report, along with the relevant focus areas and our performance during the year.

2014 COMMITMENTS	FOCUS AREAS	PROGRESS DURING 2015
Raising awareness and improving education	• Sustainability champions • Buyer education programme • Work on retailer awareness and education continues with the inclusion of a sustainability section in the retailer induction programme • Consumer awareness	• The divisional logistics directors are the sustainability champions in the distribution centres • We reviewed the buyer education programme to make it more accessible to a greater number of employees and continue exploring the possibility of including suppliers in training programmes • Sustainability awareness included in retailer induction programme
Previously disadvantaged or marginalised person participation	• Emerging farmer inclusion in Fresh supply chain • Ensure ethical treatment of farmworkers • Expand black retailer base • Small building contractor development	• See emerging farmer case study on page 45 • A decision was made not to pursue SIZA. We are currently exploring the introduction of GRASP (the ethical standards framework established by GlobalGap), as this is the farming standard we are targeting for our produce suppliers • The number of black retailers increased from 228 to 245 • Build it initiative to make home building simpler
Philanthropic role	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. Focus areas include: • Healthcare • Nutrition • Safety • Sport	• R14.1 million spent on CSI initiatives (2014: R13.2 million) • R24.7 million invested in our long-term sponsorship projects (2014: R17.5 million) • Various sponsorships and support for good causes • Details of our main CSI activities are available online

ENVIRONMENTAL SUSTAINABILITY REPORT

SPAR's fundamental environmental aim is to reduce its use of various natural resources by driving efficiency in the way it operates. This extends to our supply chain, where significant emphasis is placed on those supplier and retailer practices that SPAR can influence for the better.

Our environmental initiatives are developed to yield commercial gains and environmental welfare, as the long-term reductions in input costs will have a positive impact on the business. In support of this, SPAR has altered the business's technology strategy and specifications, particularly for large-scale infrastructure investments, such as vehicles, buildings and equipment, to incorporate green technology wherever possible.

CLIMATE CHANGE

We are alive to the challenges climate change poses to our business and society as a whole. Our risk management and sustainability approach is premised on an understanding that this will effect significant changes in the way economies use and value natural resources in the future. Our five-year environmental action plan sets out reduction targets in key indicators by 2017.

These are provided in the summary table at the end of this section on page 60.

FOCUS ON SOUTHERN AFRICA (CONTINUED)

SPAR recognises the detrimental impact of carbon emissions on the environment and their contribution to climate change, which is a long-term risk for SPAR. This is particularly relevant to our Fresh supply chain, which relies heavily on agriculture and an efficient transportation network, both of which would be affected by changes in weather patterns, such as floods and droughts. Furthermore, considering the scale and energy-intensive nature of our physical infrastructure in the form of our buildings and distribution fleet, our carbon footprint is substantial, and regulatory changes that impact the cost of fossil fuel energy carry significant financial implications for SPAR. To further drive improvement in this area, energy reduction targets are incorporated in the remuneration incentive structures of certain executives.

As part of our commitment to improving our carbon footprint, SPAR has participated in the CDP (formerly the Carbon Disclosure Project) since 2009. SPAR's carbon footprint is calculated according to the International Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard, and the data provided pertains to the period from 1 October 2013 to 30 September 2014. The scope of the submission comprises the central office and the seven distribution centres with their associated distribution fleets. Unfortunately, the results of the CDP submitted in June 2015 are not yet available.

During the period of this report, SPAR's activities emitted a total of 78 078 tonnes of carbon dioxide equivalent (CO_2e) for Scope 1 and Scope 2 emissions (previous period: 78 758 tonnes – restated), resulting in a 1% reduction. Scope 3 emissions continue to increase as more emission sources are monitored. In the Scope 3 category, there was a 41% reduction of CO_2e in the manufacturing of SPAR plastic carrier bags and a 4% reduction in CO_2e in the printing of advertising leaflets.

The breakdown of Scope 1, 2 and 3 emissions is as follows:

Scope per GHG protocol	2015	2014	Commentary
Total footprint Scope 1 and 2 (CO_2e)	**78 078**	78 758	Overall focus on emissions reductions at national, distribution centre, achieving 1% reduction
Scope 1: direct GHG emissions from vehicles, warehouse cooling and air-conditioning facilities (CO_2e)	**37 269**	37 644	Sustained focus on improving supply chain efficiencies with emphasis on optimising transport logistics, achieving 1% reduction
Scope 2: indirect GHG emissions from electricity consumed (CO_2e)	**40 809**	41 114	Focus on electricity usage at distribution centres based on comprehensive electricity audits done by an outside service provider, achieving 1% reduction
Scope 3: other indirect GHG emissions from business travel (CO_2e)	**3 774**	4 236	Major drive to reduce business travel through increased use of videoconferencing facilities, achieving 12% reduction
Scope 3: other indirect GHG emissions from waste generated (%)	**7.92**	11.12	3% reduction of waste to landfill

OUR SUPPLY CHAIN

SPAR is driven by the understanding that supply chain optimisation and innovative energy management will achieve cost and carbon footprint reduction.

Joint business planning

A major aspect of our supply chain optimisation has been our joint business planning activities with top suppliers to target efficient resource use regarding packaging and transport, as well as to identify opportunities for collaboration on social investment projects. For example, we have an agreement with our main liquor suppliers to address the adverse effects of alcohol through responsible marketing and awareness.

Transport and logistics

SPAR's logistics model and strategy is focused on route planning and fuel efficiency to reduce transport expenses, particularly on the back of fluctuations in the fuel price and the resultant variability in this major cost driver. Fuel costs for the day-to-day operations of SPAR were approximately R156 million during the year (2014: R184 million).

Continuous improvement of the SPAR vehicle fleet is a core focus over the long term. Initiatives include:

- Optimising load and route management through transport management software
- Increasing use of 95:5 (diesel:biodiesel) fuel mix
- Increasing use of biodiesel (recycled and converted used cooking oil from certain SPAR retail stores), which has lower emissions impact and is cheaper than conventional diesel
- Fitting 20 aerokits on long-distance vehicles to reduce drag
- Developing green aerodynamic trailer prototype, designed to reduce fuel costs and CO_2e
- Driver training, with associated assessments and remuneration incentives, to improve fuel efficiency

Recycling

All distribution centres have comprehensive recycling programmes for plastic and cardboard in place. This includes waste generated at the distribution centres and by certain participating retail stores from whom waste is backhauled when deliveries are made.

Our major recycling drive is targeted at SPAR brand packaging. We have successfully partnered with third-party service providers to achieve major improvements in this area. Our approved SPAR packaging suppliers have undertaken to channel their waste into our recycling programme, and to use the recycled cardboard from our distribution centres (and participating retail stores) for use in SPAR brand packaging. In this way, we are closing the loop in our cardboard waste and contributing to our overarching goal of reducing our waste to landfill.

We are also committed to extending water recycling programmes to all distribution centres, following the success of our pilot programmes at the KwaZulu-Natal, Eastern Cape and North Rand distribution centres. Other waste initiatives involve the recycling of materials, such as fine metals, used vehicle lubricants and refrigeration oils.

FOCUS ON SOUTHERN AFRICA (CONTINUED)

ENVIRONMENTAL SUSTAINABILITY SUMMARY

The following is a summary of the environmental sustainability commitments made by SPAR in the previous report, along with the relevant focus areas and our performance during the year.

2014 COMMITMENTS	FOCUS AREAS	PROGRESS DURING 2015
Reducing our direct environmental footprint	• Biodiesel and fuel efficiency • Energy savings: target of 20% in electricity consumption by 2017 • Waste management (recycling): target of reducing waste to landfill by 50% by 2017 • Water management: target of 30% reduction of municipal water use by 2017 • Fuel emissions: target of 10% reduction in fuel emissions by 2017	• Used cooking oil collected from certain retail stores and converted into biodiesel • 324 800 litres of biodiesel used in 2015 (2014: 138 450) • 24 green trailers in use (2014: six) • Focus on energy usage in all distribution centres, particularly cold storage, resulted in reduced tonnes of CO_2e used from 41 114 kWh in 2014 to 40 800 in 2015 • 1% reduction in electricity use (2014: 20%), following a number of initiatives: – Electricity meters and energy-saving lights – Refrigerator power-saving initiatives – Old batteries replaced with less energy-intensive units – Shift to more energy-efficient geysers • All distribution centres have cardboard and plastic recycling initiatives in place • 12 349 metric tonnes of cardboard recycled (2014: 9 995 metric tonnes) • 1 295 metric tonnes of plastic recycled (2014: 1 037 metric tonnes) • 27.1% of SPAR stores are involved in the cardboard recycling initiative (2014: 27%) and 24.5% in the plastic (2014: 24%) • Water consumption by SPAR is primarily for washing trucks and use in cooling systems • Three distribution centres have water recycling programmes in place and two harvest rainwater and greywater • 9% water use reduction achieved, based on distribution centres' and central office use (2014: 21%) • 2% reduction in fuel emissions (2014: 2%)
Innovation in our house brands	• House brand packaging review • South African Sustainable Seafood Initiative (SASSI) implementation • Sustainability product criteria	• Extensive work in partnership with packaging third-party service provider to use recycled cardboard for packaging house brands • Relationship commenced with SASSI in December 2010 • All seafood procurement of SPAR house brand takes place according to a formal sustainable sourcing policy • Our Freshline team assists local farmers in the Freshline supply chain to adopt more sustainable farming methods • All farmers in the emerging farmer programme are trained in sustainable farming practices • Continued engagement with SPAR brand suppliers to gain further knowledge of their sustainable business practices

2014 COMMITMENTS	FOCUS AREAS	PROGRESS DURING 2015
Suppliers' and retailers' business practices	• Supplier sustainability baseline and plans • Supplier collaboration • Retailer engagement (energy and waste) • Implement biological farming across the entire farmer base	• Sustainability and supply chain optimisation objectives embedded in joint business planning activities with 13 of our top suppliers (2014: 10) • Screening of new suppliers using environmental criteria for the first time. This is an ongoing item for the joint business planning discussions • 58% of the farmers (2014: 58%) in the Freshline supply chain have been trained in biological farming methods • 15 emerging farmers have been trained in LocalGap sustainable agricultural practices

FOCUS AREAS FOR 2016

- Finalising land rezoning in the Lanseria area to develop an eighth regional distribution centre
- Completing the inland slow-moving product facility
- Beginning construction of an extension to the perishables facility in Western Cape
- Rolling out TrenDIY stores as part of Build it expansion strategy
- Africa expansion
- Further entrenching our values (Passion, Entrepreneurship and Family)
- Driving the opening of new stores
- Driving further opportunities in BWG

FOCUS ON IRELAND

'The Irish operations contributed turnover of R16.9 billion for the full year, representing 23% of overall group turnover.'

FINANCIAL OVERVIEW

BWG produced satisfactory results for the year as improving fundamentals in the Irish economy prompted a gradual increase in consumer activity. The Irish operations contributed turnover of R16.9 billion for the full year, representing 23% of overall group turnover.

Ireland continues to experience a deflationary trend as a result of the increased focus on value shopping, following the global financial crisis in 2008. This has created an environment of intense competition in which businesses throughout the supply chain have absorbed increased import prices while lowering retail prices. Against this backdrop, internally measured food deflation of more than -2% was recorded.

BWG reported an increase in the gross margin to 10.5% (2014: 10.2%), attributed to volume increases in certain product lines, including soft drinks, confectionary and alcohol. Operating profit amounted to R306.4 million and reporting 13% of the group's operating profit.

OPERATIONAL OVERVIEW

BWG operates a multi-brand retail strategy, which includes SPAR, MACE, XL and Londis, making it the market leader in convenience retail in Ireland, with 40% market share.

There are three main offerings within the SPAR brand, namely SPAR for neighbourhood and convenience shopping, SPAR Express for forecourt shopping and EUROSPAR for supermarket shopping. SPAR and SPAR Express performed well during the year, with pleasing gains in market share on the back of double-digit growth in house brand sales. The introduction of a new SPAR Select premium brand is anticipated to contribute further returns. We developed the first new-look SPAR concept store in Dublin, which attracted interest both nationally and internationally as the new standard in convenience retailing for the Irish market.

Similarly, we launched the first new-look EUROSPAR concept store in June 2015, and will use this store to test improvement strategies formulated by a mixed team of Irish and South African experts. EUROSPAR is part of a pan-European retail format operating in 13 countries with over 860 stores and, in Ireland, has a distinctly local feel. EUROSPAR in Ireland suffered as a result of the global financial crisis, which was felt most in the supermarket sector. However, we are confident that interventions focused on enhanced pricing and marketing strategies on known value items (KVIs) will boost the brand as the suburban grocery offering of choice.

FOCUS ON IRELAND (CONTINUED)

The MACE network includes local community stores as well as forecourt shopping, with 230 stores around the country. MACE grew market share during the year, particularly in the forecourt sector, due largely to increases in its house brand offering, which is aggressively structured to offer up to a 33% saving against leading brands. MACE has a successful partnership with fuel company Maxol and has established 60 forecourt stores at its garage outlets to date.

XL is a flexible retail model, predominantly for smaller neighbourhood stores, which provides retailers with the opportunity to receive the benefits of a symbol group membership while retaining their independence and paying a lower symbol fee. XL is a national brand with a local approach. The stores source grocery and alcohol goods from their local Value Centre Cash and Carry. Retailers also have access to the BWG Group central billing supply network of direct store delivery and the BWG chilled distribution centre.

The integration of Londis is progressing well. The brand is a prime strategic fit for BWG, providing exposure across four of the leading convenience retail brands in the country. Londis operates four store formats according to the selling area size of each store. The acquisition is seen as part of a broader trend towards consolidation in the market in recent years, where larger-scale operators are better resourced to manage the prevailing economic headwinds. BWG will benefit from a number of important synergies with the addition of Londis in terms of its market-leading fresh produce supply chain, and the expediency of increased buying power.

BWG operates a successful wholesale businesses through its Value Centre Cash and Carry branch network, contributing approximately 27% of total turnover, with over 15 000 customers nationwide. A major offering includes the BWG Foodservice business, which produced strong year-on-year growth through new business developments and the awarding of new supply contracts.

BWG Wines and Spirits delivered double-digit year-on-year growth. This was largely the result of an ongoing programme to secure new brands on an exclusive supply basis. Currently, over 200 wine and spirit products are available exclusively to BWG-affiliated retailers from BWG Wines and Spirits.

BWG has a property investment division, Triode Newhill Management Services Ltd (TRIODE), comprising 100 trading stores – 32 freeholds and 68 under leasehold. TRIODE stores trade under multiple BWG brands in SPAR, SPAR Express, EUROSPAR and MACE. These stores are predominantly based in Dublin City and the Greater Dublin Area, with 20% located elsewhere in the country.

The national distribution centre at Kilcarbery, Dublin, is the heart of the distribution operations in Ireland, servicing SPAR, SPAR Express, EUROSPAR, MACE and Value Centres for perishables, dry and alcohol products, while Appleby Westward services 292 SPAR stores in South West England.

The shifts in Ireland's economic climate forced suppliers to review how they operate in relation to wholesale and retail groups, with the most significant difference being the gradual withdrawal of direct-to-store deliveries. This contributed to more centralised supply networks, particularly in fresh and chilled products. The installation of the chilled product facility at Kilcarbery is a good example of this broader trend. It has added handling capacity of over 7.8 million cases per year and will have a positive impact on wholesale margins. The facility is now equipped to handle in excess of 25 million cases per year and despatched approximately 16 million cases during 2015.

The transport division consists of 35 ambient and chilled BWG-operated vehicles covering Dublin and Leinster, with third-party service providers covering the balance of the routes. BWG recently invested in bespoke double-deck trailers, which significantly increase load volumes, thereby reducing mileage and the associated carbon emissions.

BWG introduced loyalty schemes for SPAR, EUROSPAR and MACE as part of a focused strategy to expand market share and increase returns. The ability to reward loyal shoppers proportionally to their support and to encourage return custom has resulted in higher average spend per store visit. Consumers are also exposed to a comprehensive marketing programme that centres on a promotional campaign of 'Real Deals' featured in print media, television, radio and digital advertising. Social media remains a strength for SPAR Ireland, as a core part of the drive to connect directly with consumers and garner further support for the SPAR brand.

STAKEHOLDER CASE STUDY:
RETAILERS

SPAR IRELAND'S AWARD-WINNING RETAILERS

Ireland is renowned for having the world's leading convenience retail sector, and SPAR is a leading brand within this sector. SPAR Ireland always strives to improve the consumer offering, and in 2015, retailers were rewarded for their efforts with multiple industry and marketing awards. SPAR Ireland excelled in retail standards at the country's top industry awards for convenience and forecourt retailing:

- A SPAR forecourt store on the motorway network in Monasterevin, Co. Kildare won the top accolade at the ShelfLife National C-Store Awards, the most prestigious awards for the Irish fast-moving consumer goods sector, namely 'Convenience Store of the Year'
- The same store also won the 'Forecourt & Convenience Store of the Year' award at Ireland's Forecourt & Convenience Retailer Awards for the third consecutive year, and the store manager was acknowledged with the 'Best Manager' award
- Three SPARs were awarded Checkout's Best In Fresh Awards
- Our SPAR in Dame Street was awarded a Retail Excellence Ireland Award, for 'Store of the Year'
- Our SPAR Express forecourt store in Letterkenny, Co. Donegal won the National Award for Food & Hygiene Safety at the Excellence Ireland Quality Association Awards
- SPAR stores won more awards than any other retail group at all industry functions between October 2014 and September 2015

FOCUS ON IRELAND (CONTINUED)

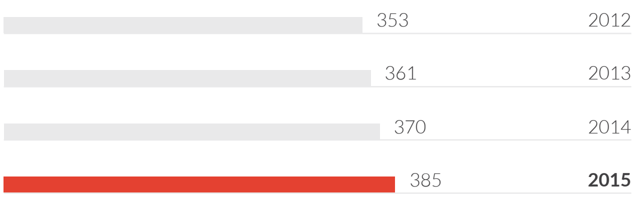
STORE FORMAT OVERVIEW

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

SPAR

- Comprises SPAR (65 182 m² total selling area) and SPAR forecourt stores (11 688 m² total selling area)
- Neighbourhood and forecourt convenience
- Groceries, fresh produce, baked goods, coffee and liquor
- Comprehensive offering of snacking, ready-to-eat, on-the-go products

NUMBER OF STORES



PERFORMANCE

- Opened 32 new stores (including two transfers from EUROSPAR, one from MACE and one from Londis)
- Closed 17 stores
- Upgraded 29 stores

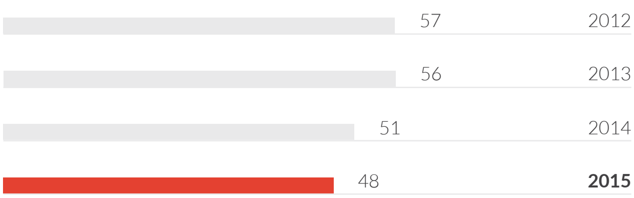
TARGET

- Introduction of new premium house brand, *SPAR Select*

EUROSPAR

- 35 701 m² total selling area
- Comprehensive range of groceries and general merchandise
- Fresh produce, in-store bakery, butchery, deli, ready-to-eat products and home-meal replacements

NUMBER OF STORES



PERFORMANCE

- Closed three stores, of which two were transferred to SPAR
- Upgraded 8 stores

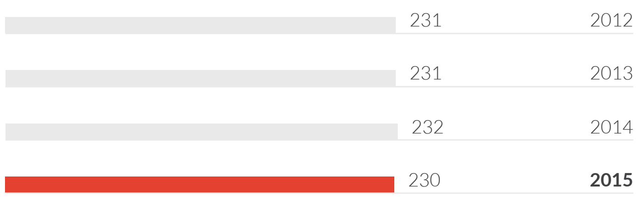
TARGET

- Piloting improvement initiatives at a new-look concept store

MACE

- Founded in 1960 as part of The Mangan Group, acquired by BWG in 2008
- Neighbourhood and forecourt convenience
- Groceries, fresh produce, baked goods, coffee and liquor
- Comprehensive offering of snacking, ready-to-eat, on-the-go products

NUMBER OF STORES



PERFORMANCE

- Opened 11 new stores
- Closed 13 stores, of which one was transferred to SPAR
- Upgraded 19 stores

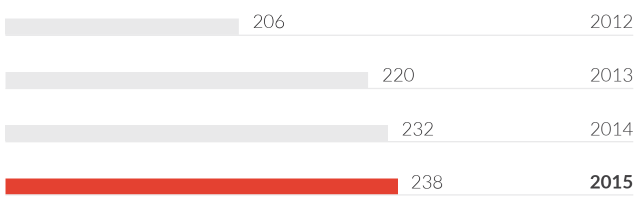
TARGET

- Delivery of new retail strategy

XL

- Established in 1997, supplied primarily by Value Centre Cash and Carry
- Smaller-scale convenience and neighbourhood store
- Comprehensive offering of snacking, ready-to-eat, on-the-go products

NUMBER OF STORES



PERFORMANCE

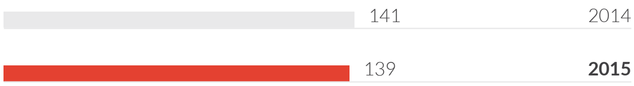
- Opened 23 new stores
- Closed 17 stores
- Upgraded 14 stores

FOCUS ON IRELAND (CONTINUED)

Londis

- Established in 1954, acquired by BWG in 2015
- Range of formats according to selling area and range:
  - Londis Plus
  - Supermarket
  - Food market
  - Convenience

NUMBER OF STORES



PERFORMANCE

- Closed two stores, of which one was transferred to SPAR

TARGET

- Integrate supply and distribution system with BWG

Value Centre

- 12 000–50 000 sq ft selling area, varying according to location
- Direct wholesale and 'cash and carry'
- Product listing of over 12 000 lines across alcohol, confectionery, health and beauty, fresh, frozen, general merchandise and catering products
- Goods and services to the retail grocery trade and licensed and catering outlets
- Primary supplier to XL stores
- 22 branches supplying 15 000 customers

DISTRIBUTION CENTRES

THE NATIONAL DISTRIBUTION CENTRE SERVES BWG'S RETAIL AND WHOLESALE OPERATIONS IN IRELAND WHILE THE APPLEBY WESTWARD FACILITY SERVICES A CHAIN OF SPAR STORES IN ENGLAND.

BWG GROUP

Number of stores serviced	2015	2014
SPAR	**385**	370
Londis	**139**	
EUROSPAR	**48**	51
MACE	**230**	232
XL	**238**	232
Out of Appleby Westward	**292**	266
Total	**1 332**	1 151

APPLEBY WESTWARD LOGISTICS

Appleby Westward consists of two facilities:

Appleby Westward Logistics	Floor space sq ft	Cases despatched
Saltash ambient distribution centre	77 600	6.0 million
Cullompton fresh distribution centre	28 162 (of which 7 600 of frozen)	4.5 million
Total	**105 762**	**10 468 566**

TOP FIVE RISKS

RISK	MITIGATING ACTIONS
Competition in the grocery industry	• Increased investment in current retail footprint targeting store design and securing new customers • Enhancing our fresh food offering
Changes in supply chain and withdrawal of suppliers from direct store distribution	• Investment in technologically advanced chilled product facility at national distribution centre • Identifying further opportunities to improve our logistics operations
Cost pressures – labour and supply chain	• Capturing and delivering synergistic benefits from the Londis acquisition • Continued focus on overhead reductions and reducing the cost to serve
Legislative changes affecting key categories – tobacco and alcohol packaging and labelling requirements	• Lobbying through industry groups to minimise the potential impact of any changes on BWG's wholesale and retail business
Customer loyalty	• Focused marketing campaigns and public sponsorships • Loyalty programmes to reward consumers for their return business

FOCUS ON IRELAND (CONTINUED)

SOCIAL SUSTAINABILITY REPORT

Irish retail is the country's largest industry and largest private sector employer. It is therefore a critical contributor to the country's economy. BWG has entrenched operating policies which govern its engagements with major stakeholders and comply with all relevant legislation.

COMMUNITY INVESTMENT

The National Children's Hospital is BWG's chosen charity partner. We work closely with retailers to drive outreach and fundraising campaigns in support of the hospital. Examples of BWG's other major CSI projects include the ECR Ireland initiative, Feeding Ireland's Future, a joint venture with retailers, suppliers and service providers to offer pre-employment support to unemployed people between the ages of 18 and 24, and Business in the Community, where company representatives work with local schools to provide students with career advice and guidance on application skills and job interviews.

SPAR Ireland's headline sponsorships are:

- Athletics Ireland
- *Kitchen Hero*, national television programme
- Football Association of Ireland

Through these major sponsorships, the SPAR brand receives large-scale exposure and an association with health and wellness.

OUR EMPLOYEES

BWG has a robust talent management framework. In a growth economy, the greatest people risk relates to recruitment and retention, which is exacerbated by wage inflation prevailing across most sectors. Furthermore, ongoing pressure and lobbying to increase the minimum wage are impacting stable labour relations which have characterised the period since 2008. It is likely that the increase in the minimum wage will be implemented, which will affect BWG's labour costs.

BWG maintains positive relations with the relevant unions and no significant labour issues occurred during 2015.

Health and safety

The health and safety of employees on-site is an important and highly regulated aspect of the business. No material incidents were reported during the year. We introduced a confidential employee assistance programme, a 24-hour helpline that is available to employees and their families. BWG also developed a stress management policy.

The national distribution centre is the main hub of activity and has on-site security 24 hours a day with remote monitoring in place for burglar and fire-alarm activation.

Employee development

The group's employee development focus for the year was 'Vision, Mission, Values and Leadership'. This programme includes a 360-degree feedback mechanism. Employees are measured against specific leadership competencies by their manager and peers, which then inform the personal development plans for each individual.

Food safety

As a food retailer, BWG implements the highest practices to ensure the safety and quality of its products. This is measured according to six key areas:

- Retail employee training
- Food safety manuals
- Store audits
- Industry standards, emerging issues and liaising with government bodies
- Allergens
- Supplier assessment and approval

ENVIRONMENTAL SUSTAINABILITY REPORT

BWG introduced a number of innovative supply chain initiatives to make the distribution operations more environmentally friendly, resulting in reduced mileage and a vastly decreased carbon footprint. These can be summarised as follows:

- Consolidating ambient distribution warehouses (previously in three locations) into the national distribution centre, completed in 2012
- Integrating chilled food categories into the same facility was completed in May 2015
- Consolidating distribution with multi-temperature deliveries on one vehicle to retailers
- Upgrading transport technology, including newer fleets, and double-deck vehicles
- Optimising load fill
- Introducing new technology, including vehicle tracking

FOCUS AREAS FOR 2016

- Bedding down of the new chilled warehousing facility at the national distribution centre
- Integrating the Londis retail business, including transfer of supply chain and logistics to the national distribution centre
- Returning to like-for-like top-line growth in the retail business
- Continuing support of retailers to achieve profitability growth
- Leveraging increased focus on house brands


€2.49
€2.99
SPAR
Londis

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

MICHAEL JOHN HANKINSON (66)
BCom, CA(SA)

Independent non-executive Chairman
Chairman of the Nominations Committee
Member of the Remuneration Committee

Appointed to the board: September 2004

Chairman of Grindrod Ltd and non-executive director of Illovo Sugar Ltd.

PETER KILBY HUGHES (69)
CIS

Independent non-executive director
Member of the Audit Committee

Appointed to the board: September 1989

A former CEO of The SPAR Group Ltd and a former regional and divisional director within the Barlow Group Inc.

ROWAN JAMES HUTCHISON (68)
BCom (Hons), MBA

Independent non-executive director
Member of the Remuneration Committee and Nominations Committee

Appointed to the board: October 2004

A former CEO of RMB Asset Management.

MZIWAKHE PHINDA MADI (51)
BProc (Unizul) EDP (HEC – Paris), EDP (Northwestern – Chicago, USA)

Independent non-executive director
Member of the Risk Committee

Appointed to the board: October 2004

Chairman of Allcare Medical Aid Administrators (Pty) Ltd and Respiratory Care Africa (Pty) Ltd. Non-executive director of Illovo Sugar Ltd, Nampak Ltd, Sovereign Food Investments Ltd and the Automobile Association of South Africa (AA). A founding member and commissioner of South Africa's Black Economic Empowerment Commission.

PHUMLA MNGANGA (47)
BA, BEd, MBL, PhD

Independent non-executive director
Chairperson of the Social and Ethics Committee

Appointed to the board: January 2006

Managing director of Lehumo Women's Investment Holdings, chairperson of the Tolcon-Lehumo group of companies and the Siyazisiza Trust. Non-executive director of Crookes Brothers Ltd and Gold Circle (Pty) Ltd.

HARISH KANTILAL MEHTA (65)
BSc (USA), MBA (USA)

Independent non-executive director
Member of the Audit Committee, Nominations Committee and Risk Committee
Chairman of the Remuneration Committee

Appointed to the board: October 2004

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

CHRISTOPHER FRANK WELLS (66)
BCom, CA(SA)

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

Appointed to the board: April 2011

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

EXECUTIVE DIRECTORS

GRAHAM OWEN O'CONNOR (59)
BCom, CA(SA)

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

Appointed to the board: February 2014

Joined the SPAR Group in 1986 as group accountant in 1986 and became the Managing Director of the SPAR KwaZulu-Natal division in 1987. In 1997, he left the group to start his own industrial catering business and became a partner in five SPAR retail stores. He returned to the group in 2014 as CEO.

MARK WAYNE GODFREY (50)
BCom, CA(SA)

Group Financial Director
Member of the Risk Committee

Appointed to the board: October 2010

Served in financial management positions in various group operations.

WAYNE ALLAN HOOK (59)
BCom, CA(SA)

New Business and Support Services Director
Member of the The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa
Chairman of The SPAR Guild of Southern Africa's Social and Ethics Committee
Member of the Risk Committee and Social and Ethics Committee

Appointed to the board: 1 October 2006

Joined the group in 1984

Former CEO of The SPAR Group Ltd. Served in financial, information technology and logistics management positions before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997. Appointed New Business and Support Services Director in 2014.

ROELF VENTER (58)
BCom (Hons), MBA

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

Appointed to the board: February 2007

Joined the group in 1983

Served in various marketing and buying management positions before being appointed Managing Director of SPAR West Rand and, subsequently, SPAR South Rand. Appointed Group Marketing Director in October 1999 and assumed the position of Retail Operations Director in 2006.

COMPANY SECRETARY

KEVIN JAMES O'BRIEN (53)
BA, LLB, BSocSc (Hons)

Company Secretary and Risk, Sustainability and Corporate Governance Executive
Member of the Risk Committee and Social and Ethics Committee

Appointed Company Secretary: February 2006

Joined the group 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.

BOARD OF DIRECTORS (CONTINUED)

EXECUTIVE MANAGEMENT

GRAHAM OWEN O'CONNOR (59)
BCom, CA(SA)

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

Graham joined the group in 1986 as group accountant and became the managing director of the SPAR KwaZulu-Natal division in 1987. In 1997, he left the group to start his own industrial catering business and became a partner in five SPAR retail stores. He returned to the group in 2014 as CEO.

MARK WAYNE GODFREY (50)
BCom, CA(SA)

Group Financial Director
Executive director
Member of the Risk Committee

Joined the group in 1996

Mark has served in financial management positions in various group operations.

DESMOND CRAIG BORRAGEIRO (41)

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

Joined the group in 1996

Desmond served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR South Rand division.

BRETT WALKER BOTTEN (51)
BCom, CA(SA)

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

Joined the group in 1994

Brett has served as Managing Director of SPAR North Rand, SPAR Lowveld and SPAR Eastern Cape divisions.

TREVOR DUNCAN CURRIE (60)

Group Logistics Executive
Member of the Risk Committee

Joined the group in 1985

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

ROBERT DE VOS (54)

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

Joined the group in 1988

Rob served in various retail operations positions before being appointed divisional Retail Operations Director at SPAR North Rand division.

WAYNE ALLAN HOOK (59)
BCom, CA(SA)

New Business and Support Services Director
Executive director
Member of the Social and Ethics committee
Member of The SPAR Guild of Southern Africa
Chairman of The SPAR Guild of Southern Africa's Social and Ethics Committee
Member of The Build it Guild of Southern Africa

Joined the group in 1984

Wayne is the former CEO of the group and served in financial, information technology and logistics management positions before being appointed Managing Director of SPAR KwaZulu-Natal division in 1997.

CONRAD LUKE ISAAC (54)

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

Joined the group in 1982

Conrad is the previous Human Resources Director of SPAR Eastern Cape division.

KEVIN JAMES O'BRIEN (53)
BA, LLB, BSocSc (Hons)

Company Secretary and Risk, Sustainability and Corporate Governance Executive
Member of the Risk Committee
Member of the Social and Ethics Committee

Joined the group in 1993

Kevin served in personnel, human resources and property management positions in various group operations and was the former general manager of Capper and Company, a SPAR distribution operation in the United Kingdom.

ROBERT GRANT PHILIPSON (47)

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

Joined the group in 1996

Rob served in retail operations positions in various group operations before being appointed divisional Retail Operations Director at SPAR KwaZulu-Natal division.

MIKE GRANT PRENTICE (47)
BCom, LLB

Group Marketing Executive
Member of The SPAR Guild of Southern Africa

Joined the group in 1991

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

MARIO MENEZES SANTANA (42)

Managing Director SPAR Western Cape division
Member of The SPAR Guild of Southern Africa

Joined the group in 1995

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

ENNO PAUL STELMA (54)
BCom

Group IT Executive
Member of the Risk Committee

Joined the group in 1989

Enno has served in IT management positions in various group operations.

THULISILE TABUDI (47)
PhD

Human Resources Executive
Member of the Social and Ethics Committee

Joined the group in 1999

Thuli is the previous Human Resources Director of SPAR South Rand division.

ROELF VENTER (58)
BCom (Hons), MBA

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

Joined the group in 1983

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

RAYMOND EDWARD WHITMORE (60)
BCom, CA(SA)

Managing Director Build it division
Chairman of The Build it Guild of Southern Africa NPC

Joined the group in 1983

Ray joined as group accountant at SPAR Central Office before being appointed Managing Director of SPAR Western Cape division.

CORPORATE GOVERNANCE

The board is committed to transparency and accountability and, in this, the board ensures the integrity of the annual integrated report by considering both the financial and non-financial information and are of the opinion that all significant governance principles have been applied.

GOVERNANCE AND COMPLIANCE HIGHLIGHTS

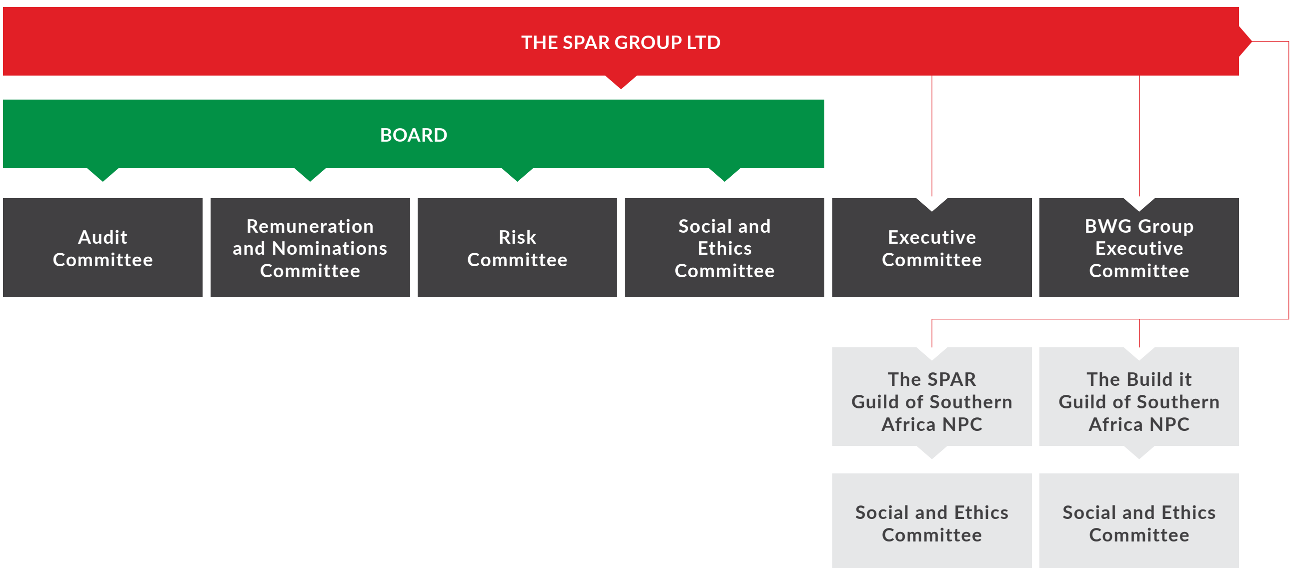
Highlights for the year under review:

- The Remuneration and Nominations Committee split to comply with King III and the JSE Listings Requirements, which state that the chairman of the board may not chair the remuneration committee. Mr Hankinson was the chairman of the combined Remuneration and Nominations Committee and, following its split, was appointed chairman of the Nominations Committee. Mr Mehta was appointed chairman of the Remuneration Committee.
- Messrs PK Hughes and RJ Hutchison, who both retire by rotation, have not offered themselves for re-election at the 2016 annual general meeting (AGM).
- The board appointed Mrs M Mashologu on 1 December 2015 as an independent non-executive director. She will stand for election by shareholders at the 2016 AGM.
- An ethics survey was conducted by the Ethics Institute of South Africa (EthicsSA) during the year.
- Management engaged with EOH Legal Services to establish SPAR's levels of readiness for the Protection of Personal Information Act (POPI), 4 of 2013, to ensure compliance when the Act is made effective.
- Management engaged with shareholders in drafting the company's remuneration policy.
- The company's strategy and risk imperatives were reviewed by management, the board and its respective committees. The outcome of this review was the incorporation of transformation as a separate imperative and the subtle rewording of other imperatives. The resultant strategic risks have been identified for these changes and have been incorporated into the enterprise risk management (ERM) process.

The notice of the AGM is provided on page 156.

GOVERNANCE STRUCTURE

The company's governance approach extends beyond the listed entity to include areas of influence that are material to the sustainability of the group. This includes The SPAR Guild of Southern Africa, a non-profit company and The Build it Guild of Southern Africa, a non-profit company.



CORPORATE GOVERNANCE (CONTINUED)

COMPLIANCE

The board is accountable for ethical leadership, sustainability and good corporate citizenship of the group and in this, the board takes guidance from the:

- King Report on Governance and the King Code of Governance Principles for South Africa 2009 (King III)
- JSE Listings Requirements
- Companies Act, 71 of 2008, and Companies Regulations 2011, as amended (Companies Act/Companies Regulations)
- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- The Global Reporting Initiative (GRI) G4 sustainability reporting guidelines
- Ethics Institute of South Africa
- The Institute of Chartered Secretaries and Administrators (ICSA)
- Companies and Intellectual Property Commission (CIPC)
- Institute of Internal Auditors South Africa (IIA SA)
- South African Institute of Chartered Accounts (SAICA)

CORPORATE GOVERNANCE COMPLIANCE

The company adopted the recommendations of King III as a minimum standard and uses the Institute of Directors in Southern Africa's (IoDSA) governance assessment instrument (GAI) to provide assurance that the board has considered every principle and practice as recommended by King III.

Assurance of the accuracy and validity of these results are provided by the company's committees, in line with their respective delegated powers and authority.

Instances where the King III requirements were not applied are explained in the governance register, which is available online.

Code of Ethics

The board acknowledges that ethics is the foundation of, and reason for, corporate governance and is responsible for ensuring that management actively cultivates a culture of ethical conduct and sets the values to which the company must adhere to.

The board adopted the company's Code of Ethics in 2014 and this is available online.

The company is built on trust and honest relationships with its stakeholders. Its Code of Ethics sets out a number of ethical behavioural standards for all employees and directors of the company to adhere to. These include work ethic, conditions of service, conflicts of interest, dealing in SPAR shares, media statements, bribery, corruption and unethical behaviour, and the receiving and giving of gifts. Employees are encouraged to report any perceived breaches of the code to their respective management structures.

An ethics survey was conducted by the Ethics Institute of South Africa (EthicsSA) during the year under review. The report found that SPAR does well in creating an ethical organisational culture and that SPAR has successfully embedded ethical standards into the organisation. Further training in ethics awareness will take place in the new financial year.

Whistle-blowing hotline

The company subscribes to Tip-Offs Anonymous, the confidential whistle-blowing hotline service operated by Deloitte. A hotline report is received per distribution centre and central office monthly. During the year, four significant reports were received, all of which were addressed satisfactorily by the relevant distribution centre.

REGULATORY COMPLIANCE

Compliance manuals for all relevant legislation pertaining to the company are in place through its ERM process.

The following legislation was prioritised during the year:

- BBBEE Codes of Good Practice
- Labour Relations
- Employment Equity
- Income Tax
- Value-added Tax
- Competition
- Liquor Licensing
- Consumer Relations
- Protection of Personal Information (POPI)

To stay abreast of industry trends and regulatory requirements, the company continually engages and collaborates with industry bodies in the following forums:

- Consumer Goods Council of South Africa (CGCSA) and subcommittees
- Retailers Association and, through their offices, Business Unity South Africa (BUSA), represented on the Commission for Conciliation, Mediation and Arbitration (CCMA)

- Wholesale and Retail Sector Education and Training Authority (W&R SETA) and its Standards Generating Body
- Transport Education and Training Authority (TETA)

Access to information

The company has complied with the requirements of the Promotion of Access to Information Act, 2 of 2000. This manual is available online.

No requests for access to records or other information were received during the year under review.

THE BOARD

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

The general powers of the board are conferred in the company's Memorandum of Incorporation (MOI) and board charter, which are available online.

The board charter sets out the powers and authority of the board and provides a clear and concise overview of the roles and responsibilities of the board members. The board charter is reviewed annually. The board is satisfied that it complied with all its responsibilities by conducting a compliance review.

The board applies the provisions of the Companies Act to disclose or avoid conflicts of interest. This is a permanent board meeting agenda item. During the year, none of the current directors had a material interest in any contract of significance to which the company is party.

The board has a delegation of authority policy, which is reviewed annually and sets out the matters reserved for determination by shareholders, the board, and those matters delegated to management. The CEO is responsible for the daily management of the group's affairs and co-ordinates the implementation of board policy and strategy through the Executive Committee, which he chairs.

Executive Committee details are provided on page 74.

The levels of authority cover the following areas:

- Strategic plans
- Budgets
- Governance policies and procedures
- Financial reporting
- Business investments and disposals
- Litigation
- Capital expenditure
- Property leases
- Loans to retailers
- Human resources matters
- Remuneration
- Treasury

COMPOSITION

The board comprised seven independent non-executive directors and four executive directors during the year. The policy for board appointments is implemented by the Nominations Committee, which ensures that board members' skills, knowledge, background, experience and qualifications add to the capacity and diversity of the board. No individual director has unfettered powers of decision-making or influence over the board.

Details, qualifications and experience of individual directors are provided on page 72.

The roles of the Chairman and the CEO are separated and a clear division of authority exists between these roles. The roles and functions of the Chairman, who is an independent non-executive and the CEO are formalised and their individual performance is evaluated by the Nominations Committee against criteria set out in these formalised documents. The Chairman is appointed annually by the board, on the recommendation of the Nominations Committee.

The non-executive directors classified as 'independent', and those who have served on the board for more than nine years were evaluated by the Nominations Committee and the board during the year. The outcome indicated that the respective directors' independence in character and judgement was not in any way affected or impaired and that there were no relationships or circumstances likely to affect, or appear to affect, their independence.

The board is committed to ensuring the independence of directors and have agreed to engage with independent assessors every three years to assess the independence of its non-executive directors. This was last done by PricewaterhouseCoopers in 2013. The Nominations Committee have succession plans in place for directors serving terms beyond nine years.

The company has an 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.

CORPORATE GOVERNANCE (CONTINUED)

To further improve non-executive directors' understanding of the company's operating divisions, a board meeting is held at least once a year at a distribution centre. However, due to time constrains during the current year, no meetings were held at a distribution centre, but board members were requested to discuss opportunities with the Chairman, should they wish to visit a distribution centre. Board members are apprised of any changes to relevant legislation by the Company Secretary, who presents changes at board and committee meetings.

Board members completed a comprehensive evaluation of the board's performance, and the performance of individual directors and the Chairman. No significant problems were identified.

MEETINGS

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.

THE BOARD

Director	Status	ATTENDANCE 11 Nov 2014	13 Feb 2015	19 May 2015	5 Aug 2015
MJ Hankinson	Independent non-executive Chairman	✓	✓	✓	✓
GO O'Connor	Chief Executive Officer	✓	✓	✓	✓
MW Godfrey	Group Financial Director	✓	✓	✓	✓
WA Hook	New Business and Support Services Director	✓	✓	✓	A
PK Hughes	Independent non-executive director	✓	✓	✓	✓
RJ Hutchison	Independent non-executive director	✓	✓	A	✓
MP Madi	Independent non-executive director	✓	✓	✓	A
HK Mehta	Independent non-executive director	✓	✓	✓	✓
P Mnganga	Independent non-executive director	✓	✓	✓	✓
R Venter	Group Retail Operations Director	✓	✓	✓	✓
CF Wells	Independent non-executive director	✓	✓	✓	✓

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COMPANY SECRETARY

The Company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which these responsibilities should be discharged. 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.

Mr KJ O'Brien is the Company Secretary. He is responsible for ensuring that sound corporate governance procedures are in place and that the administration of statutory requirements are adhered to. The board annually considers the competence, qualifications and experience of the Company Secretary and are satisfied that Mr O'Brien is suitable for the role. This is supported by a comprehensive evaluation by the board of his performance. The board is further satisfied that the Company Secretary maintains an arm's length relationship with the board.

Details of the Company Secretary are provided on page 73.

COMMITTEES

The board delegates certain of its functions to the following committees without relinquishing overall responsibility for monitoring the company's performance:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Risk Committee
- Social and Ethics Committee

Each committee is chaired by an independent non-executive director.

The board acknowledges its accountability to the group's stakeholders for the actions of these committees and are satisfied that they have met their respective responsibilities for the year under review. This is supported by the annual evaluation of the respective committees.

The terms of reference and work plans of these committees are tabled and approved by the board each year and are available online.

No changes were made to the terms of reference of the Audit Committee, Risk Committee or Social and Ethics Committee. The Board approved new terms of references for the Nominations Committee and Remuneration Committee.

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

Fees paid to the committee members are reflected on page 157.

AUDIT COMMITTEE

The Audit Committee is constituted as a statutory committee of the company in compliance with the Companies Act, King III and the JSE Listings Requirements and as a committee of the board.

Its composition, responsibilities and activities are covered in the Audit Committee Report on page 99.

NOMINATIONS COMMITTEE

The Nominations Committee is constituted as a committee of the board for the purposes of considering the composition of the board and its committees, including training and succession planning.

The committee comprises three independent non-executive directors. The Chairman of the board is the chairman of the committee. The CEO attends meetings by standing invitation to make proposals and to provide such information as the committee may require on matters within its terms of reference. The committee meets formally three times a year, as follows:

RISK COMMITTEE

The Risk Committee is constituted as a committee of the board.

Its composition, responsibilities and activities are covered in the Risk Committee Report on page 88.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is constituted as a statutory committee in terms of the Companies Act/Companies Regulations and as a committee of the board.

The composition, responsibilities and activities are covered in the Social and Ethics Committee Report on page 91.

REMUNERATION COMMITTEE

The Remuneration Committee is constituted as a committee of the board.

Its composition, responsibilities and activities are covered in the Remuneration Committee Report on page 82.

		ATTENDANCE		
Director	Status	11 Nov 2014	13 Feb 2015	5 Aug 2015
MJ Hankinson (Chairman)	Independent non-executive	✓	✓	✓
HK Mehta	Independent non-executive	✓	✓	✓
RJ Hutchison	Independent non-executive	✓	✓	✓

CORPORATE GOVERNANCE (CONTINUED)

EXECUTIVE COMMITTEE

The Executive Committee is responsible for implementing the company's strategy and managing the operational activities of the group. The committee holds at least seven meetings annually and is chaired by the CEO. During the year under review, the committee reviewed the group's values, strategy, risks and transformation plan.

An overview of the outcomes and imperatives of the strategy, including SPAR's progress in these areas, is provided on page 38.

BWG GROUP EXECUTIVE COMMITTEE

The BWG Group Executive Committee is responsible for implementing the company's strategy and managing the operational activities of the group. The committee holds at least 12 meetings annually and is chaired by the CEO, Leo Crawford.

THE SPAR GUILD OF SOUTHERN AFRICA

The SPAR Guild is a non-profit company for the purposes of:

- promoting, implementing and regulating the system of voluntary group trading by wholesalers and retailers;
- prescribing regulations and obligations regarding the implementation of such systems of voluntary group trading that is binding for members of the SPAR Guild;
- promoting and furthering the interests of members of the SPAR Guild;
- promoting and fostering co-operation among members of the SPAR Guild;
- promoting the improvement of services to consumers in the supply of groceries, provisions and general merchandise; and
- implementing and enforcing agreements in terms of which members of the SPAR Guild are granted the right to participate in a voluntary trading group using the name 'SPAR' or 'TOPS at SPAR' or 'Pharmacy at SPAR' and the trademarks relative thereto.

The SPAR Guild board comprises 10 retail members and 10 wholesale members and holds at least three meetings annually. The chairman of the SPAR Guild, Mr R Venter, is appointed by the SPAR Group. The SPAR Guild has six regional committees, where SPAR is represented by executive management of the distribution centres.

SOCIAL AND ETHICS COMMITTEE

The SPAR Guild Social and Ethics Committee is a committee of the SPAR Guild board and is a statutory committee in terms of the Companies Act/Companies Regulations. The committee comprises two SPAR Guild distribution centre members and one SPAR Guild retail member and meets at least twice a year to discuss social and ethics matters relating to the guild.

THE BUILD IT GUILD OF SOUTHERN AFRICA

The Build it Guild is a non-profit company for the purposes of:

- promoting, implementing and regulating the system of voluntary group trading by wholesalers and retailers;
- prescribing regulations and obligations regarding the implementation of such systems of voluntary group trading that is binding for members of the Build it Guild;
- promoting and furthering the interests of members of the Build it Guild;
- promoting and fostering co-operation among members of the Build it Guild;
- promoting the improvement of services to consumers in the supply of hardware, building materials and general merchandise; and
- implementing and enforcing agreements in terms of which members of the Build it Guild are granted the right to participate in a voluntary trading group using the name 'Build it' or 'TrenDIY'.

The Build it Guild board comprises six retail members and six wholesale members and holds at least three meetings annually. The chairman of the Build it Guild, Mr RE Whitmore, is appointed by the SPAR Group. The Build it Guild has six regional committees where Build it is represented by executive management of the Build it division.

SOCIAL AND ETHICS COMMITTEE

The Build it Guild Social and Ethics Committee is a committee of the Build it Guild board and is a statutory committee in terms of the Companies Act/Companies Regulations. The committee comprises two Build it Guild retail members, one Build it wholesale member and the Build it human resources manager. It meets at least twice a year to discuss social and ethics matters relating to the guild.


Garden
Build it
Build it

REMUNERATION COMMITTEE REPORT

This is the report of the Remuneration Committee of The SPAR Group Ltd.

It is recorded that management engaged with a number of shareholders and the committee took their input and recommendations into account when drafting the remuneration policy.

MEMBERSHIP

Members of the committee and its chairman are appointed by the board, on the recommendation of the Nominations Committee.

The committee comprises three independent non-executive directors, all of whom are suitably skilled, competent and experienced. The members are Messrs MJ Hankinson, RJ Hutchison and HK Mehta.

During the year, the Remuneration and Nominations Committee split to comply with King III and the JSE Listings Requirements, which requires that the Chairman of the board may not chair the Remuneration Committee. Mr Mehta was appointed chairman of the Remuneration Committee at the meeting held on 4 August 2015.

It is recorded that Mr RJ Hutchison will retire from the board at the 2016 AGM and, subsequently, as a member of the committee.

ROLE

The committee acts independently, but is accountable to both the board and shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The committee oversees the establishment and implementation of the company's remuneration policy and ensures that it promotes the achievement of strategic objectives and encourages individual performance.

An in-depth overview of the committee's responsibilities is contained in its terms of reference, which is available online.

TERMS OF REFERENCE

The committee operates in accordance with its formal terms of reference and annual work plan that comply with the requirements of King III. During the year, the board reviewed and approved the committee's terms of reference and annual work plan and were satisfied that the committee fulfilled its responsibilities in compliance with its terms of reference. No changes were made to the terms of reference.

MEETINGS

The committee meets formally three times a year. The CEO, Group Financial Director, human resources executive or other members of senior management attend meetings as required.

RESPONSIBILITIES

The committee performed the following duties and responsibilities during the year, according to its terms of reference:

- reviewed the company's remuneration policy for approval by the board and shareholders;
- reviewed and approved the remuneration of the executive directors and senior managers of the group;
- approved the salary mandate to be implemented for the group's employees;
- approved the short-term performance bonus scheme for the forthcoming year and the awards achieved in the current year;
- approved the annual award of shares in terms of the group's long-term conditional share plan (CSP);
- considered the remuneration of non-executive directors for proposal to shareholders; and
- considered the results of the evaluation of the performance of the CEO and other executive directors.

		ATTENDANCE		
Member	**Status**	**10 Nov 2014**	**18 May 2015**	**4 Aug 2015**
HK Mehta (Chairman)	Independent non-executive	✓	✓	✓
MJ Hankinson	Independent non-executive	✓	✓	✓
RJ Hutchison	Independent non-executive	✓	✓	✓

At its meeting held on 10 November 2015, the committee recommended the remuneration report to the board for approval and publication.

REMUNERATION PHILOSOPHY AND POLICY

SPAR is committed to paying fair and market-related remuneration to ensure that the organisation is able to attract and retain top-quality employees. 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 company goals and objectives.

SPAR strives to ensure that remuneration is free of unfair discrimination. Fair differentiation based on performance and skills shortage is applied. The company takes cognisance of its external environment through an understanding of national remuneration trends and by regular benchmarking against comparable companies.

SPAR uses remuneration surveys conducted by reputable salary survey companies that have sufficient sample sizes and spread of positions, and an adequate representation in relevant industries comparable to SPAR. Salary scales provide remuneration guidelines based on the Paterson grading system and are informed by market comparisons. The company strives to remunerate key positions and those positions where there is a shortage of skills (as defined annually) on at least the 75th percentile of the market, and the rest of the positions on at least the 50th percentile of the market.

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

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

SPAR's job grades are as follows:

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

GUARANTEED 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 Scheme is a group scheme, while a number of other low-cost medical aids have been negotiated at distribution centre level.

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

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

EXECUTIVE REMUNERATION

The executive directors are full-time employees of the company and, as such, each has an employment agreement, in accordance with the company's standard conditions of service, but with a notice period of two months and more comprehensive confidentiality undertaking. The guaranteed remuneration packages are based on the role of each executive and his or her performance and contribution to the group's overall performance. Contributions towards medical, retirement and disability benefits, as well as car allowances, are applicable in accordance with the rules of the relevant company scheme.

Executive directors' remuneration is provided on page 134.

REMUNERATION COMMITTEE REPORT (CONTINUED)

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors' remuneration consists of a guaranteed basic fee. Additional fees are paid to various directors based on their membership of board committees. Non-executive directors' fees are not linked to the financial performance of the group, nor do they receive share options or bonuses.

Non-executive directors' remuneration is provided on page 134.

Management recommends non-executive directors' fees, based on industry benchmarks, to the committee for onward recommendation to, and approval by, the board who, in turn, recommend the fees to shareholders for approval in accordance with Company Act requirements.

Proposed non-executive directors' fees for the period 1 March 2016 to 28 February 2017 are provided on page 157.

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

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 financial results when compared with predetermined 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 committee.

NON-MANAGEMENT EMPLOYEES (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 EMPLOYEES (D BAND AND ABOVE)

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

Paterson grade	% of basic annual salary	Bonus split – financial: functional
F	100	75:25
EU	100	75:25
EL	60	60:40
DU	30	30:70
DL	15	30:70

The financial component of the short-term 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 that include corporate objectives (for example, transformation) and individual objectives, which are specific to a manager's sphere of influence. Achieving these objectives will result in a bonus payout subject to the achievement of a minimum profit level of no less than the profit level achieved in the previous year.

The short-term incentive bonus is capped at 100% of annual salary for executive directors and senior general management. For the executive directors, the breakdown of the targets, relative bonus caps as a percentage of annual salary and the average payout for the year under review, were as follows:

Executive directors' performance bonus criteria	Bonus cap (% of annual salary)	Executive directors' performance average achievement %
Group financial results	75	100.0%
Transformation targets	10	58.3%
Key performance objectives	15	85.1%
Total	100	93.6%

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

SHARE OPTION PLAN (SOP)

The company's existing long-term incentive plan was closed to additional participants in 2014. The last option issue was allocated on 7 February 2014 and remaining participants have 10 years from date of issue to exercise their option rights.

Details of options previously granted to executive directors, options exercised during the year under review and the unexpired and unexercised options as at 30 September 2015 are provided on page 135.

CONDITIONAL SHARE PLAN (CSP)

The CSP was approved by shareholders at the 2014 AGM with the intention of introducing a long-term incentive plan for executive directors, executive committee members and selected senior managers. The scheme provides a mechanism to enable the company to attract and retain executives and other key management whose skills are necessary to enable the company to fulfil its long-term goals. 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 an issue of shares, the CSP is intended to be settled by a market purchase of shares and will, therefore, not cause dilution to shareholders.

Salient features

Details	Conditional Share Plan
Description	Under the CSP, participants receive a conditional right to receive a share in the company on the vesting date if certain conditions are met. Participants will only become shareholders to the extent that vesting occurs on the vesting date and will have no shareholder rights prior to this date.
Purpose	The purpose of the CSP is to provide key employees with the opportunity to receive shares in the company based on personal or group performance. The primary intent is to make performance-related awards under the CSP through an award of shares that are subject to appropriate performance conditions. An award of restricted shares may be made in exceptional circumstances to address serious retention risks or to compensate prospective employees for the loss of long-term incentive awards with their existing employer.
Eligibility	• Executive directors • Executive Committee members • Key senior management
Company limit	The cumulative aggregate number of shares that may be allocated under the CSP shall not exceed 5 200 000 shares (approximately 3% of issued share capital). This limit excludes share purchases in the market and shares forfeited. The aggregate number of restricted shares that may be allocated under the CSP may not exceed 1 300 000 shares.
Individual limit	The cumulative aggregate number of shares that may be allocated to any one individual may not exceed 570 000 shares (approximately 0.33% of issued share capital).
Settlement method	The intention of the company is to settle all CSP awards from a market purchase of shares. However, the rules of the CSP allow for settlement in any of the following ways: • Market purchase of shares • Issue of shares • Use of treasury shares
Termination of employment	Bad leavers will forfeit all awards on the date of termination of employment. In the case of good leavers, a pro rata portion of all unvested awards will vest. The pro rata portion will reflect the number of months served since the award date and the extent to which the performance conditions (if any) have been met. The balance of the awards will lapse.
Allocation methodology	The CSP will be used for annual allocations. The company will define annual allocation levels expressed as a percentage of gross annual basic salary. In defining these levels, the company will endeavour to maintain the fair value that participants would have maintained under the SOP. To this end, new allocation levels that may be made on an annual basis (expressed as a percentage of gross annual basic salary) are approximately: • CEO: 60% • Executive Committee members: 50% • Senior managers: 35%
Grant price	Not applicable
Vesting/employment period	Three years for annual award of performance shares and in equal parts after years three, four and five for restricted shares.

REMUNERATION COMMITTEE REPORT (CONTINUED)

Performance conditions

The performance conditions applicable to an award of shares are set annually by the Remuneration Committee, in consultation with shareholders. The performance conditions will be measured over a performance period of three years, which is aligned with the financial years of the company. Performance conditions 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 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	RONA as per the operating budget approved by the board	120% of the on-target
Growth in headline earnings per share (HEPS)	Headline earnings divided by the weighted average number of ordinary shares (net of treasury shares) in issue during the relevant financial year. Headline earnings consist of the earnings attributable to ordinary shareholders, excluding non-trading and capital items.	Growth in HEPS will be calculated as the growth between the base year and the last year in the performance period.	50%	CPI growth over the performance period	Growth between HEPS as per the operating budget approved by the board for the last year in the performance period and the base year HEPS	Target plus 9% over the performance period
Total shareholder return (TSR) relative to a peer group	The TSR will be measured as the compound annual growth rate (CAGR) in the TSR index for the company and the peer companies over the performance period after holding the shares and reinvesting the dividends over the performance period.	To remove vagaries in the market, the CAGR in TSR calculation to be smoothed by using the average TSR index for the 20 business days up to and including the start of the performance period and 20 business days up to and including the end of the performance period. The peer group will constitute suitably constructed and appropriate peer companies.	20%	80% of on-target	Weighted average TSR of peer group	120% of on-target

The targets will represent the levels of achievement required for each performance condition 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 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. The conditions of the CSP will continue to be reviewed in line with best practice.

In February 2015 the committee awarded 513 951 shares to executive directors and senior managers.

Shares held by executive directors at 30 September 2015 are provided on page 135.

Thanks go to the members of the committee for their dedicated and constructive contributions to the functioning of the committee and, in particular, Mr Hutchison, who will retire at the 2016 AGM.

Harish Metha
Remuneration Committee Chairman

10 November 2015

RISK COMMITTEE REPORT

This is the report of the Risk Committee of The SPAR Group Ltd.

MEMBERSHIP

Members of the committee and its chairman are appointed by the board, on the recommendation of the Nominations Committee.

The committee comprises three independent non-executive directors, five executive members and the internal audit manager, all of whom are suitably skilled, competent and experienced. The members are Messrs CF Wells (chairman), TD Currie, MW Godfrey, MP Madi, HK Metha, S Naidoo, KJ O'Brien, GO O'Connor and EP Stelma.

ROLE

The committee functions independently of the board and oversees the company's risk management process, including IT governance. The committee ensures that management identifies potential risks, which may affect the company or its operations and implements an effective risk management policy and plan, enhancing the company's ability to achieve its strategic objectives.

TERMS OF REFERENCE

The committee operates in accordance with its formal terms of reference and annual work plan, which comply with the requirements of King III. During the year, the board reviewed and approved the committee's terms of reference and annual work plan and were satisfied that the committee fulfilled its responsibilities in compliance with its terms of reference. No changes were made to the terms of reference.

MEETINGS

The committee meets formally twice a year.

		ATTENDANCE	
Member	**Status**	**12 Feb 2015**	**4 Aug 2015**
CF Wells (Chairman)	Independent non-executive	✓	✓
TD Currie	Group Logistics Executive	✓	✓
MW Godfrey	Group Financial Director	✓	✓
MP Madi	Independent non-executive	✓	A
HK Mehta	Independent non-executive	✓	✓
S Naidoo	Group Internal Auditor	✓	✓
KJ O'Brien	Risk, Sustainability and Corporate Governance Executive	✓	✓
GO O'Connor	Chief Executive Officer	✓	✓
EP Stelma	Group IT Executive	✓	✓

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RESPONSIBILITIES

The committee performed the following duties and responsibilities during the year, according to it terms for reference:

- gained assurance that there is comprehensive and effective management of strategic risks, fraud risks, physical risks, financial risks, health and safety risks and compliance risks;
- reviewed the risk management policy, framework and the implementation thereof;
- made recommendations to the board concerning acceptable level of risk tolerance;
- reviewed the group's strategic risk profile and top 20 risks and imperatives;
- gained assurance that risk management assessments are performed regularly;
- considered global risks that may impact the company;
- reviewed the company's IT strategy, framework and the implementation thereof;
- gained assurance that IT is aligned with the performance and sustainability objectives of the company;
- considered stakeholder engagement and sustainability framework; and
- considered the company's insurance cover.

At its meeting held on 9 November 2015, the committee recommended the risk report to the board for approval and publication.

For more information on the top five risks and mitigating controls see page 52.

RISK MANAGEMENT

The board believes that there is an inextricable link between strategy, risk, sustainability and performance management. Therefore, risk management is considered an integral part of the company's strategic and business processes, and the vision is for ERM to support the achievement of SPAR's performance objectives.

The following is a summary of progress during the year:

PEOPLE AND SYSTEMS

- Onboarded and trained the risk management team at central office
- Implemented risk management system (BarnOwl):
  - Trained central office team and distribution centre risk champions
- Distribution centre and functional risk champions identified and role descriptions prepared

BUSINESS ENGAGEMENT

- Regular review process established with distribution centres:
  - Risk and imperative rerating exercise completed
  - Way forward for bi-annual risk review process agreed upon
- Group-wide KRIs and action plans completed for top 20 risks
- In-depth engagements conducted with key functional executives

RISK BEST PRACTICE

- Risk-based audit commenced
- ERM roadmap defined for next three years
- Risk framework document updated
- ERM maturity model updated
- Risk appetite defined in more detail

RISK COMMITTEE REPORT (CONTINUED)

The following objectives have been set for the short, medium and long term:

SHORT TERM

- Continuous risk management monitoring and improvement
- Finalise KRIs for top risks
- Finalise induction of risk champions
- Begin alignment of operational risks:
  - Including incident management in ERM
  - Starting with IT function
- Develop combined assurance plans:
  - Starting with IT function
- Migrate incident management into risk management system
- Develop risk-based auditing strategy:
  - Report on risk
  - Action Plan auditing

MEDIUM TERM (2016 FINANCIAL YEAR)

- Review ERM resourcing
- Complete data and reporting dashboard for KRIs
- Refine risk appetite:
  - Report on 'black swans' and other outliers bi-annually
- Operational risk integration and management (including action plans)
- Operational unit rollout of ERM
- Combined assurance:
  - Finance and logistics
- Review and integrate business continuity management
- Engagement with retailers and suppliers on ERM

LONG TERM (2017 FINANCIAL YEAR AND BEYOND)

- Target 'managed' maturity level
- Enhanced risk management reporting
- Sophisticated utilisation of risk management system
- Comprehensive risk registers:
  - Incorporating strategic, tactical and operational risks and incident management and mitigation controls
- Embedded ERM culture
- Utilisation of scenario planning
- Integration of KRIs into individual performance metrics
- Integration of customer management system reporting into marketing function
- Combined assurance in all functions
- Updated business continuity management strategy and plan
- Further ERM engagement through the value chain

IT GOVERNANCE

The board recognises that IT is an integral part of conducting business at SPAR. IT serves all aspects, components and processes of the organisation. It is therefore not only an operational enabler for the group, but also a strategic business imperative that 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 for 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 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; and
- 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 was 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 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.

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

Chris Wells
Risk Committee Chairman

10 November 2015

SOCIAL AND ETHICS COMMITTEE REPORT

This is the report of the Social and Ethics Committee of The SPAR Group Ltd.

MEMBERSHIP

Members of the committee and its chairman are appointed by the board, on the recommendation of the Nominations Committee.

The committee comprises two independent non-executive directors and three executive members, all of whom are suitably skilled, competent and experienced. The members are Ms P Mnganga (chairperson) and Messrs MW Godfrey, WA Hook, KJ O'Brien, SAT Tabudi and CF Wells. The members of the committee have adequate qualifications and/or experience to fulfil their duties as committee members.

It is recorded that Mr WA Hook replaced Mr MW Godfrey as a member of the committee at the meeting held on 12 February 2015.

ROLE

The committee functions independently of the board and provides guidance on and oversight of the company's activities regarding the environment, consumers, employees, communities and stakeholders, and monitors the company's sustainability and governance performance.

TERMS OF REFERENCE

The committee operates in accordance with its formal terms of reference and annual work plan, which comply with the requirements of King III. During the year, the board reviewed and approved the committee's terms of reference and annual work plan and were satisfied that the committee fulfilled its responsibilities in compliance with its terms of reference. No changes were made to the terms of reference.

MEETINGS

The committee meets formally twice a year. The CEO and Chairman of the board attend by invitation.

		ATTENDANCE	
Member	**Status**	**10 Nov 2014**	**12 Feb 2015**
P Mnganga (Chairperson)	Independent non-executive	✓	✓
WA Hook	New Business and Support Services Director	N/A	✓
MW Godfrey	Group Financial Director	✓	N/A
KJ O'Brien	Risk, Sustainability and Corporate Governance Executive	✓	✓
CF Wells	Independent non-executive	✓	✓

SOCIAL AND ETHICS COMMITTEE REPORT (CONTINUED)

RESPONSIBILITIES

During the year, the committee performed the following duties, according to it terms for reference:

- assessed the effectiveness of external communications regarding the company's corporate social responsibility (CSR) policies, programmes, and partnerships' activities and goals;
- reviewed the International Code of Best Practice, which comprises various principles, values and standards of behaviour that guide the decisions, procedures and systems of a company in a way that contributes to the welfare of all stakeholders;
- reviewed the Code of Ethics;
- assessed external political and public policy issues and trends that could have a material impact on the company's operations or reputation;
- reviewed shareholder proposals involving issues of CSR and/or public policy;
- considered stakeholder engagement and the sustainability framework; and
- reviewed reports from the whistle-blowing hotline.

This report is a high-level summary of the activities of the committee during the year under review. A more comprehensive report will be made available to the meeting of shareholders at the company AGM in 2016, as recommended in the Companies Act.

This comprehensive report will contain information provided on page 52.

Thanks go to the members of the committee for their dedicated and constructive contributions to the functioning of the committee and, in particular, Mr Godfrey, for his valued contribution as a member of the committee.

Phumla Mnganga
Social and Ethics Committee Chairperson

10 November 2015

ANNUAL FINANCIAL STATEMENTS

PREPARER OF THE ANNUAL FINANCIAL STATEMENTS

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

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) 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 2015 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 10 November 2015 and are signed on its behalf by:

MJ Hankinson
Chairman

GO O'Connor
Chief Executive Officer

10 November 2015

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 2015, 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

10 November 2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SPAR GROUP LTD

We have audited the consolidated and separate annual financial statements of The SPAR Group Ltd, set out on pages 102 to 153, which comprise statements of financial position as at 30 September 2015, and statements of profit or loss and comprehensive income, statements of changes in equity and statements 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 Ltd as at 30 September 2015, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SPAR GROUP LTD (CONTINUED)

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 2015, 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 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
Registered Auditors
Per **Brian Botes** CA(SA)
Partner

10 November 2015
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, S Gwala BPaaS, *K Black Clients & Industries, *JK Mazzocco Talent & Transformation, *MJ Jarvis Finance, *M Jordan Strategy, *TJ Brown Chairman of the Board, *MJ Comber Deputy Chairman of the Board

Regional leader: *R Redfearn

A full list of partners and directors is available on request *Partner and Registered Auditor

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

Member of Deloitte Touche Tohmatsu Ltd

DIRECTORS' STATUTORY REPORT

PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the group is as a wholesaler and distributor of goods and services to SPAR grocery stores, Build it builders' merchandise outlets, TOPS at SPAR liquor stores and other group retail outlets in Southern Africa, Ireland and South West England. The group operates nine main distribution centres which are strategically located close to the major metropolitan areas.

FINANCIAL RESULTS

The net profit attributable to ordinary shareholders for the year ended 30 September 2015 amounted to R1 420.9 million (2014: R1 345.0 million). This translates into headline earnings per share of 835.5 cents (2014: 781.8 cents) and normalised headline earnings per share of 940.0 cents (2014: 779.8 cents), based on the weighted average number of shares (net of treasury shares) in issue during the year. Normalised headline earnings represent headline earnings excluding business-defined exceptional items.

STATED CAPITAL

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

During the year, 30 613 (2014: 430 739) shares were issued to option holders who exercised their option rights in terms of the rules of The SPAR Group Ltd Employee Share Trust (2004), and to the extent of death participants, The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust.

TREASURY SHARES

During the year, The SPAR Group Ltd Employee Share Trust (2004) purchased 1 324 600 (2014: 1 292 469) shares in The SPAR Group Ltd for R228.9 million (2014: R164.0 million). A total of 1 551 242 (2014: 1 286 055) shares were reissued to option holders who exercised their option rights. At year-end, 142 952 (2014: 369 594) shares in the company were held by the trust.

At the 2015 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.

DIVIDENDS

A final dividend of 345 cents in respect of 2014 was declared on 11 November 2014 and paid on 8 December 2014. An interim dividend of 239 cents per share was declared on 19 May 2015 and paid on 15 June 2015. A final dividend of 393 cents per share was declared on 10 November 2015, payable on 7 December 2015.

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

Last day to trade cum-dividend	Friday, 27 November 2015
Shares to commence trading ex-dividend	Monday, 30 November 2015
Record date	Friday, 4 December 2015
Payment of dividend	Monday, 7 December 2015

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Monday, 30 November 2015 and Friday, 4 December 2015, both days inclusive.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on 13 February 2015:

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

DIRECTORS' STATUTORY REPORT (CONTINUED)

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed on pages 72 to 73.

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, Mrs P Mnganga and Mr CF Wells retired at the AGM held on 13 February 2015, but offered themselves for re-appointment.

At 30 September 2015, the directors beneficially held 90 700 (2014: 90 700) shares in the company and unexercised options to acquire a total of 1 031 800 (2014: 1 317 600) 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 16 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 profit/loss after taxation of subsidiaries was a profit of R191.7 million (2014: profit of R83.5 million). Details of the company's principal subsidiaries are set out in note 34.

Material subsidiaries acquired by the group during 2015:

- ADM Londis plc (Ireland). An effective 100% interest is held in this convenience retail company.

COMPETITION TRIBUNAL

The Competition Commission published draft terms of reference for a market enquiry into the grocery retail sector. These terms of reference will be finalised during November 2015. In addition, the company, along with other food retailers, is defending an application in the Competition Tribunal.

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.

AUDIT COMMITTEE REPORT

Member	Status	ATTENDANCE 10 Nov 2014	18 May 2015	4 Aug 2015
CF Wells (Chairman)	Independent non-executive	✓	✓	✓
PK Hughes	Independent non-executive	✓	✓	✓
HK Mehta	Independent non-executive	✓	✓	✓

This is the report of the Audit Committee of The SPAR Group Ltd.

MEMBERSHIP

Shareholders appointed the committee for the 2015 financial year at the AGM held on 13 February 2015. They will be requested to approve the appointment of the chairman and members of the committee for the 2016 financial year at the AGM to be held on 9 February 2016.

The committee comprises three independent non-executive directors, all of whom are suitably skilled, competent and experienced. The members during the year were Messrs CF Wells (chairman), PK Hughes and HK Mehta.

The Nominations Committee nominated for election at the 2016 AGM, Mr CF Wells (chairman), Mrs M Mashologu and Mr HK Mehta as members of the committee.

Details, qualifications and experience of Messrs Wells and Mehta are provided on page 72.

Mrs Mashologu is a director of Sphere Holdings, a investment holding company. She gained her investment management experience as a research analyst and portfolio manager at asset management companies Futuregrowth Asset Management and SCMB Asset Management. She is a BCom graduate from the University of the Witwatersrand and has been awarded a CFA charter from the CFA institute. She also holds an Advanced Certificate in Entrepreneurship from Europe's number one ranked business school, HEC Paris.

Mr PK Hughes will retire from the board and as a member of the committee at the 2016 AGM.

The notice of AGM is available on page 156.

ROLE

The committee acts independently, but is accountable to both the board and shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The committee is responsible for ensuring accurate financial reporting and 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.

An in-depth overview of the committee's responsibilities is contained in its terms of reference, which is available online.

TERMS OF REFERENCE

The committee operates in accordance with its formal terms of reference and annual work plan, which comply with the requirements of King III. During the year, the board reviewed and approved the committee's terms of reference and annual work plan and were satisfied that the committee fulfilled its responsibilities as set out in its terms of reference. No changes were made to the terms of reference.

AUDIT COMMITTEE REPORT (CONTINUED)

MEETINGS

The committee meets formally three times a year. The CEO, Group Financial Director, internal audit manager and external auditors are required to attend committee meetings. The group's internal audit manager and external auditor have unrestricted access to members of the committee and the CEO. Members of the group's executive management team attend meetings as required, while the Chairman of the board attends meetings by invitation.

RESPONSIBILITIES

The committee performed the following duties and responsibilities during the year, according to it terms of reference:

INTEGRATED REPORTING

The committee considered:

- the interim report for the period ended 31 March 2015, including all summarised information;
- the integrated report for the period ended 30 September 2015, including all summarised information;
- all other summarised information issued during the year to ensure that a balanced view was provided;
- the accounting practices and the effectiveness of internal financial controls;
- the going concern of the company;
- the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- whether or not to engage with external assurance providers on material sustainability issues; and
- whether the external auditor should perform assurance procedures on the interim results.

At its meeting held on 9 November 2015, the committee recommended the integrated report to the board for approval and publication.

A committee process was established to receive and deal with any concerns or complaints appropriately, 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. No matters of significance were raised during the year.

INTERNAL ASSURANCE

Evaluation of the expertise and experience of the Group Financial Director and finance function

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

The committee considered, and 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.

Internal audit

The 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 reports centrally and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across all the company's operations. The group internal audit manager, Mr S Naidoo, is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis and has direct access to the committee, primarily through its chairman. The committee is also responsible for the performance assessment of the group internal auditor and the internal audit function.

During the year, the committee:

- Satisfied itself that the company's internal audit function met its objectives and that adequate procedures are in place to ensure that the group complies with its legal, regulatory and other responsibilities.
- Reviewed and approved the internal audit plan and the internal audit charter.
- Met with the external auditor and with the group internal auditor without management being present.

The committee oversaw 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 committee's recommendation to the board, for the board to report thereon.

Risk management

The board has assigned oversight of the company's risk management function to the Risk Committee. The chairman of the Audit Committee is the chairman of the Risk Committee and ensures that information relevant to the Risk Committee is transferred regularly.

The 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, and compliance and regulatory risk as it relates to financial reporting, and are satisfied that these areas have been appropriately addressed.

EXTERNAL ASSURANCE

Appointment and independence of external auditor

The committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process and has satisfied itself that the external auditor, Deloitte & Touche, was independent of the company, as set out in section 94(8) of the Companies Act. This includes the extent of other work undertaken by the external auditors for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the external 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 2015 financial year. There is a formal procedure that governs the process whereby the external 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 is satisfied with the quality and effectiveness of the external audit process and that the audit firm and designated audit partner are accredited as such on the JSE list of auditors and their advisors. It recommends and has nominated, for election at the AGM, Deloitte & Touche as the external audit firm, and Mr G Kruger as the designated auditor partner responsible for performing the functions of auditor for the 2016 year.

It is recorded that Mr B Botes has served as the designated audit partner for the past five years. In terms of the Companies Act, an individual audit partner may not serve for more than five consecutive financial years as the designated audit partner. The committee would like to thank Mr Botes for his valued contribution.

Thanks go to the members of the committee for their dedicated and constructive contributions to the functioning of the committee and, in particular, Messrs PK Hughes and B Botes.

Christopher Wells
Audit Committee Chairman

10 November 2015

ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 September 2015, and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

BASIS OF PREPARATION

The financial statements 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are consistent with those of the previous year.

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.

The following new standards or amendments, which are not yet effective, have not yet been adopted by the directors. The directors will assess the impact thereof.

New standards	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to existing standards		
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

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 intercompany 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.

Arrangements to acquire non-controlling interests at future dates are recognised as financial liabilities at the present value of the expected payment. Changes in the measurement of the financial liability due to unwinding of the discount, changes in the expected future payment or foreign exchange translation are recognised in profit or loss.

In such cases, The SPAR Group Ltd consolidates 100% of the subsidiary's results.

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 0% to 2% per annum on a straight-line basis to their estimated residual value.

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. Acquisition related costs are generally recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations, 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. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

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.

ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Intangible assets with an indefinite useful life are not amortised but tested for impairment annually and whenever there is an indication that the assets may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities (including structured 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. If the recoverable amount is estimated to be less than the carrying amount the carrying amount is reduced to its recoverable amount with the impairments loss recognised immediately in profit or loss.

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

1. **Share option scheme**
   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.

2. **Broad-based black economic empowerment deal**
   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.

3. **Conditional share plan**
   The group operates a conditional share plan under which it receives services from employees as consideration for equity instruments of the company. In terms of the conditional share plan, the group has granted shares to executives, senior management and key talent specifically identified in the form of performance share awards.

   Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value of the employee service received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve. The total amount to be expensed is determined by reference to the fair value of shares granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the group revises its estimates of the number of shares granted that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

TAXATION

Income taxation expense represents the sum of current taxation payable and deferred taxation. 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.

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 statements of financial position 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 write-down of inventory to net realisable value and all losses of inventory or reversals of previous write-downs are recognised in cost of sales.

ACCOUNTING POLICIES (CONTINUED)

POST-RETIREMENT MEDICAL AID PROVISION

The company provides post-retirement healthcare 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. Actuarial gains and losses are recognised immediately in equity as other comprehensive income. These benefits are actuarially valued annually. 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

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service costs (including current service cost, past service cost as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the line item “defined benefit plan expenses”. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plans.

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.

Marketing and service 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.

FOREIGN CURRENCIES

Transactions in currencies other than in rands are initially recorded at the rates of exchange ruling on the dates of the transactions. All 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 is 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 and loans from banks. Trade and other payables are stated at their nominal value; interest-bearing bank loans and overdrafts are measured at amortised cost using the effective interest rate method;
- 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.

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 initial direct costs incurred are added to the amount recognised as an asset. 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.

In the capacity of lessor

Amounts due from lessees under a finance lease are recognised as receivables at the amount of the group's net investment in the lease, which includes initial direct costs. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

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

ACCOUNTING POLICIES (CONTINUED)

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets or disposal group are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of such asset (or disposal group), and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale. Immediately prior to being classified as held for sale, the carrying amounts of assets and liabilities are measured in accordance with the applicable standard.

After classification as held for sale, an asset is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held for sale are not depreciated.

SEGMENTAL REPORTING

The principal segments of the group have been identified on a primary basis by geographical segment which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are eliminated on consolidation.

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:

TAXATION

The group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide accrual for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated income tax positions based on best informed estimates of whether additional income taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. 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. The impairment of indefinite useful life intangible assets is performed using the excess earnings and relief from royalty models. Details of the assumptions used in the impairment tests 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 and external valuations.

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 notes 21 and 30.

FINANCIAL LIABILITY

Determining the fair value of the purchase obligation of the non-controlling interest, which gives rise to the financial liability, is based on management's expectation of the future profit performance of TIL JV Ltd (holding company of the BWG Group). Details of assumptions used can be found in notes 31 and 40.

SHARE OPTIONS

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

PROBABILITY OF VESTING OF RIGHTS TO EQUITY INSTRUMENTS GRANTED IN TERMS OF CONDITIONAL SHARE PLAN

The cumulative expense recognised in terms of the group's conditional share plan reflects, in the opinion of the directors, the number of rights to equity instruments granted that will ultimately vest. At each reporting date, the unvested rights are adjusted by the number forfeited during the year to reflect the actual number of instruments outstanding. Management is of the opinion that this number, adjusted for future attrition rates and performance conditions, represents the most accurate estimate of the number of instruments that will ultimately vest.

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.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
Rmillion	Notes	2015	2014#	2015	2014#
Revenue	1	**74 060.0**	55 015.9	**55 211.2**	50 751.6
Trading profit	3	**2 307.6**	1 878.1	**1 965.2**	1 773.3
BBBEE transactions	35	**(13.4)**	(13.2)	**(13.4)**	(13.2)
Operating profit		**2 294.2**	1 864.9	**1 951.8**	1 760.1
Other non-operating items	41	**(131.4)**	(1.0)	**(93.8)**	(1.6)
Interest received	4	**29.2**	34.2	**22.6**	32.1
Interest paid	4	**(121.6)**	(37.9)	**(37.5)**	(16.6)
Finance costs including foreign exchange gains and losses	4	**(108.1)**	(3.2)	**(108.1)**	(3.2)
Share of equity accounted associate losses	12	**(4.1)**	(12.8)		
Profit before taxation		**1 958.2**	1 844.2	**1 735.0**	1 770.8
Taxation	5	**(537.3)**	(499.2)	**(497.5)**	(481.3)
Profit for the year attributable to ordinary shareholders		**1 420.9**	1 345.0	**1 237.5**	1 289.5
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss on post-retirement medical aid		**(3.1)**	(8.1)	**(3.1)**	(8.1)
Actuarial loss on retirement funds		**(11.6)**	(21.4)		
Items that may be reclassified subsequently to profit or loss:					
Exchange differences from translation of foreign operations		**20.7**	16.1		
Total comprehensive income		**1 426.9**	1 331.6	**1 234.4**	1 281.4
Earnings per share (cents)	6				
Basic		**820.8**	778.2		
Diluted		**756.1**	727.0		

Reclassified for changes in presentation, refer to note 41.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

Rmillion	Notes	GROUP 2015	GROUP 2014*	COMPANY 2015	COMPANY 2014
ASSETS					
Non-current assets		**6 771.1**	5 853.9	**3 465.7**	3 226.1
Property, plant and equipment	9	**3 221.3**	2 878.2	**1 849.8**	1 693.1
Goodwill and intangible assets	10	**3 281.5**	2 726.0	**388.7**	274.2
Investment in subsidiaries	34			**997.0**	1 002.0
Investment in associates	12	**32.4**	45.9	**22.8**	46.5
Other investments	37	**2.3**	2.9	**2.3**	2.9
Operating lease receivables	11	**96.6**	84.8	**111.1**	102.2
Loans	13	**103.0**	75.0	**71.2**	75.0
Deferred taxation asset	14	**34.0**	41.1	**22.8**	30.2
Current assets		**12 364.6**	11 253.7	**8 285.2**	8 042.1
Inventories	15	**2 430.4**	2 202.7	**1 606.8**	1 520.3
Trade and other receivables	16	**9 309.2**	8 515.1	**6 561.1**	6 375.9
Prepayments		**64.0**	32.9	**30.2**	30.9
Operating lease receivables	11	**47.7**	56.2	**47.7**	56.2
Loans	13	**27.9**	10.6	**39.2**	58.8
Taxation receivable	25	**4.1**		**0.2**	
Bank balances – SPAR	17	**399.9**	323.6		
Bank balances – Guilds	17	**81.4**	112.6		
Assets classified as held for sale	38	**194.6**	15.0		
Total assets		**19 330.3**	17 122.6	**11 750.9**	11 268.2
EQUITY AND LIABILITIES					
Capital and reserves		**3 328.4**	3 026.5	**3 185.0**	3 096.9
Stated capital	18	**67.6**	67.6	**67.6**	67.6
Treasury shares	19	**(26.9)**	(48.2)		
Currency translation reserve		**37.3**	16.6		
Share-based payment reserve		**425.1**	387.7	**425.1**	387.7
Equity reserve		**(545.7)**	(545.7)	**(545.7)**	(545.7)
Retained earnings		**3 371.0**	3 148.5	**3 238.0**	3 187.3
Non-current liabilities		**3 868.2**	3 128.0	**979.3**	780.3
Deferred taxation liability	14	**215.1**	178.5		
Post-retirement medical aid provision	21	**140.8**	129.1	**140.8**	129.1
Retirement benefit fund	30.3	**305.9**	286.1		
Financial liability	40	**729.8**	548.9	**729.8**	548.9
Long-term borrowings	39	**2 367.9**	1 866.3		
Operating lease payables	11	**108.7**	119.1	**108.7**	102.3
Current liabilities		**12 132.6**	10 968.1	**7 586.6**	7 391.0
Trade and other payables	22	**11 349.2**	9 697.9	**6 919.1**	6 427.8
Current portion of long-term borrowings	39	**87.2**	85.1		
Operating lease payables	11	**53.7**	62.1	**53.7**	56.2
Provisions	23	**110.3**	95.8	**3.7**	13.9
Taxation payable	25	**13.1**	47.6		43.4
Bank overdrafts	17	**519.1**	979.6	**610.1**	849.7
Liabilities directly associated with assets classified as held for sale	38	**1.1**			
Total equity and liabilities		**19 330.3**	17 122.6	**11 750.9**	11 268.2

* *Reclassified for measurement period adjustment, refer to note 36.5.*

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Rmillion	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity Reserve	Attributable to ordinary shareholders
GROUP							
Capital and reserves at 30 September 2013	61.6	(42.8)	0.5	355.1	2 801.2	–	3 175.6
Total comprehensive income for the year			16.1		1 345.0		1 361.1
Actuarial loss on post-retirement medical aid					(8.1)		(8.1)
Actuarial loss on retirement funds					(21.4)		(21.4)
Recognition of share-based payments				20.2			20.2
Take-up of share options		164.6		(101.2)			63.4
Transfer arising from take-up of share options				101.2	(101.2)		–
Share repurchases		(164.0)					(164.0)
Dividends paid					(867.0)		(867.0)
Issue of shares	6.0	(6.0)					–
Recognition of BBBEE transaction				12.4			12.4
Purchase obligation of non-controlling interest						(545.7)	(545.7)
Capital and reserves at 30 September 2014	67.6	(48.2)	16.6	387.7	3 148.5	(545.7)	3 026.5
Total comprehensive income for the year			20.7		1 420.9		1 441.6
Actuarial loss on post-retirement medical aid					(3.1)		(3.1)
Actuarial loss on retirement funds					(11.6)		(11.6)
Recognition of share-based payments				25.0			25.0
Take-up of share options		250.2		(172.2)			78.0
Transfer arising from take-up of share options				172.2	(172.2)		–
Share repurchases		(228.9)					(228.9)
Dividends paid					(1 011.5)		(1 011.5)
Issue of shares							–
Recognition of BBBEE transaction				12.4			12.4
Capital and reserves at 30 September 2015	67.6	(26.9)	37.3	425.1	3 371.0	(545.7)	3 328.4
COMPANY							
Capital and reserves at 30 September 2013	61.6	–	–	355.1	2 874.1	–	3 290.8
Total comprehensive income for the year					1 289.5		1 289.5
Actuarial loss on post-retirement medical aid					(8.1)		(8.1)
Recognition of share-based payments				20.2			20.2
Contribution to Employee Share Trust				(101.2)			(101.2)
Transfer arising from take-up of share options				101.2	(101.2)		–
Dividends paid					(867.0)		(867.0)
Issue of shares	6.0						6.0
Recognition of BBBEE transaction				12.4			12.4
Purchase obligation of non-controlling interest						(545.7)	(545.7)
Capital and reserves at 30 September 2014	67.6	–	–	387.7	3 187.3	(545.7)	3 096.9
Total comprehensive income for the year					1 237.5		1 237.5
Actuarial loss on post-retirement medical aid					(3.1)		(3.1)
Recognition of share-based payments				25.0			25.0
Contribution to Employee Share Trust				(172.2)			(172.2)
Transfer arising from take-up of share options				172.2	(172.2)		–
Dividends paid					(1 011.5)		(1 011.5)
Issue of shares							–
Recognition of BBBEE transaction				12.4			12.4
Capital and reserves at 30 September 2015	67.6	–	–	425.1	3 238.0	(545.7)	3 185.0

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
Rmillion	Notes	2015	2014#	2015	2014#
Cash flows from operating activities		**1 269.3**	481.2	**804.9**	394.1
Cash generated from operations	24	**2 954.6**	1 842.4	**2 366.4**	1 708.9
Interest received		**26.7**	30.9	**20.0**	28.9
Interest paid		**(145.0)**	(53.2)	**(37.5)**	(16.6)
Taxation paid	25	**(555.5)**	(471.9)	**(532.5)**	(460.1)
Dividends paid	8	**(1 011.5)**	(867.0)	**(1 011.5)**	(867.0)
Cash flows from investing activities		**(978.5)**	(924.4)	**(565.3)**	(1 140.8)
Acquisition of businesses/subsidiaries	36.2	**(452.0)**	(696.4)	**(135.0)**	(833.7)
Proceeds from disposal of businesses	36.3	**10.4**	12.3	**5.0**	
Proceeds from disposal of assets held for sale		**18.6**			
Investment to expand operations		**(422.1)**	(106.1)	**(206.0)**	(101.0)
Investment to maintain operations		**(103.4)**	(115.3)	**(89.7)**	(80.6)
– Replacement of property, plant and equipment		**(111.8)**	(120.8)	**(94.0)**	(86.5)
– Proceeds on disposal of property, plant and equipment		**8.4**	5.5	**4.3**	5.9
Net movement in loans and investments	24.1	**(30.0)**	(18.9)	**(139.6)**	(125.5)
Cash flows from financing activities		**162.3**	(100.6)	**–**	6.0
Proceeds from issue of shares	19		6.0		6.0
Proceeds from exercise of share options		**78.0**	57.4		
Proceeds from borrowings		**313.2**			
Share repurchases	19	**(228.9)**	(164.0)		
Net movement in cash and cash equivalents		**453.1**	(543.8)	**239.6**	(740.7)
Net (overdrafts)/balances at beginning of year		**(543.4)**	1.3	**(849.7)**	(109.0)
Exchange rate translation		**52.5**	(0.9)		
Net overdrafts at end of year	17	**(37.8)**	(543.4)	**(610.1)**	(849.7)

Reclassified for changes in presentation, refer to note 41.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
	Rmillion	2015	2014#	2015	2014#
1.	**REVENUE**				
	Turnover	**73 258.8**	54 483.0	**54 663.3**	50 237.9
	Other income	**801.2**	532.9	**547.9**	513.7
	Marketing and service revenues	**788.9**	521.9	**502.9**	473.7
	Other receipts	**12.3**	11.0	**12.3**	11.0
	Dividends received – subsidiaries and associates			**32.7**	29.0
	Total revenue	**74 060.0**	55 015.9	**55 211.2**	50 751.6
2.	**COST OF SALES**				
	Cost of sales represents the net cost of purchases from suppliers, after discounts, rebates and incentive allowances received from suppliers, adjusted for opening and closing inventory.				
3.	**TRADING PROFIT**				
	Trading profit is arrived at after taking into account:				
	Turnover	**73 258.8**	54 483.0	**54 663.3**	50 237.9
	Cost of sales	**(66 892.2)**	(49 985.1)	**(50 239.2)**	(46 186.2)
	Gross profit	**6 366.6**	4 497.9	**4 424.1**	4 051.7
	Other income	**801.2**	532.9	**547.9**	513.7
	Operating expenses	**(4 860.2)**	(3 152.7)	**(3 006.8)**	(2 792.1)
	Warehousing and distribution expenses	**(2 315.3)**	(1 402.3)	**(1 389.8)**	(1 314.9)
	Marketing and selling expenses	**(1 296.1)**	(959.2)	**(817.0)**	(673.2)
	Administration and information technology expenses	**(1 248.8)**	(791.2)	**(800.0)**	(804.0)
	Trading profit	**2 307.6**	1 878.1	**1 965.2**	1 773.3
	Operating expenses include the following:				
	Auditors remuneration:	**8.3**	6.8	**5.7**	4.9
	Audit fees	**5.8**	5.3	**4.1**	3.7
	Other fees	**2.5**	1.5	**1.6**	1.2
	Depreciation:	**331.5**	178.6	**148.2**	140.4
	Buildings and leasehold improvements	**2.1**	4.0	**0.3**	3.7
	Plant, equipment and vehicles	**329.4**	174.6	**147.9**	136.7
	Net foreign exchange (profits)/losses	**0.8**	(0.1)	**(0.8)**	(0.1)
	Operating lease charges:				
	Immovable property:	**261.1**	85.2	**54.4**	24.7
	Lease rentals payable	**903.6**	593.5	**715.5**	562.4
	Sub-lease recoveries	**(642.5)**	(508.3)	**(661.1)**	(537.7)
	Plant, equipment and vehicles	**28.9**	8.1	**3.9**	1.1
	Net loss on disposal of plant and equipment	**15.0**	5.4	**6.2**	4.1
	Net loss on disposal of assets held for sale	**0.7**			
	Post-retirement medical aid provision	**7.5**	10.2	**7.5**	10.2
	Retirement contributions:				
	Defined contribution plan expenses	**103.0**	85.6	**93.4**	81.6
	Defined benefit plan expenses	**38.2**	5.1		
	Share-based payments charge	**25.0**	20.2	**25.0**	20.2
	Staff costs	**2 110.8**	1 407.2	**1 408.5**	1 248.0
	Technical and consulting fees	**46.0**	36.5	**34.5**	31.7

Reclassified for changes in presentation, refer to note 41.

Rmillion		GROUP 2015	GROUP 2014#	COMPANY 2015	COMPANY 2014#
4. NET INTEREST					
Interest received					
Bank deposits		**4.0**	18.8	**2.8**	18.1
Loans		**1.0**	0.8	**0.9**	0.8
Overdue debtors		**23.3**	14.2	**18.0**	12.8
Other		**0.9**	0.4	**0.9**	0.4
Total interest received		**29.2**	34.2	**22.6**	32.1
Interest paid					
Security deposits		**(2.9)**	(2.6)	**(2.9)**	(2.6)
Loans		**(73.4)**	(15.0)		
Bank overdraft		**(33.8)**	(10.9)	**(33.4)**	(6.5)
Other		**(11.5)**	(9.4)	**(1.2)**	(7.5)
Total interest paid		**(121.6)**	(37.9)	**(37.5)**	(16.6)
Finance costs including foreign exchange gains and losses					
Finance costs of financial liability		**(45.9)**	(6.7)	**(45.9)**	(6.7)
Foreign exchange gains and losses on financial liability		**(62.2)**	3.5	**(62.2)**	3.5
Total finance costs		**(108.1)**	(3.2)	**(108.1)**	(3.2)
Net interest (paid)/received		**(200.5)**	(6.9)	**(123.0)**	12.3

Reclassified for changes in presentation, refer to note 41.

Rmillion		GROUP 2015	GROUP 2014#	COMPANY 2015	COMPANY 2014#
5. TAXATION					
Current taxation					
– current year		**518.2**	508.0	**486.2**	491.0
– prior year		**2.2**	0.1	**2.2**	(0.2)
Deferred taxation					
– current year		**16.3**	(9.2)	**8.9**	(9.1)
– prior year		**(0.5)**	(0.8)	**(0.3)**	(0.8)
Foreign withholding tax		**0.6**	0.6		
Foreign tax		**0.5**	0.5	**0.5**	0.4
Total taxation		**537.3**	499.2	**497.5**	481.3
Reconciliation of effective taxation rate					
Standard taxation rate	(%)	**28.0**	28.0	**28.0**	28.0
Permanent differences	(%)	**0.4**	(0.9)	**0.5**	(0.9)
Prior year overprovision	(%)	**0.1**		**0.1**	
Capital gains tax	(%)	**0.3**			
Foreign tax differential	(%)	**(1.5)**	(0.3)		
Assessed loss utilised	(%)	**(0.2)**			
Effective rate of taxation	(%)	**27.1**	26.8	**28.6**	27.1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Rmillion		GROUP 2015	2014
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 173 116 357 (2014: 172 829 248). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 187 922 638 (2014: 184 994 183).			
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)		**1 420.9**	1 345.0
Earnings per share:			
Basic	(cents)	**820.8**	778.2
Diluted	(cents)	**756.1**	727.0
Number of shares			
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	**173 116**	172 829
Effect of diluted potential ordinary shares:			
Share options and BBBEE shares	('000)	**14 807**	12 165
Weighted average number of ordinary shares (net of treasury shares) for the purposes of diluted earnings per share	('000)	**187 923**	184 994

	Rmillion		GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
7.	**HEADLINE EARNINGS**					
	Profit for the year attributable to ordinary shareholders		**1 420.9**	1 345.0		
	Adjusted for:					
	Loss on sale of property, plant and equipment		**12.1**	4.3		
	– Gross		**15.0**	5.4		
	– Tax effect		**(2.9)**	(1.1)		
	Loss on sale of assets held for sale		**0.7**			
	Impairment of goodwill		**11.6**	5.6		
	Impairment of investments		**1.7**			
	Profit on disposal of associate interests		**(0.7)**	(1.5)		
	Profit on disposal of businesses			(2.1)		
	Headline earnings		**1 446.3**	1 351.3		
	Headline earnings per share:					
	Basic	(cents)	**835.5**	781.8		
	Diluted	(cents)	**769.6**	730.4		
	Normalised headline earnings					
	Headline earnings		**1 446.3**	1 351.3		
	Adjusted for exceptional items:					
	Fair value adjustment to financial viability		**72.8**			
	Business acquisition costs		**46.0**			
	Foreign exchange gains/(losses) on financial liability		**62.2**	(3.5)		
	Normalised headline earnings		**1 627.3**	1 347.8		
	Normalised headline earnings per share	(cents)	**940.0**	779.8		
8.	**DIVIDENDS PAID**					
	2014 Final dividend declared 11 November 2014 – paid 8 December 2014		**597.6**	529.5	**597.6**	529.5
	2015 Interim dividend declared 19 May 2015 – paid 15 June 2015		**413.9**	337.5	**413.9**	337.5
	Total dividends		**1 011.5**	867.0	**1 011.5**	867.0
	2014 Final dividend per share declared 11 November 2014 – paid 8 December 2014	(cents)	**345.0**	306.0	**345.0**	306.0
	2015 Interim dividend per share declared 19 May 2015 – paid 15 June 2015	(cents)	**239.0**	195.0	**239.0**	195.0
	Total dividends per share	(cents)	**584.0**	501.0	**584.0**	501.0

The final dividend for the year ended 30 September 2015 of 393 cents per share declared on 10 November 2015 and payable on 7 December 2015 has not been accrued.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT				
GROUP – 2015				
Carrying value at 30 September 2014	1 411.4	41.9	1 424.9	2 878.2
Additions	125.6	2.3	455.7	583.6
Expansions	124.2	2.1	341.6	467.9
Replacements	1.4	0.2	114.1	115.7
Additions through business acquisitions			22.3	22.3
Disposals at net book value	(2.7)	(0.2)	(20.5)	(23.4)
Disposal through sale of businesses			(3.5)	(3.5)
Depreciation	(1.6)	(0.5)	(329.4)	(331.5)
Effect of foreign currency exchange differences	36.2	3.2	73.7	113.1
Foreign currency translation – costs	37.4	3.3	105.9	146.6
Foreign currency translation – accumulated depreciation	(1.2)	(0.1)	(32.2)	(33.5)
Reclassified as assets held for sale	(13.0)		(4.5)	(17.5)
Carrying value at 30 September 2015	1 555.9	46.7	1 618.7	3 221.3
Analysed as follows:				
Cost	1 653.2	50.0	2 771.1	4 474.3
Accumulated depreciation	(97.3)	(3.3)	(1 152.4)	(1 253.0)
COMPANY – 2015				
Carrying value at 30 September 2014	931.2	8.6	753.3	1 693.1
Additions	123.9	0.2	175.9	300.0
Expansions	123.3		82.7	206.0
Replacements	0.6	0.2	93.2	94.0
Additions through business acquisitions			17.7	17.7
Disposals at net book value	(2.0)		(8.5)	(10.5)
Disposal through sale of businesses			(2.3)	(2.3)
Depreciation		(0.3)	(147.9)	(148.2)
Carrying value at 30 September 2015	1 053.1	8.5	788.2	1 849.8
Analysed as follows:				
Cost	1 136.6	11.4	1 679.9	2 827.9
Accumulated depreciation	(83.5)	(2.9)	(891.7)	(978.1)

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 2015 is R2 723.8 million (2014: R2 393.5 million). The valuation is based on a net yield of 10% (2014: 10.5%).

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

Rmillion	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
GROUP – 2014				
Carrying value at 30 September 2013	1 003.0	1.0	745.1	1 749.1
Additions	1.9	8.4	239.9	250.2
Expansions	(0.4)	8.4	98.1	106.1
Replacements	2.3		141.8	144.1
Additions through business acquisitions	412.3	33.1	637.9	1 083.3
Disposals at net book value			(10.9)	(10.9)
Disposal through sale of businesses			(10.2)	(10.2)
Depreciation	(3.6)	(0.4)	(174.6)	(178.6)
Effect of foreign currency exchange differences	(2.2)	(0.2)	(2.3)	(4.7)
Foreign currency translation – costs	(1.9)	(0.2)	0.2	(1.9)
Foreign currency translation – accumulated depreciation	(0.3)		(2.5)	(2.8)
Carrying value at 30 September 2014	1 411.4	41.9	1 424.9	2 878.2
Analysed as follows:				
Cost	1 505.9	44.6	2 274.3	3 824.8
Accumulated depreciation	(94.5)	(2.7)	(849.4)	(946.6)
COMPANY – 2014				
Carrying value at 30 September 2013	933.1	0.5	702.7	1 636.3
Additions	1.5	8.4	177.6	187.5
Expansions	(0.4)	8.4	93.0	101.0
Replacements	1.9		84.6	86.5
Additions through business acquisitions			19.7	19.7
Disposals at net book value			(10.0)	(10.0)
Depreciation	(3.4)	(0.3)	(136.7)	(140.4)
Carrying value at 30 September 2014	931.2	8.6	753.3	1 693.1
Analysed as follows:				
Cost	1 014.7	11.2	1 545.6	2 571.5
Accumulated depreciation	(83.5)	(2.6)	(792.3)	(878.4)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Rmillion	GROUP 2015	GROUP 2014*	COMPANY 2015	COMPANY 2014
10.	**GOODWILL AND INTANGIBLE ASSETS**				
	Goodwill				
	Opening balance of goodwill	**1 270.9**	387.6	**274.2**	264.0
	Impairment	**(11.6)**	(5.6)	**(0.1)**	
	Goodwill derecognised on disposal of businesses	**(9.2)**		**(2.7)**	
	Reclassified as assets held for sale	**(16.9)**			
	Business combination	**333.6**	2 163.2	**117.3**	10.2
	Measurement period adjustment		(1 456.3)		
	Deferred tax relating to measurement period adjustment		182.0		
	Foreign exchange translation	**27.9**			
	Closing balance of goodwill	**1 594.7**	1 270.9	**388.7**	274.2
	Analysed as follows:				
	Cost	**1 604.7**	1 281.5	**388.7**	274.2
	Accumulated impairment	**(10.0)**	(10.6)		
	CGUs with significant goodwill				
	SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
	BWG Group	**878.7**	878.7		
	ADM Londis plc	**244.2**			
	Retail stores	**226.2**	146.6	**143.1**	28.6
	Closing balance of goodwill	**1 594.7**	1 270.9	**388.7**	274.2
	Intangible assets				
	Opening balance of intangible assets	**1 455.1**	–	**–**	–
	Measurement period adjustment		1 456.3		
	Business combination	**98.1**			
	Foreign exchange translation	**133.6**	(1.2)		
	Closing balance of intangible assets	**1 686.8**	1 455.1	**–**	–
	Analysed as follows:				
	Cost	**1 686.8**	1 455.1		
	Total goodwill and intangible assets	**3 281.5**	2 726.0	**388.7**	274.2
	Analysed as follows:				
	Cost	**3 291.5**	2 736.6	**388.7**	274.2
	Accumulated impairment	**(10.0)**	(10.6)		

* *Reclassified for measurement period adjustment, refer to note 36.5.*

Goodwill and indefinite useful life intangible assets are not amortised but tested for impairment annually.

Refer to note 36 for details on new business combinations during the year.

10.1 Summary of the goodwill and indefinite useful life intangible assets by cash-generating unit (CGU) and related assumptions applied for impairment testing are as follows:

Goodwill impairment testing

Goodwill is allocated to the group's cash-generating units (CGUs). The recoverable amount of a CGU is determined based on the 'value in use' calculations.

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 for the Southern African entities:

		2015	2014
Discount rate	(%)	**10.2**	9.4
Sales growth rate	(%)	**6.0**	6.0
Terminal value growth rate	(%)	**3.0**	3.0

The following assumptions were applied in determining the value in use for the Irish entities:

		2015	2014
Discount rate	(%)	**10.0**	10.0
Sales growth rate	(%)		3.0
Terminal value growth rate	(%)	**2.0**	2.0

10.2 Intangible assets impairment testing

Intangible assets represent acquired brands. The acquired brands are established trademarks in the retail environment in Ireland. History indicates that competitor movements had no significant impact on the sales generated by these brands. On this basis, in addition to future prospects, management considered that the brands have indefinite useful lives.

Brands with indefinite useful lives arising on the acquisition of BWG are included in the BWG CGU for impairment testing. The carrying value of brands relating to the BWG CGU amount to R1 576.0 million (2014: R1 455.1 million).

The recoverable amount of the BWG CGU has been determined based on a excess earnings calculation. The key assumptions below have been applied to calculate the recoverable amount of the BWG CGU:

		2015	2014
Expected return on assets	(%)	**16.7**	16.7
Multiplier rate	(%)	**4.8**	4.8

The expected return is based on management's expected return on assets in the past. The multiplier rate is based on management's forecast future growth expectations.

Brands with indefinite useful lives arising on the acquisition of Londis are included in the Londis CGU for impairment testing. The carrying value of brands amounts for the Londis CGU amount to R110.8 million (2014: Rnil).

The recoverable amount of the Londis CGU has been determined based on a relief from royalty calculation. The key assumptions below have been applied to calculate the recoverable amount of the Londis CGU:

		2015	2014
Discount rate	(%)	**20.0**	
Terminal value growth rate	(%)		

The discount rate is the sales growth rate based on expected future use of the brand relative to the SPAR brand. A terminal growth rate of zero percent was used as it is expected that customers will migrate to other BWG brands.

	GROUP		COMPANY	
Rmillion	2015	2014	2015	2014
11. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	**144.3**	141.0	**158.8**	158.4
Less current portion	**(47.7)**	(56.2)	**(47.7)**	(56.2)
Non-current operating lease receivables	**96.6**	84.8	**111.1**	102.2
Operating lease payables	**162.4**	181.2	**162.4**	158.5
Less current portion	**(53.7)**	(62.1)	**(53.7)**	(56.2)
Non-current operating lease payables	**108.7**	119.1	**108.7**	102.3

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. Refer to note 27.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	GROUP		COMPANY	
Rmillion	**2015**	2014	**2015**	2014
12. INVESTMENT IN ASSOCIATES				
SPAR Harare (Pvt) Ltd				
Shares at cost	**17.5**	17.5	**17.5**	17.5
Impairment of investment	**(1.7)**		**(17.5)**	
Cumulative share of post-acquisition loss, net of dividend received	**(15.8)**	(9.3)		
Investment in SPAR Harare (Pvt) Ltd	**–**	8.2	**–**	17.5
Fig Leaf (Pty) Ltd				
Shares at cost				
Loan to Fig Leaf (Pty) Ltd	**7.4**	12.0	**7.4**	12.0
Disposal of investment	**(4.2)**	(5.3)	**(3.6)**	(4.6)
Repayment of loan	**(0.2)**			
Cumulative share of post-acquisition profit, net of dividend received	**6.0**	4.2		
Investment in Fig Leaf (Pty) Ltd	**9.0**	10.9	**3.8**	7.4
Gezaro Retailers (Pty) Ltd				
Shares at cost	**5.5**	5.5	**5.5**	5.5
Loan to Gezaro Retailers (Pty) Ltd	**3.8**	3.8	**3.8**	3.8
Cumulative share of post-acquisition (loss)/profit, net of dividend received	**(2.7)**	0.7		
Investment in Gezaro Retailers (Pty) Ltd	**6.6**	10.0	**9.3**	9.3
Ariano 649 (Pty) Ltd				
Shares at cost		12.1		12.1
Further capital invested		3.9		3.9
Loan to Ariano 649 (Pty) Ltd		11.1		11.1
Disposal of investment		(28.0)		(27.1)
Cumulative share of post-acquisition profit, net of dividend received		0.9		
Investment in Ariano 649 (Pty) Ltd	**–**	–	**–**	–
Monteagle Merchandising Services (Pty) Ltd				
Shares at cost	**9.7**	9.7	**9.7**	9.7
Loan to Monteagle Merchandising Services (Pty) Ltd	**2.6**	2.6	**2.6**	2.6
Repayment of loan	**(2.6)**		**(2.6)**	
Cumulative share of post-acquisition profit, net of dividend received	**7.1**	4.5		
Investment in Monteagle Merchandising Services (Pty) Ltd	**16.8**	16.8	**9.7**	12.3
Vaslovision (Pty) Ltd				
Shares at cost				
Loan to Vaslovision (Pty) Ltd	**2.5**		**2.5**	
Disposal of investment	**(2.5)**		**(2.5)**	
Investment in Vaslovision (Pty) Ltd	**–**	–	**–**	–
Total investment in associates	**32.4**	45.9	**22.8**	46.5
Summarised financial statements of the group's share of associates:				
Total assets	**105.0**	40.1		
Total liabilities	**(84.1)**	(32.1)		
Net assets	**20.9**	8.0		
Revenue	**365.5**	182.9		
Loss for the year attributable to ordinary shareholders	**(4.1)**	(12.8)		

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

For purposes of equity accounting, the financial statements of SPAR Harare (Pvt) Ltd for the year ended 30 June 2015 have been utilised, after taking into account any significant transactions occurring in the three month period after year-end. There were no significant transactions occurring in the three-month period between June 2015 and September 2015.

	2015	2014
Rates of exchange utilised are:		
Rand/United States dollar exchange rate at year-end	**12.17**	10.63

12.2 The group originally held a 49.9% shareholding in Fig Leaf (Pty) Ltd, which owns and operates the Gateway SUPERSPAR in Hermanus. During the 2015 financial year the group sold 10% of its shareholding for R4.9 million. This continues to be a jointly controlled entity which is equity accounted in terms of IFRS 11.

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

12.4 The group has a 50% shareholding in Monteagle Merchandising Services (Pty) Ltd, the principal activities of which are merchandising services.

12.5 During 2015, the group purchased and disposed of its shareholding in Vaslovision (Pty) Ltd, which owns and operates the Rosehill SUPERSPAR, Rosehill TOPS, Nemato SPAR and Nemato TOPS. The entire shareholding was sold during the course of the financial year for proceeds of R2.5 million, which included the repayment of the loan.

		GROUP		COMPANY	
	Rmillion	**2015**	2014	**2015**	2014
13.	**LOANS**				
	Retailer loans	**130.5**	85.1	**83.2**	85.1
	Advance to The SPAR Group Ltd Employee Share Trust (2004)			**26.8**	48.2
	Loan to Group Risk Holdings (Pty) Ltd	**0.4**	0.5	**0.4**	0.5
		130.9	85.6	**110.4**	133.8
	Less current portion	**(27.9)**	(10.6)	**(39.2)**	(58.8)
	Non-current loans	**103.0**	75.0	**71.2**	75.0

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 Ltd 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
	Rmillion	2015	2014*	2015	2014
14.	**DEFERRED TAXATION**				
	Asset				
	Deferred taxation asset analysed by major category:				
	Accelerated capital allowances	**(145.4)**	(129.8)	**(145.8)**	(129.8)
	Provisions, claims and prepayments	**179.4**	170.9	**168.6**	160.0
	Closing balance	**34.0**	41.1	**22.8**	30.2
	Reconciliation of deferred taxation asset:				
	Opening balance	**41.1**	28.0	**30.2**	17.1
	Statement of comprehensive income effect	**(8.3)**	10.0	**(8.6)**	10.0
	Other comprehensive income effect	**1.2**	3.1	**1.2**	3.1
	Closing balance	**34.0**	41.1	**22.8**	30.2
	Liability				
	Deferred taxation liability analysed by major category:				
	Accelerated capital allowances	**(6.8)**	1.3		
	Business combination on intangible asset	**(194.3)**	(182.0)		
	Provisions, claims and prepayments	**(14.0)**	2.2		
	Closing balance	**(215.1)**	(178.5)	**–**	–
	Reconciliation of deferred taxation liability:				
	Opening balance	**(178.5)**	(1.5)	**–**	–
	Business acquisition	**(13.3)**	3.8		
	Business combination on intangible asset	**(12.3)**	(182.0)		
	Statement of comprehensive income effect	**(7.5)**			
	Exchange rate translation	**(5.2)**	1.2		
	Other comprehensive income effect	**1.7**			
	Closing balance	**(215.1)**	(178.5)	**–**	–
	Total net (liability)/asset	**(181.1)**	(137.4)	**22.8**	30.2

* *Reclassified for measurement period adjustment, refer to note 36.5.*

		GROUP		COMPANY	
	Rmillion	2015	2014	2015	2014
15.	**INVENTORIES**				
	Merchandise	**2 481.2**	2 257.4	**1 631.1**	1 553.2
	Less provision for obsolescence	**(50.8)**	(54.7)	**(24.3)**	(32.9)
	Total inventories	**2 430.4**	2 202.7	**1 606.8**	1 520.3
	Shrinkages and damages written off	**41.5**	37.8	**31.4**	34.4

	Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
16.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**8 748.7**	8 056.4	**6 040.1**	5 839.6
	Allowance for doubtful debts	**(582.3)**	(528.3)	**(153.7)**	(127.7)
	Net trade receivables	**8 166.4**	7 528.1	**5 886.4**	5 711.9
	Other receivables	**1 142.8**	987.0	**674.7**	664.0
	Total trade and other receivables	**9 309.2**	8 515.1	**6 561.1**	6 375.9
	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 2014	**(528.3)**	(121.4)	**(127.7)**	(118.7)
	Business acquisition	**(10.9)**	(382.5)		
	Allowance raised during the year	**(177.1)**	(69.5)	**(75.0)**	(40.5)
	Allowance reversed during the year	**169.2**	42.7	**49.0**	31.5
	Exchange rate translation	**(35.2)**	2.4		
	Allowance at 30 September 2015	**(582.3)**	(528.3)	**(153.7)**	(127.7)
	Irrecoverable debts written off net of recoveries	**132.7**	97.4	**43.4**	96.2

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. The allowance for doubtful debts 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. 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	– 19/25 days from weekly statement
Ex-direct supplier delivery	– 25/31 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 R590.3 million (2014: R375.7 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. The directors consider the carrying amount of trade and other receivables to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

17. OVERDRAFTS/CASH BALANCES

For the purpose of the statement of cash flows, 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 flows can be reconciled to the related items in the statement of financial position as follows:

	GROUP		COMPANY	
Rmillion	**2015**	2014	**2015**	2014
Bank balances – Guilds	**81.4**	112.6		
Bank balances – SPAR	**399.9**	323.6		
Bank overdrafts – SPAR	**(519.1)**	(979.6)	**(610.1)**	(849.7)
Net balances/(overdrafts)	**(37.8)**	(543.4)	**(610.1)**	(849.7)

18. STATED CAPITAL

18.1 Authorised

	GROUP		COMPANY	
Rmillion	**2015**	2014	**2015**	2014
250 000 000 (2014: 250 000 000) ordinary shares				
30 000 000 (2014: 30 000 000) redeemable convertible preference shares				
Issued				
173 261 662 (2014: 173 231 049) ordinary shares	**67.6**	67.6	**67.6**	67.6
18 702 349 (2014: 18 759 349) redeemable convertible preference shares				
	67.6	67.6	**67.6**	67.6

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 Memorandum of Incorporation.

During the current financial year 57 000 (2014: 100 600) redeemable convertible preference shares converted into 30 613 (38 739) ordinary shares. These related to the death of participants in both BBBEE trusts.

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.

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 2015	2014
R21.04	14 December 2014		332 580
R29.00	13 November 2015	**92 100**	352 050
R30.36	10 January 2016	**36 800**	110 000
R46.22	8 March 2017	**450 834**	698 134
R58.10	3 December 2017	**300 400**	359 800
R50.23	11 November 2018	**451 400**	584 200
R66.42	10 November 2019	**456 200**	697 746
R95.11	16 November 2020	**493 700**	636 200
R99.91	8 December 2020	**116 800**	130 000
R96.46	8 November 2021	**838 700**	985 000
R122.81	13 November 2022	**839 000**	865 500
R126.43	12 November 2023	**820 000**	844 500
R124.22	7 February 2024	**50 000**	50 000
		4 945 934	6 645 710

No further awards will be made under the share option plan which effectively closed to additional participants in 2014. Existing participants have 10 years from the date of issue to exercise their option rights.

19. TREASURY SHARES

During the year The SPAR Group Ltd Employee Share Trust (2004) purchased 1 324 600 (2014: 1 292 469) shares in the company at an average purchase price per share of R172.77 (2014: R126.86). 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 2015	2014
Cost of shares		
Opening balance	**48.2**	42.8
Share repurchases	**228.9**	164.0
Share issues to trust on exercise of share option rights		6.0
Shares sold to option holders on exercise of share option rights	**(250.2)**	(164.6)
Closing balance	**26.9**	48.2

	Number of shares held 2015	2014
Shares held in trust		
Opening balance	**369 594**	363 180
Share repurchases	**1 324 600**	1 292 469
Share issues to trust on exercise of share option rights		392 000
Shares sold to option holders on exercise of share option rights	**(1 551 242)**	(1 678 055)
Closing balance	**142 952**	369 594

20. SHARE-BASED PAYMENTS

20.1 Share option scheme

The company has in place a share option scheme which is operated through The SPAR Group Ltd 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

20. SHARE-BASED PAYMENTS (CONTINUED)

20.1 Share option scheme (continued)

Share options outstanding at year-end are as follows:

	Number of options 2015	2014
Opening balance	**6 645 710**	7 432 705
New options granted*		894 500
Options taken up**	**(1 592 642)**	(1 634 695)
Options forfeited or reinstated	**(107 134)**	(46 800)
Closing balance	**4 945 934**	6 645 710
* *Weighted average price of options granted during the year*		126.31
** *Weighted average grant price of options taken up during the year*	**50.43**	37.89
** *Weighted average selling price of options exercised during the year*	**165.99**	128.86

No further issues of options have been granted under the share option scheme. Please see conditional share plan note 20.3.

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 %
2014					
12/11/2013	12/11/2016	**4**	**19.57**	**3.83**	**7.46**
12/11/2013	12/11/2017	**5**	**19.57**	**3.83**	**7.82**
12/11/2013	12/11/2018	**6**	**19.57**	**3.83**	**8.15**
07/02/2014	07/02/2017	**4**	**20.14**	**3.79**	**7.81**
07/02/2014	07/02/2018	**5**	**20.14**	**3.79**	**8.13**
07/02/2014	07/02/2019	**6**	**20.14**	**3.79**	**8.36**

20.2 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 strike price of R69.97.During the current financial year 57 000 (2014: 100 600) redeemable convertible preference shares were converted into 30 613 (2014: 38 739) 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 pay-outs to these participants was R170.28 (2014: R126.28), representing a pay-out value of R4.7 million (2014: R4.9 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 Ltd.

		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

20.3 Conditional share plan

The group operates a conditional share plan under which it receives services from employees as consideration for equity instruments of the company. Shares granted in terms of the conditional share plan meet the definition of an equity-settled share-based payment.

In terms of the conditional share plan, the group has granted shares to executives, senior management and key talent specifically identified in the form of performance share 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. Participants do not receive dividends during the vesting period and will only begin receiving dividends if and after the awards have vested.

20. SHARE-BASED PAYMENTS (CONTINUED)

20.3 Conditional share plan (continued)

Participants terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct, 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 sale of SPAR will be classified as 'good leavers' and a portion of all unvested awards will vest on the date as soon as reasonably possible after the date of termination of employment.

The SPAR Conditional Share Plan (CSP) officially granted 513 951 performance share awards to employees on 11 November 2014 which vest over a period of three years. These shares were awarded subject to the following three performance conditions:

- Headline earnings per share (HEPS) growth;
- Return on net assets (RONA); and
- Total shareholder return (TSR).

The fair value (excluding attrition) is calculated as the share price at grant date, multiplied by the number of shares granted. The fair value is then adjusted for attrition. To determine the number of shares that will vest at the end of the vesting period as a result of the performance conditions, a model was built that has both stochastic and deterministic features. The assumptions and inputs used in the valuation of the units issued on 11 November 2014 are summarised in the table below. Also taken into account in this calculation are: SPAR forecast HEPS growth, SPAR Remuneration Committee HEPS tentative target, SPAR forecast average RONA, SPAR Remuneration Committee RONA tentative target, and CPI to grant date.

The volatilities of the TSR of SPAR and each of the peer companies were based on the three-year historical annualised standard deviations of the weekly log returns. It should be noted that the absolute values of the volatility assumptions are less important than for most other schemes. This is because the proportion of shares vesting under the TSR performance condition is determined largely by performance relative to the peer group.

Model inputs and assumptions as at 17 February 2015

Description	**Value**
Grant date	11 November 2014
Vesting date	17 February 2018
Performance period for TSR condition	1 October 2014 to 30 September 2017
Total number of units	513 951
Share price at grant date	R133.61
CPI after grant date (NACA)	5.90%
Risk-free rate (NACA)	7.09%
Dividend yield (NACC)	3.24%
Volatility	Varies by company
Correlation with SPAR	60%
Employee 'good' attrition	1.00% p.a.
Employee 'bad' attrition	4.00% p.a.

The weighted average fair value of the shares granted during the financial year is:	**R**
Value per unit (as at valuation date, excluding attrition impact and performance conditions)	120.19
Value per unit (as at valuation date)	64.27
Total value (allowing for attrition)	33 029 696
Total value (without allowing for attrition)	38 671 354

Movement in the number of full share grants awarded in terms of the CSP	**Number of shares 2015**
Balance at the beginning of the year	–
Shares granted during the year	**513 951**
Balance at the end of the year	**513 951**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
Rmillion		**2015**	2014	**2015**	2014
21. POST-RETIREMENT MEDICAL AID PROVISION					
Opening balance – actuarial valuation		**129.1**	110.9	**129.1**	110.9
Recognised as an expense during the current year		**13.7**	12.3	**13.7**	12.3
Interest cost		**10.6**	9.4	**10.6**	9.4
Current service cost		**3.1**	2.9	**3.1**	2.9
Employer contributions		**(6.2)**	(5.3)	**(6.2)**	(5.3)
Actuarial loss		**4.2**	11.2	**4.2**	11.2
Closing balance		**140.8**	129.1	**140.8**	129.1
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate – in-service members	(%)	**9.0**	8.4	**9.0**	8.4
Discount rate – continuation members	(%)	**8.4**	8.4	**8.4**	8.4
Medical inflation – in-service members	(%)	**7.6**	7.1	**7.6**	7.1
Medical inflation – continuation members	(%)	**7.3**	7.1	**7.3**	7.1
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 278 (2014: 288) pensioners and current employees who remain entitled to this benefit. The expected payments to retired employees for the next financial year is R6.9 million (2014: R6.2 million).

The impact on the defined benefit obligation, based on a quantitative sensitivity analysis for significant assumptions, is set out below:

		DISCOUNT RATE		MEDICAL INFLATION	
Rmillion	Sensitivity %	**2015**	2014	**2015**	2014
Defined benefit obligation	**1**	**(15.8)**	(20.3)	**19.3**	24.8
Defined benefit obligation	**(1)**	**20.0**	26.1	**(15.6)**	(25.3)

The sensitivity analysis has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

Based on past experience, life expectancy is assumed to remain unchanged.

The last actuarial valuation was performed in September 2015 and the next valuation is expected to be performed during the 2016 financial year.

	GROUP		COMPANY	
Rmillion	**2015**	2014	**2015**	2014
22. TRADE AND OTHER PAYABLES				
Trade payables	**8 655.3**	7 686.7	**5 419.5**	5 176.1
Other payables	**2 693.9**	2 011.2	**1 499.6**	1 251.7
Trade and other payables	**11 349.2**	9 697.9	**6 919.1**	6 427.8

Deposits received by The SPAR Guild of Southern Africa from SPAR retail members are included in other payables.

The directors consider the carrying amount of trade and other payables to approximate their fair value.

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
23. PROVISIONS				
Supplier claims	**5.2**	18.1	**3.7**	13.9
Termination of leases	**84.9**	77.7		
Onerous lease provisions	**20.2**			
Total provisions	**110.3**	95.8	**3.7**	13.9
Supplier claims				
Balance at the beginning of the year	**18.1**	14.7	**13.9**	11.6
Provisions (reversed)/raised	**(5.6)**	7.6	**(5.6)**	6.7
Provisions utilised	**(8.0)**	(4.4)	**(4.6)**	(4.4)
Exchange rate translation	**0.7**	0.2		
Balance at the end of the year	**5.2**	18.1	**3.7**	13.9
Termination of leases				
Balance at the beginning of the year	**77.7**	–	**–**	–
Provisions raised	**0.2**			
Business acquisition		78.2		
Exchange rate translation	**7.0**	(0.5)		
Balance at the end of the year	**84.9**	77.7	**–**	–
Onerous lease provisions				
Balance at the beginning of the year	**–**	–	**–**	–
Provisions raised	**22.7**			
Provisions utilised	**(4.6)**			
Exchange rate translation	**2.1**			
Balance at the end of the year	**20.2**	–	**–**	–

The provisions for supplier claims, termination of leases and onerous leases represents management's best estimate of the group's liability. The supplier claims provision represents the value of disputed deliveries and other issues. Termination of leases relates to specific leases which have been identified for surrender. The provision is based on historic experience of three years rental to surrender. Onerous lease provisions represents the value by which the unavoidable costs of meeting lease obligations exceed the economic benefits expected to be received under certain lease agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Rmillion	GROUP 2015	GROUP 2014#	COMPANY 2015	COMPANY 2014#
24.	**CASH GENERATED FROM OPERATIONS**				
	Operating profit	**2 294.2**	1 864.9	**1 951.8**	1 760.1
	Adjusted for:				
	Depreciation	**331.5**	178.6	**148.2**	140.4
	Net loss on disposal of property, plant and equipment	**15.0**	5.4	**6.2**	4.1
	Net loss on assets held for sale	**0.7**			
	Post-retirement medical aid provision	**7.5**	10.2	**7.5**	10.2
	Retirement benefit fund provision	**(26.8)**	(1.8)		
	BBBEE transaction	**12.4**	12.4	**12.4**	12.4
	Share-based payments	**25.0**	20.2	**25.0**	20.2
	Provision against loans and trade receivables	**18.9**	(9.2)	**26.0**	8.1
	Lease smoothing adjustment	**(0.2)**	(4.0)	**3.5**	(0.6)
	Exchange rate translation	**(1.6)**	0.9	**(1.6)**	
	Cash generated from operations before:	**2 676.6**	2 077.6	**2 179.0**	1 954.9
	Net working capital changes	**278.0**	(235.2)	**187.4**	(246.0)
	Increase in inventories	**(114.8)**	(179.9)	**(86.4)**	(181.4)
	Increase in trade and other receivables	**(387.7)**	(768.0)	**(207.4)**	(752.4)
	Increase in trade payables and provisions	**780.5**	712.7	**481.2**	687.8
	Cash generated from operations	**2 954.6**	1 842.4	**2 366.4**	1 708.9
24.1	**Net movement in loans and investments**	**(30.0)**	(18.9)	**(139.6)**	(125.5)
	Proceeds from disposal of associates	**7.4**	34.8	**7.4**	34.8
	Proceeds from disposal of other investments	**0.6**		**0.6**	
	Investment in associates		(21.8)		(21.8)
	Further capital invested in associates		(3.9)		(3.9)
	Dividends from associates	**0.6**			
	Net movement on retailer and subsidiary loans	**(39.0)**	(14.3)	**2.9**	(14.2)
	Loan to The SPAR Group Ltd Employee Share Trust (2004)			**(150.9)**	(106.7)
	Repayments of loans to related parties	**2.9**		**2.9**	
	Loan to associates	**(2.5)**	(13.7)	**(2.5)**	(13.7)
25.	**TAXATION PAID**				
	Payable at the beginning of the year	**47.6**	11.3	**43.4**	12.3
	Business acquisition	**(6.1)**	(0.9)		
	Exchange rate translation	**1.5**	(0.1)		
	Statement of comprehensive income charge	**521.5**	509.2	**488.9**	491.2
	(Payable)/receivable at the end of the year	**(9.0)**	(47.6)	**0.2**	(43.4)
	Total taxation paid	**555.5**	471.9	**532.5**	460.1

Reclassified for changes in presentation, refer to note 41.

	Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
26.	**CONTINGENT LIABILITIES**				
	Guarantees issued in respect of finance obligations	**947.5**	646.1	**3 203.4**	624.7
	– Loan guarantees	**657.8**	469.2	**657.8**	469.2
	– Rental guarantees	**1.0**	25.4	**1.0**	4.0
	– Customs and excise guarantees	**115.1**			
	– Guarantee of TIL JV Ltd long-term borrowings			**2 367.9**	
	– Guarantee of Annison 45 (Pty) Ltd finance obligations			**2.4**	
	– Guarantee of Kaplian Trading (Pty) Ltd finance obligations			**0.7**	
	– IT retail computer equipment lease scheme	**173.6**	151.5	**173.6**	151.5
	The board has limited guarantee facilities to R915 million (2014: R725 million) relating to Southern Africa. In addition, the board has approved a financial guarantee on the TIL JV Ltd bank facilities to the value of €220 million.				
	The company has guaranteed the finance obligations of SPAR Retail Stores (Pty) Ltd and Kaplian Trading (Pty) Ltd, TIL JV Ltd and Annison 45 (Pty) Ltd to its bankers.				
	These guarantees commenced 15 April 2011, 25 July 2011, 24 June 2015 and 29 September 2015 respectively and are for an indefinite period.				
27.	**COMMITMENTS**				
27.1	**Operating lease commitments**				
	Future minimum lease payments due under non-cancellable operating leases:				
	Land and buildings				
	Payable within one year	**1 036.4**	857.4	**803.9**	643.4
	Payable later than one year but not later than five years	**3 572.7**	3 058.2	**2 739.9**	2 255.4
	Payable later than five years	**3 141.1**	2 791.5	**1 518.9**	1 127.5
	Total land and buildings operating lease commitments	**7 750.2**	6 707.1	**5 062.7**	4 026.3
	Other				
	Payable within one year	**26.7**	21.1	**3.4**	2.3
	Payable later than one year but not later than five years	**51.1**	33.6	**4.5**	3.9
	Payable later than five years	**3.8**	3.3		0.5
	Total other operating lease commitments	**81.6**	58.0	**7.9**	6.7
27.2	**Operating lease receivables**				
	Future minimum sub-lease receivables due under non-cancellable property leases:				
	Receivable within one year	**729.9**	583.4	**746.7**	605.4
	Receivable later than one year but not later than five years	**2 529.1**	2 063.9	**2 600.3**	2 169.7
	Receivable later than five years	**1 378.4**	1 072.6	**1 364.9**	1 069.1
	Total operating lease receivables	**4 637.4**	3 719.9	**4 711.9**	3 844.2
27.3	**Capital commitments**				
	Contracted	**158.9**	145.7	**69.8**	133.9
	Approved but not contracted	**18.2**	141.2	**10.8**	102.3
	Total capital commitments	**177.1**	286.9	**80.6**	236.2
	Capital commitments will be financed from group resources.				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	R'000	Salary	Performance-related bonus	Retirement funding contri-butions	Travel allowance and other benefits[(1)]	Share option gains	Total
28.	**DIRECTORS' REMUNERATION AND INTERESTS REPORT**						
28.1	**Emoluments**						
	2015						
	Executive directors						
	GO O'Connor	**3 719**	**3 527**	**444**	**377**		**8 067**
	WA Hook	**3 335**	**3 111**	**421**	**408**	**11 060**	**18 335**
	MW Godfrey	**2 499**	**2 333**	**304**	**397**	**3 470**	**9 003**
	R Venter	**2 432**	**2 302**	**308**	**422**	**7 350**	**12 814**
	Total emoluments	**11 985**	**11 273**	**1 477**	**1 604**	**21 880**	**48 219**
	2014						
	Executive directors						
	GO O'Connor*	2 233	3 176	270	495		6 174
	WA Hook	3 239	3 101	408	1 706	5 697	14 151
	MW Godfrey	1 962	1 962	247	722		4 893
	R Venter	2 253	2 102	291	791	14 971	20 408
	Total emoluments	9 687	10 341	1 216	3 714	20 668	45 626

(1) *Other benefits include medical aid contributions and a long service award.*
* *GO O'Connor was appointed as CEO on 1 February 2014.*

	R'000	2015	2014
28.2	**Fees for services as non-executive directors**		
	MJ Hankinson (Chairman)[bc]	**1 013**	944
	PK Hughes[a]	**370**	345
	RJ Hutchison[b]	**353**	328
	MP Madi	**353**	309
	HK Mehta[abc]	**515**	468
	P Mnganga[d]	**388**	362
	CF Wells[acd]	**628**	585
	Total fees	**3 620**	3 341

a *Member of Audit Committee.*
b *Member of Remuneration and Nominations Committee.*
c *Member of Risk Committee.*
d *Member of Social and Ethics Committee.*

		2015 Shares	2014 Shares
28.3	**Directors' interests in the share capital of the company**		
	Executive directors		
	WA Hook – direct beneficial holding	**4 200**	4 200
	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**	1 000
	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 that 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 2015.

29. DIRECTORS' SHARE 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.

		Date of option issue	Option price Rand	Number of options held 2015	2014
29.1	**Options held over shares in The SPAR Group Ltd**				
	Executive directors				
	GO O'Connor	07/02/2014	124.22	**50 000**	50 000
				50 000	50 000
	WA Hook	14/11/2005	29.00		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**	60 000
				495 000	565 000
	R Venter	09/03/2007	46.22		50 000
		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**	30 000
		12/11/2013	126.43	**30 000**	30 000
				253 000	303 000
	MW Godfrey	13/12/2004	21.04		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**	30 000
		12/11/2013	126.43	**30 000**	30 000
				197 000	223 100
	Non-executive director				
	PK Hughes	13/12/2004	21.04		65 000
		14/11/2005	29.00		1 500
		11/01/2006	30.36	**36 800**	110 000
				36 800	176 500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

29. DIRECTORS' SHARE SCHEME INTERESTS (CONTINUED)

29.2 Options exercised

	Date option exercised	Number of options exercised	Option price Rand	Market price on exercise	Gain
WA Hook	08/07/2015	70 000	29.00	187.00	11 060 014
R Venter	13/07/2015	50 000	46.22	193.22	7 349 755
MW Godfrey	24/11/2014	26 100	21.04	154.00	3 470 256
PK Hughes	13/11/2014	65 000	21.04	144.01	7 992 979
	03/08/2015	1 500	29.00	198.85	254 775
	03/08/2015	36 600	30.36	198.99	6 171 675
	04/08/2015	36 600	30.36	200.00	6 208 870

29.3 Shares held by participants in terms of the conditional share plan

These shares vest over a period of three years subject to performance conditions at year-end.

	Grant date	Share price on date of the grant R	Number of shares 2015
Executive directors			
GO O'Connor	17 February 2015	133.61	**36 665**
WA Hook	17 February 2015	133.61	**14 000**
R Venter	17 February 2015	133.61	**22 000**
MW Godfrey	17 February 2015	133.61	**22 000**

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, 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 R95.6 million (2014: R84.0 million) and R93.4 million (2014: R81.6 million) were expensed for the group and company respectively during the year.

30.2 The SPAR Group Ltd Defined Benefit Pension Fund

The SPAR Group Ltd Defined Benefit Pension Fund was valued as at 30 September 2015, 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 30 September 2016. This fund is closed to further membership. Contributions of Rnil (2014: Rnil) and Rnil (2014: 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 Ltd, and The SPAR Group Ltd 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.

Rmillion		2015	2014
30. RETIREMENT BENEFIT FUNDS (CONTINUED)			
30.2 The SPAR Group Ltd Defined Benefit Pension Fund (continued)			
Details of the IAS 19 valuation			
The SPAR Group Ltd Defined Benefit Pension Plan			
Amounts recognised in the statements of financial position			
Present value of fund obligations		**(13.9)**	(19.0)
Fair value of plan assets		**21.1**	21.4
Surplus in plan		**7.2**	2.4
Unrecognised actuarial gains		**(7.2)**	(2.4)
Net asset/(liability) recognised in the statements of financial position		**–**	–
Amounts recognised in the statements of comprehensive income			
Current service cost		**(0.5)**	(0.5)
Interest on obligation		**0.4**	0.1
Net cost recognised in the statements of comprehensive income		**(0.1)**	(0.4)
Movement on net asset			
Net asset at the beginning of the year		**2.4**	1.0
Net expense recognised in the statements of comprehensive income		**(0.1)**	(0.4)
Net actuarial gain not recognised		**4.9**	1.8
Net asset at the end of the year		**7.2**	2.4
A 1% movement in the discount rate or salaries is not expected to yield a material movement in the recognised obligation.			
Key actuarial assumptions in determining the above provision:			
Discount rate	(%)	**8.70**	9.40
Inflation rate	(%)	**6.90**	6.80
Salary increase rate	(%)	**7.90**	7.80
Pension increase allowance	(%)	**5.20**	5.27
Pension retirement discount rate	(%)	**3.40**	3.92
Average future working life of active members at the start of the year	(years)	**9.50**	11.00

30.3 The BWG Group Retirement Funds

The BWG Group contributes towards retirement benefits for approximately 1050 (2014: 980) current and former employees who are members of either the group's defined benefit staff pension scheme (BWG Foods Ltd Staff Pension Scheme), defined benefit executive pension scheme (BWG Ltd Executive Pension Scheme) or one of the defined contribution schemes. Current service costs, past service cost or credit and net expense or income are recognised to the income statement.

All schemes are governed by the Pensions Act 1990 (as amended per Irish statute). The bulk of the funds are invested with Irish Life Investment Managers, with small holdings managed by SSgA and F & C and directly by the scheme. The schemes' assets remain independent of the company.

In terms of their rules, the defined benefit 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 on track to meet their obligations. Contributions of R38.2 million (2014: R5.1 million) were expensed for the group during the year.

The defined benefit pension schemes were valued at R1 128.0 million (2014: R997.3 million) using the projected unit credit method and the fund was found to be in a sound financial position. At that date the actuarial fair value of the plan assets represent 69.0% (2014: 67.2%) of the plan liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Rmillion		2015	2014
30. RETIREMENT BENEFIT FUNDS (CONTINUED)			
30.3 The BWG Group Retirement Funds (continued)			
The key actuarial assumptions applied in the determination of fair values include:			
Inflation rate	(%)	**1.5**	1.7
Salary escalation rate	(%)	**1.5**	1.7
Discount rate	(%)	**2.3**	2.6
Expected rate of return on plan assets	(%)	**2.6**	2.6

Marriage rates	Marriage assumption – 90% of fund membership is married
Spouse age difference	Husbands are four years older than wives

The next actuarial valuation of the defined benefit schemes will take place on 1 January 2018. These schemes are closed to further membership.

Details of the IAS 19 valuation of the defined benefit fund:	2015	2014
Fair value of fund assets		
Balance at the beginning of the year	**586.6**	579.0
Expected return on fund assets	**17.0**	3.0
Contributions	**38.2**	5.1
Benefits paid	**(22.3)**	(3.2)
Actuarial gain	**9.7**	8.0
Exchange rate translation	**51.9**	(5.3)
Balance at the end of the year	**681.1**	586.6
Present value of defined benefit obligation		
Balance at the beginning of the year	**(872.7)**	(845.5)
Interest cost	**(24.7)**	(4.4)
Current service cost	**(11.4)**	(2.7)
Benefits paid/accrued to be paid	**22.2**	2.6
Actuarial loss	**(23.0)**	(32.6)
Exchange rate translation	**(77.4)**	9.9
Present values of obligation at the end of the year	**(987.0)**	(872.7)
Amounts recognised in the statements of financial position		
Present value of fund obligations	**(987.0)**	(872.7)
Fair value of plan assets	**681.1**	586.6
Deficit in plan	**(305.9)**	(286.1)
Unrecognised actuarial (gains)/losses		
Net liability recognised in the statements of financial position	**(305.9)**	(286.1)
Amounts recognised in the statements of comprehensive income		
Current service cost	**(11.4)**	(2.7)
Interest on obligation	**(7.6)**	(1.3)
Expected return on plan assets	**9.7**	8.0
Net actuarial losses recognised in the current year	**(23.0)**	(32.6)
Net losses recognised in the statements of comprehensive income	**(32.3)**	(28.6)
The fair value of plan assets at the end of the reporting period for each category are as follows:	**%**	%
Cash and cash equivalents	**3.8**	3.0
Equities	**45.5**	49.0
Property	**7.1**	8.0
Fixed interest bonds	**43.6**	40.0
	100.0	100.0

	Sensitivity %	2015	2014
The impact on the defined benefit obligation, based on a quantitative sensitivity analysis for the pension cost trend rate, is set out below:			
Defined benefit obligation	**0.5**	**(106.0)**	(82.3)
Defined benefit obligation	**(0.5)**	**117.3**	94.8

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
31. FINANCIAL RISK MANAGEMENT				
Financial instruments classification				
Net bank overdrafts	**(37.8)**	(543.4)	**(610.1)**	(849.7)
Loans*	**130.9**	85.6	**110.4**	133.8
Other equity investments***	**2.3**	2.9	**2.3**	2.9
Trade and other receivables*	**9 309.2**	8 515.1	**6 561.1**	6 376.0
Trade and other payables**	**(11 349.2)**	(9 697.9)	**(6 919.1)**	(6 427.8)
FEC asset***	**0.4**	0.5	**0.4**	0.5
Borrowings**	**(2 455.1)**	(1 951.4)		
Financial liability***	**(729.8)**	(548.9)	**(729.8)**	(548.9)

* *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.*

The company and group's financial instruments consist primarily of bank balances and overdraft funding from banks, trade payables, loans, borrowings 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, liquidity and currency 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, and the financial liability to the non-controlling shareholders, 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 asset of R0.4 million in the current year (2014: net asset of R0.5 million). The group does not speculate in or engage in the trading of derivatives or other financial instruments.

The financial liability is to the non-controlling shareholders of TIL JV Ltd, one of the group's foreign subsidiaries, with whom the group has contracted to acquire the minority shareholding.

For a maturity analysis and further disclosures refer to notes 39 and 40.

The group does not have any exposure to commodity price movements.

Currency risk

The group is subject to transaction exposure through the import of merchandise and its investments in foreign operations by way of translation risks and currency risks relating to the financial liability.

Southern Africa: Import of merchandise

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 R14.6 million at year-end (2014: R14.9 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 AND COMPANY Average contract rate	Commitment Rm	Fair value of FEC 2015 Rm	Fair value of FEC 2014 Rm
Imports				
US dollar	13.73	14.6	**0.4**	0.5

Ireland: Financial liability

The settlement of the financial liability (purchase obligation of non-controlling interest, refer to note 40) is denominated in euros. The group is therefore exposed to currency risk. There is also an element of translation risk as the financial liability is translated to the rand spot value at year-end.

Please refer to note 40 for the effect of foreign exchange differences on the financial liability in the current year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

Ireland: Investments in foreign operations

The group is also subject to translation exposure.

Translation exposure relates to the group's investments and earnings in non-ZAR currencies which are translated in the ZAR reporting currency. Foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets. Monetary items are converted to rands at the rate of exchange ruling at the financial reporting date.

The carrying amount of the group's unhedged and uncovered foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	GROUP							
Rmillion	**2015 ZAR**	2014 ZAR	**2015 EUR**	2014 EUR	**2015 Other**	2014 Other	**2015 Total**	2014 Total
Financial instrument balances:								
Loans	**83.6**	85.6	**47.3**				**130.9**	85.6
Net bank (overdrafts)/balances	**(513.3)**	(722.4)	**399.9**	124.6	**75.6**	54.4	**(37.8)**	(543.4)
Trade and other receivables	**6 690.1**	6 449.4	**2 451.4**	1 921.9	**167.7**	143.8	**9 309.2**	8 515.1
Trade and other payables	**(7 243.3)**	(6 738.2)	**(3 871.3)**	(2 774.3)	**(234.6)**	(185.4)	**(11 349.2)**	(9 697.9)
Financial liability			**(729.8)**	(548.9)			**(729.8)**	(548.9)
Borrowings			**(2 455.1)**	(1 951.4)			**(2 455.1)**	(1 951.4)

Sensitivity analysis

The group has its most significant exposure to the euro through its Ireland operations, being its controlling shareholding in TIL JV Ltd, the holding company of BWG Foods. For a 10% weakening of the rand against the euro, there would be an equal and opposite impact on profit before tax, based on the Irish profitability impact on South Africa.

		GROUP	
Rmillion	**Sensitivity %**	**2015**	2014
Profit before tax	**10**	**5.1**	4.5
Profit before tax	**(10)**	**(5.1)**	(4.5)

Interest rate risk

The group is exposed to interest rate risk on its cash deposits, loan receivables and loan payables which impacts on the cash flows arising from these instruments. In the current year, net interest paid on cash deposits net of overdraft was R29.8 million (2014: net interest received was R7.9 million), interest received from loans was R1.0 million (2014: R0.8 million) and interest paid on loans was R73.4 million (2014: R15.0 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.

The interest rate profile is as follows:

		Floating rate		Total borrowings
2015		**Less than one year**	**Greater than one year**	
Borrowings	(Rmillion)	**87.2**	**2 367.9**	**2 455.1**
Total borrowings	(%)	**3.6**	**96.4**	**100.0**

The closing rate at 30 September 2015 was 1.8%.

		Floating rate		Total borrowings
2014		Less than one year	Greater than one year	
Borrowings	(Rmillion)	85.1	1 866.3	1 951.4
Total borrowings	(%)	4.4	95.6	100.0

The closing rate at 30 September 2014 was 4.2%.

31. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Sensitivity analysis

Southern Africa

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

Ireland

If interest rates, relating to Irish loans, had been 0.5% points higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:

		GROUP	
Rmillion	Sensitivity %	2015	2014
Profit before tax	0.5	(12.3)	(9.8)
Profit before tax	(0.5)	12.3	9.8

Credit risk

Trade receivables, 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, amounting to R9 442.4 million (2014: R8 603.6 million). Concentration risk is mitigated as the group deals with a spread of customers.

Trade receivables consist of:
Southern Africa: SPAR and Build it member debts.
Ireland: Central billing customer and value centre debts.

Overdue receivables balances, representing 12.6% (2014: 10.6%) of the total trade receivables balance, amounted to R1 172.6 million (2014: R903.9 million) at the reporting date. Allowances for doubtful debts totalling R582.3 million (2014: R528.3 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 2015, security representing 59.64% (2014: 59.29%) of the trade receivables balance 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, 917 SPAR stores (2014: 912), 497 TOPS at SPAR stores (2014: 480), 20 Pharmacy at SPAR stores (2014: 17) and 1 Build it store (2014: 1) were participants in the IT retail scheme, with an average debt of R120 982 (2014: R107 434) 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 and borrowings facilities at its disposal:

	Southern Africa		Ireland	
Rmillion	2015	2014	2015	2014
Unsecured bank overdraft and borrowings facilities, reviewed annually:				
– Utilised as at year-end	634.0	900.0	2 638.2	2 312.0
– Unutilised	1 566.0	850.0	933.3	410.0
Total available overdraft/call and borrowings facilities	2 200.0	1 750.0	3 571.5	2 722.0

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 long-term borrowings giving rise to cash payment obligations. The company has unlimited borrowing powers in terms of the Memorandum of Incorporation. For a maturity analysis and further disclosures, refer to note 39.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value hierarchy

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

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These instruments consist of the forward exchange contracts.

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

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

The following financial instruments on the statement of financial position are carried at fair value.

The financial instruments are further categorised into the appropriate fair value hierarchy:

		Fair value		
Financial instrument **2015** Rmillion	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Other equity investments	**2.3**		**2.3**	
FEC asset	**0.4**	**0.4**		
Financial liability	**(729.8)**			**(729.8)**
Total	**(727.1)**	**0.4**	**2.3**	**(729.8)**
2014				
Other equity investments	2.9		2.9	
FEC asset	0.5	0.5		
Financial liability	(548.9)			(548.9)
Total	(545.5)	0.5	2.9	(548.9)

Level 3 sensitivity information

The fair value of the level 3 financial liability of R729.8 million (2014: R548.9 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth.

The following additional factors were applied in calculating the financial liability at 30 September 2015:
– Risk-free rate of 8.15% (2014: 7.46%) based on the R208 bonds.
– Closing rand/euro exchange rate of 15.53 (2014: 14.26).

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

2015	**Valuation technique**	**Discount rate %**	**Sensitivity %**	**Liability Rmillion**
Financial liability	Income approach	**8.15**	**0.5**	**(17.5)**
Financial liability	Income approach	**8.15**	**(0.5)**	**18.0**
2014				
Financial liability	Income approach	7.46	0.5	(15.9)
Financial liability	Income approach	7.46	(0.5)	16.4

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Movements in level 3 financial instruments carried at fair value

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

	GROUP	
R million	**2015**	2014
Balance at the beginning of the year	**548.9**	–
Initial recognition direct in equity		545.7
Finance costs recognised in profit or loss	**45.9**	6.7
Net exchange differences arising during the period	**62.2**	(3.5)
Fair value adjustments	**72.8**	
Closing value of financial liability	**729.8**	548.9

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 2015. The strategy entails a philosophy of tight risk management and minimum use of derivative instruments.

The capital structure of the group consists of equity attributable to shareholders comprising issued capital, reserves and retained earnings as disclosed in notes 18 and 20 respectively and borrowings as disclosed in note 39.

Treasury shares (refer to 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 Ltd. During the year rentals of R18 660 000 (2014: R17 580 000) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R13 435 200 (2014: R12 657 545) were paid by SPAR P.E. Property (Pty) Ltd to The SPAR Group Ltd. The intercompany liability due to The SPAR Group Ltd as at 30 September 2015 amounted to R60 922 835 (2014: R66 360 860). 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 Ltd. During the year dividends of R13 000 000 (2014: R11 500 000) and R4 599 630 (2014: R3 651 900) and management fees of R4 500 000 (2014: R2 700 000) and R684 000 (2014: R627 000) were paid to The SPAR Group Ltd by SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd respectively. The intercompany liability due to The SPAR Group Ltd as at 30 September 2015 amounted to R26 234 036 (2014: R16 528 568) and R13 220 322 (2014: R31 636 778) 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.
- Spar Mozambique Limitada declared dividends to The SPAR Group Ltd during the year of R906 248 (2014: 1 224 720). The intercompany liability due to The SPAR Group Ltd as at 30 September 2015 amounted to R4 350 244 (2014: R1 866 499).
- 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 855 944 (2014: R4 546 108) were paid to The SPAR Guild of Southern Africa. The intercompany liability with The SPAR Group Ltd as at 30 September 2015 amounted to R25 671 202 (2014: R26 055 775) and R4 431 646 (2014: R3 244 775) for the SPAR Guild and the Build it Guild respectively.
- The SPAR Group Ltd 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 2015, funds had been advanced by the company to the trust to the amount of R26 885 490 (2014: R48 226 778) (refer notes 13 and 19). No interest is charged on the intercompany loan balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

32. RELATED PARTY TRANSACTIONS (CONTINUED)

32.1 Company (continued)

- Spar Retail Stores (Pty) Ltd is a wholly owned subsidiary of The SPAR Group Ltd. During the year The SPAR Group Ltd made sales to Spar Retail Stores (Pty) Ltd to the value of R475 826 756 (2014: R524 605 953). The intercompany liability due to The SPAR Group Ltd as at 30 September 2015 amounted to R183 798 907 (2014: R183 798 907).
- Kaplian Trading (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year The SPAR Group Ltd made sales to Kaplian Trading (Pty) Ltd to the value of R50 276 552 (2014: R52 678 180). The intercompany liability due to The SPAR Group Ltd as at 30 September 2015 amounted to R15 000 026 (2014: R15 000 026).
- Annison 45 (Pty) Ltd is a subsidiary of The SPAR Group Ltd, which began trading in the 2015 financial year. During the year The SPAR Group Ltd made sales to Annison 45 (Pty) Ltd to the value of R17 362 466.
- Monteagle Merchandising Services (Pty) Ltd is an associate of The SPAR Group Ltd. During the prior year The SPAR Group Ltd provided Monteagle Merchandising Services (Pty) Ltd with a loan, which was fully repaid in the 2015 financial year. The balance on the loan as at 30 September 2015 amounted to Rnil (2014: R2 549 500).
- The SPAR Group Ltd entered into an associate agreement with Fig Leaf (Pty) Ltd during the 2010 financial year. The associate relates to the Gateway SUPERSPAR in Hermanus. During the year sales of R144 766 797 (2014: R132 347 661) were made to the Gateway SUPERSPAR, and dividends of R600 000 (2014: Rnil) were paid to The SPAR Group Ltd by Fig Leaf (Pty) Ltd.
- The SPAR Group Ltd entered into an associate agreement with Gezaro Retailers (Pty) Ltd during the 2013 financial year. The associate relates to the Zevenwacht SUPERSPAR in Kuils River. During the year sales of R129 549 896 (2014: R111 326 807) were made to the Zevenwacht SUPERSPAR.
- The SPAR Group Ltd entered into an associate agreement with Vaslovision (Pty) Ltd during the 2015 financial year, and disposed of this associate entity within the same year. The associate relates to the Rosehill SUPERSPAR and TOPS and Nemato SPAR and TOPS. During the year sales of R47 719 614 were made to Rosehill SUPERSPAR and TOPS, and R25 929 482 to Nemato SPAR and TOPS. Vaslovision declared a dividend to The SPAR Group Ltd of R131 746 during the 2015 financial year.
- SPAR South Africa (Pty) Ltd, SaveMor Products (Pty) Ltd, Nelspruit Wholesalers (Pty) Ltd, Rubean Trading (Pty) Ltd, PowerBuild (Pty) Ltd, SPAR Academy of Learning (Pty) Ltd, Ozran (Pty) Ltd, Wespin 45 (Pty) Ltd and Clusten 45 (Pty) Ltd, are all dormant companies.
- TIL JV Ltd is a subsidiary of The SPAR Group Ltd. During the current year, an intercompany guarantee fee of R12.2 million became payable by TIL JV Ltd to The SPAR Group Ltd.

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 154.

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.

Company key management personnel remuneration comprises:

Rmillion	2015	2014
Directors' fees	**3.6**	3.3
Remuneration for management services	**37.2**	35.7
Retirement contributions	**4.0**	3.9
Medical aid contributions	**1.0**	1.0
Performance bonuses	**28.3**	27.5
Fringe and other benefits	**0.2**	0.6
Expense relating to share options granted	**71.7**	44.9
Total	**146.0**	116.9

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 principal segments of the group have been identified on a primary basis by geographical segment, which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns.

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

As a result, the geographical segments of the group have been identified as Southern Africa and Ireland. All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are eliminated on consolidation.

Segment analysis:

2015 Rmillion	**Southern Africa**	**Ireland**	**Consolidated Total**
Total revenue	**56 883.6**	**17 176.4**	**74 060.0**
Operating profit	**1 987.8**	**306.4**	**2 294.2**
Profit before tax	**1 776.1**	**182.1**	**1 958.2**
Total assets	**12 157.7**	**7 172.6**	**19 330.3**
Total liabilities	**9 038.8**	**6 963.1**	**16 001.9**
2014*#			
Total revenue	52 220.4	2 795.5	55 015.9
Operating profit	1 799.4	65.5	1 864.9
Profit before tax	1 794.2	50.0	1 844.2
Total assets	11 590.6	5 532.0	17 122.6
Total liabilities	8 607.0	5 489.1	14 096.1

* *Reclassified for measurement period adjustment, refer to note 36.5*

\# *Reclassified for changes in presentation, refer to note 41.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Principal place of business	Issued share capital 2015 Rand	2014 Rand	Effective holding 2015 %	2014 %	Cost of investment 2015 Rmillion	2014 Rmillion
34. INVESTMENT IN SUBSIDIARIES							
Subsidiary*							
TIL JV Ltd [(1)] (registered in the Isle of Man)	Ireland	**100 000**	100 000	**80**	80	**798.6**	798.6
SPAR South Africa (Pty) Ltd[(2)]	South Africa	**10 000**	10 000	**100**	100		
SPAR Namibia (Pty) Ltd[(1)] (registered in Namibia)**	Namibia	**100**	100	**100**	100		
The SPAR Group (Botswana) (Pty) Ltd[(1)] (registered in Botswana)**	Botswana	**136**	136	**100**	100		
SPAR Mozambique Limitada[(1)] (registered in Mozambique)**	Mozambique	**8 033**	8 033	**100**	100		
SPAR P.E. Property (Pty) Ltd[(3)]	South Africa	**11 467 875**	11 467 875	**100**	100	**2.3**	2.3
SaveMor Products (Pty) Ltd[(2)]	South Africa	**1**	1	**100**	100		
SPAR Academy of Learning (Pty) Ltd[(2)]	South Africa	**100**	100	**100**	100		
Nelspruit Wholesalers (Pty) Ltd[(2)]	South Africa	**109**	109	**100**	100		
SPAR Retail Stores (Pty) Ltd[(1)]	South Africa	**100**	100	**100**	100	**181.1**	186.1
Kaplian Trading (Pty) Ltd[(1)]	South Africa	**120**	120	**100**	100	**15.0**	15.0
Rubean Trading (Pty) Ltd[(2)]	South Africa	**235**	235	**100**	100		
PowerBuild (Pty) Ltd[(2)]	South Africa	**100**	100	**100**	100		
Annison 45 (Pty) Ltd[(1)]	South Africa	**100**	100	**60**	60		
Ozran (Pty) Ltd[(2)]	South Africa			**100**			
Clusten 45 (Pty) Ltd[(2)]	South Africa			**100**			
Wespin 45 (Pty) Ltd[(2)]	South Africa			**100**			
Consolidated entities******							
The SPAR Guild of Southern Africa[(1)]***	South Africa						
The Build it Guild of Southern Africa[(1)]***	South Africa						
The SPAR Group Ltd Employee Share Trust (2004)[(1)]	South Africa						
The SPAR BBBEE Employee Trust[(1)]	South Africa						
The SPAR BBBEE Retailer Employee Trust[(1)]	South Africa						
Total						**997.0**	1 002.0
Directors' valuation						**997.0**	1 002.0

* *The SPAR Group Ltd Employee Share Trust (2004), The SPAR BBBEE Employee Trust, and The SPAR BBBEE Retailer Employee Trust have 28 February as their 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.*

**** *These entities are consolidated as the group maintains the accounting records for them and has effective control over these entities due to the group's control over the board.*

(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 full-time employees of the company as at 12 August 2009, but excluding Paterson E or F graded employees; and
- full-time employees of SPAR and Build it retail stores subject, however, to a minimum employment period precondition 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 168 862 522 (2014: R1 160 153 053).

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 R13.4 million (2014: R13.2 million).

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

	GROUP		COMPANY	
Rmillion	**2015**	2014	**2015**	2014
The SPAR BBBEE Employee Trust	**12.4**	12.4	**12.4**	12.4
Legal and other costs	**1.0**	0.8	**1.0**	0.8
	13.4	13.2	**13.4**	13.2

36. BUSINESS COMBINATIONS

36.1 Subsidiaries acquired

During the 2015 financial year, the BWG Group, which is held by TIL JV Ltd, a subsidiary of The SPAR Group Ltd, acquired the entire issued share capital of ADM Londis plc ('Londis') for a cash consideration of R317.0 million.

The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group effective 1 August 2014. The investment was made in TIL JV Ltd, the new holding company for the BWG Group. The reason for the acquisition of the BWG Group in 2014 was because of its strong commonality with The SPAR Group Ltd business model. The BWG Group also holds a dominant position in the Irish convenience market as well as generating strong profits. ADM Londis plc was acquired in 2015 as it presented a major opportunity to acquire a large independent brand in the convenience market in which the BWG Group operates and thereby consolidate its position of retail dominance.

36.2 During the course of the 2015 financial year, The SPAR Group Ltd acquired the assets of nine retail stores. These acquisitions were made from available cash resources. The principal activity of these acquisitions is that of retail trade and all its aspects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

36. BUSINESS COMBINATIONS (CONTINUED)

Assets acquired and liabilities assumed at date of acquisition

	GROUP						COMPANY	
	2015			2014*			2015	2014
Rmillion	ADM Londis plc	SA retail stores	Total	TIL JV Ltd	SA retail stores	Total		
Assets	**574.9**	**17.7**	**592.6**	5 356.1	25.0	5 381.1	**17.7**	25.0
Property, plant and equipment	**4.6**	**17.7**	**22.3**	1 063.6	19.7	1 083.3	**17.7**	19.7
Intangible assets	**98.1**		**98.1**	1 456.3		1 456.3		
Assets classified as held for sale	**144.7**		**144.7**	15.1		15.1		
Inventories	**37.1**		**37.1**	639.1	5.2	644.3		5.2
Trade and other receivables	**239.0**		**239.0**	1 885.1		1 885.1		
Taxation receivable	**6.1**		**6.1**	0.9		0.9		
Cash and cash equivalents	**45.3**		**45.3**	296.0	0.1	296.1		0.1
Liabilities	**(304.3)**	**–**	**(304.3)**	(5 436.2)	–	(5 436.2)	**–**	–
Retirement benefit fund			**–**	(266.5)		(266.5)		
Long-term borrowings	**(2.0)**		**(2.0)**	(1 962.6)		(1 962.6)		
Operating lease payables			**–**	(24.4)		(24.4)		
Trade and other payables	**(289.0)**		**(289.0)**	(2 767.6)		(2 767.6)		
Provisions			**–**	(78.2)		(78.2)		
Bank overdraft			**–**	(158.7)		(158.7)		
Deferred taxation liability	**(13.3)**		**(13.3)**	(178.2)		(178.2)		
Total identifiable net assets at fair value	**270.6**	**17.7**	**288.3**	(80.1)	25.0	(55.1)	**17.7**	25.0
Goodwill arising from acquisition	**216.3**	**117.3**	**333.6**	878.7	10.2	888.9	**117.3**	10.2
Investment in subsidiary								798.6
Purchase consideration transferred	**486.9**	**135.0**	**621.9**	798.6	35.2	833.8	**135.0**	833.8
Cash and cash equivalents acquired	**(45.3)**		**(45.3)**	(137.3)	(0.1)	(137.4)		(0.1)
Business acquisition costs	**46.0**		**46.0**			–		
Contingent consideration	**(170.6)**		**(170.6)**			–		
Net cash outflow on acquisition	**317.0**	**135.0**	**452.0**	661.3	35.1	696.4	**135.0**	833.7

* *Reclassified for measurement period adjustment, refer to note 36.5.*

The initial accounting for the acquisition of ADM Londis plc is incomplete for the value of the consideration, assets held for sale, inventories, trade and other receivables, and trade and other payables. This is as a result of costs in the acquisition, including an element of deferred consideration, which is contingent on the values realised for the assets held for sale. Business acquisition costs of R46.0 million have been recognised as other non-operating items in the statement of profit or loss. The working capital element of the acquisition is subject to a completion account process, which requires that the value of the working capital purchased at the date of acquisition be finalised within five months. As this process has not yet been formally concluded this may result in a change in the fair value of working capital acquired.

36.3 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to retail stores.

	GROUP		COMPANY	
Rmillion	2015	2014	2015	2014
Non-current assets	**3.5**	10.2	**2.3**	–
Property, plant and equipment	**3.5**	10.2	**2.3**	
Non-current liabilities	**(2.4)**	–	**–**	–
Operating lease liability	**(2.4)**			
Goodwill	**9.3**		**2.7**	
Profit on disposal of business		2.1		
Proceeds	**10.4**	12.3	**5.0**	–

36. BUSINESS COMBINATIONS (CONTINUED)

36.4 Impact of subsidiaries on the results of the group

Since acquisition ADM Londis plc has contributed R614.0 million revenue and R11.0 million operating profit to the results of the group. Had all the acquisitions been consolidated from 1 October 2014, they would have contributed additional revenue of R2 571.9 million, and an operating profit of R62.3 million. The group's total revenue would have increased to R76 631.9 million, and the group's operating profit would have increased to R2 356.5 million.

Contribution to results for the year	**2015**			2014		
Rmillion	**ADM Londis plc**	**SA retail stores**	**Total**	TIL JV Ltd	SA retail stores	Total
Revenue	**614.0**	**56.5**	**670.5**	2 795.5	100.3	2 895.8
Trading profit before acquisition costs	**11.0**	**3.4**	**14.4**	65.5	3.6	69.1

36.5 Measurement period adjustment

In the 2014 business combination of TIL JV Ltd, no fair value was placed on Intangible assets in the BWG Group as the valuation of these assets had not been completed. The valuation of these assets, namely acquired brands, has subsequently been finalised. The 2014 comparative information has been adjusted retrospectively in this regard, to increase the value of intangible assets acquired to R1 456.3 million, and to increase the related deferred tax liability to R182.0 million, both offset by a decrease in goodwill of R1 274.3 million. Refer to note 10 for further detail on the goodwill and intangible balances. The effect on the 2014 business combination is as follows:

	2014 TIL JV LTD As originally reported	Measure-ment period adjustment	Restated amount
Assets	3 903.6	1 452.5	5 356.1
Property, plant and equipment	1 063.6		1 063.6
Intangible assets		1 456.3	1 456.3
Deferred taxation assets	3.8	(3.8)	–
Assets classified as held for sale	15.1		15.1
Inventories	639.1		639.1
Trade and other receivables	1 885.1		1 885.1
Taxation receivable	0.9		0.9
Cash and cash equivalents	296.0		296.0
Liabilities	(5 258.0)	(178.2)	(5 436.2)
Retirement benefit fund	(266.5)		(266.5)
Long-term borrowings	(1 962.6)		(1 962.6)
Operating lease payables	(24.4)		(24.4)
Trade and other payables	(2 767.6)		(2 767.6)
Provisions	(78.2)		(78.2)
Bank overdraft	(158.7)		(158.7)
Deferred taxation liability		(178.2)	(178.2)
Total identifiable net assets at fair value	(1 354.4)	1 274.3	(80.1)
Goodwill arising from acquisition	2 153.0	(1 274.3)	878.7
Purchase consideration transferred	798.6	–	798.6
Cash and cash equivalents acquired	(137.3)		(137.3)
Net cash outflow on acquisition	661.3	–	661.3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
	Rmillion	2015	2014	2015	2014
37.	**OTHER INVESTMENTS**				
	Opening balance	**2.9**	1.9	**2.9**	1.9
	Fair value adjustments		1.0		1.0
	Disposal of other investments	**(0.6)**		**(0.6)**	
	Closing balance	**2.3**	2.9	**2.3**	2.9

Group Risk Holdings (GRH) is an SA-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 GRM and receive premium rebates therefrom.

As at the 2015 financial year-end, The SPAR Group Ltd has a 7.08% (2014: 8.9%) shareholding in Group Risk Holdings (Pty) Ltd at a balance of R2 324 842 (2014: R2 906 053). Further to our shareholding, SPAR has loaned to them an amount of R437 251 (2014: R546 563) (refer to note 13). The 2015 movement in our shareholding and loan balance was as a result of a share transfer payment.

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.

		GROUP		COMPANY	
	Rmillion	2015	2014	2015	2014
38.	**ASSETS CLASSIFIED AS HELD FOR SALE**				
	Freehold properties held for sale [(i)]	**32.8**	15.0		
	Assets acquired with ADM Londis plc for disposal [(ii)]	**144.2**			
	Assets related to Tsakane stores[(iii)]	**17.6**			
	Assets held for sale	**194.6**	15.0	**–**	–
	Liabilities associated with assets held for sale	**(1.1)**			
	Net assets classified as held for sale	**193.5**	15.0	**–**	–

(i) The group intends to dispose of numerous freehold properties it no longer utilises in the next 12 months. A search is underway for buyers.

No impairment loss was recognised on reclassification of the property as held for sale nor as at 30 September 2015, as the directors of the company expect that the fair value (estimated based on recent market prices of similar properties in similar locations and the average of recent rental returns yielded) less costs to sell is higher than its carrying amount. Disposals during the current year pertain to property which was sold for proceeds of R1.6 million.

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
38. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)				
Reconciliation of freehold properties held for sale				
Opening balance	**15.0**	–	**–**	–
Transfers from assets	**16.8**			
Additions acquired in business combination		15.1		
Disposals	**(2.3)**			
Translation differences	**3.3**	(0.1)		
Closing balance	**32.8**	15.0	**–**	–

(ii) The group acquired a number of freehold properties and debtors, as a part of the ADM Londis plc business combination (see note 36). The group intends to dispose of numerous freehold properties it no longer utilises in the next 12 months. A search is underway for buyers. The debtors are expected to be collected over a three year period. Disposals during the current year pertain to debtors which were disposed of for proceeds of R17.0 million.

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Reconciliation of assets acquired with ADM Londis plc				
Opening balance	**–**	–	**–**	–
Additions acquired in business combination	**144.7**			
Disposals	**(17.0)**			
Translation differences	**16.5**			
Closing balance	**144.2**	–	**–**	–

(iii) As at 30 September 2015 the group intended to dispose of the Tsakane SUPERSPAR and TOPS stores, and the sale was concluded on 27 October 2015. The fair value less costs to sell of the business were not lower than the carrying value of the related assets and liabilities. Therefore no impairment loss was recognised on the reclassification of the assets and liabilities as held for sale. The major classes of assets and liabilities of the Tsakane stores at the end of the reporting period are as follows:

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Assets of stores classified as held for sale	**17.6**	–	**–**	–
Goodwill	**16.9**			
Property, plant and equipment	**0.7**			
Liabilities of stores classified as held for sale	**(1.1)**	–	**–**	–
Operating lease liability	**(1.1)**			
Net assets of stores classified as held for sale	**16.5**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

		GROUP		COMPANY	
	Rmillion	2015	2014	2015	2014
39.	**BORROWINGS**				
	Foreign				
	Secured borrowings	**2 455.1**	1 951.4		
	Less: Short-term portion of borrowings	**(87.2)**	(85.1)		
	Long-term portion of borrowings	**2 367.9**	1 866.3	**–**	–
	Total borrowings	**2 367.9**	1 866.3	**–**	–
	Schedule of repayment of borrowings				
	Year to September 2015		85.1		
	Year to September 2016	**87.2**	139.1		
	Year to September 2017	**183.1**	163.9		
	Year to September 2018	**185.6**	163.9		
	Year to September 2019	**194.1**	1 399.4		
	Year to September 2020	**1 805.1**			
		2 455.1	1 951.4	**–**	–
	Closing rate of interest on borrowings:	**1.8%**	4.2%		

TIL JV Ltd has undrawn committed facilities of R933.3 million (2014 : R385 million) as at 30 September 2015.

Terms and debt repayment schedule	Currency	Year-end nominal interest rate		Year of maturity		Carrying value	
		2015 %	2014 %	2015	2014	2015 Rmillion	2014 Rmillion
Terms and conditions of outstanding loans were:							
Secured borrowings	EUR	**1.80**	4.20	**2016 – 2020**	2015 – 2019	**2 455.1**	1 951.4

The loan is secured by fixed and current assets held by certain subsidiaries of TIL JV Ltd.

The expected maturity dates are not expected to differ from the contractual maturity dates.

Refer to note 31 for further disclosure.

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
40. FINANCIAL LIABILITY				
Balance at the beginning of the year	**548.9**	–	**548.9**	–
Initial recognition in equity reserve		545.7		545.7
Finance costs recognised in profit or loss	**45.9**	6.7	**45.9**	6.7
Net exchange differences arising during the period	**62.2**	(3.5)	**62.2**	(3.5)
Fair value adjustment	**72.8**		**72.8**	
Closing value of financial liability	**729.8**	548.9	**729.8**	548.9

The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, effective from 1 August 2014.

The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the minorities at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The financial liability is calculated as the present value of the non-controlling interests share of the expected redemption value and discounted from the expected exercise dates to the reporting date. As at 30 September 2015, the financial liability was valued at R729.8 million (2014: R548.9 million) based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

Repayments will commence in December 2019 and continue in 2020 and 2022. The undiscounted value of the financial liability at 30 September 2015 is R1 087.3 million (2014: R998.1 million).

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. In 2015, the net exchange differences on the financial liability have also been presented in finance costs and the comparative amount reclassified accordingly. This was done as such presentation is relevant to understanding the entity's financial performance. The estimated future purchase price is fair valued at each reporting date and any changes in the value of the liability as a result of changes in the assumptions used to estimate the future purchase price are recorded in profit or loss. In 2015, changes in these assumptions resulted in a fair value adjustment of R72.8 million.

Rmillion	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
41. OTHER NON-OPERATING ITEMS				
Remeasurement of financial instruments	**72.8**	(1.0)	**72.8**	(1.0)
Fair value adjustment to financial liability	**72.8**		**72.8**	
Fair value adjustment to investment in GRH		(1.0)		(1.0)
Capital items	**58.6**	2.0	**21.0**	2.6
Impairment of goodwill	**11.6**	5.6	**0.1**	
Impairment of investments	**1.7**		**22.5**	5.6
Profit on disposal of associate interests	**(0.7)**	(1.5)	**(1.6)**	(3.0)
Profit on disposal of businesses		(2.1)		
Business acquisition costs	**46.0**			
Total	**131.4**	1.0	**93.8**	1.6

Other non-operating items have been disclosed for the first time in 2015 with the relevant 2014 comparative information being reclassified as such presentation is relevant to understanding the entity's financial performance. This change had no impact on profit before or after tax or on earnings per share or headline earnings per share.

42. 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.

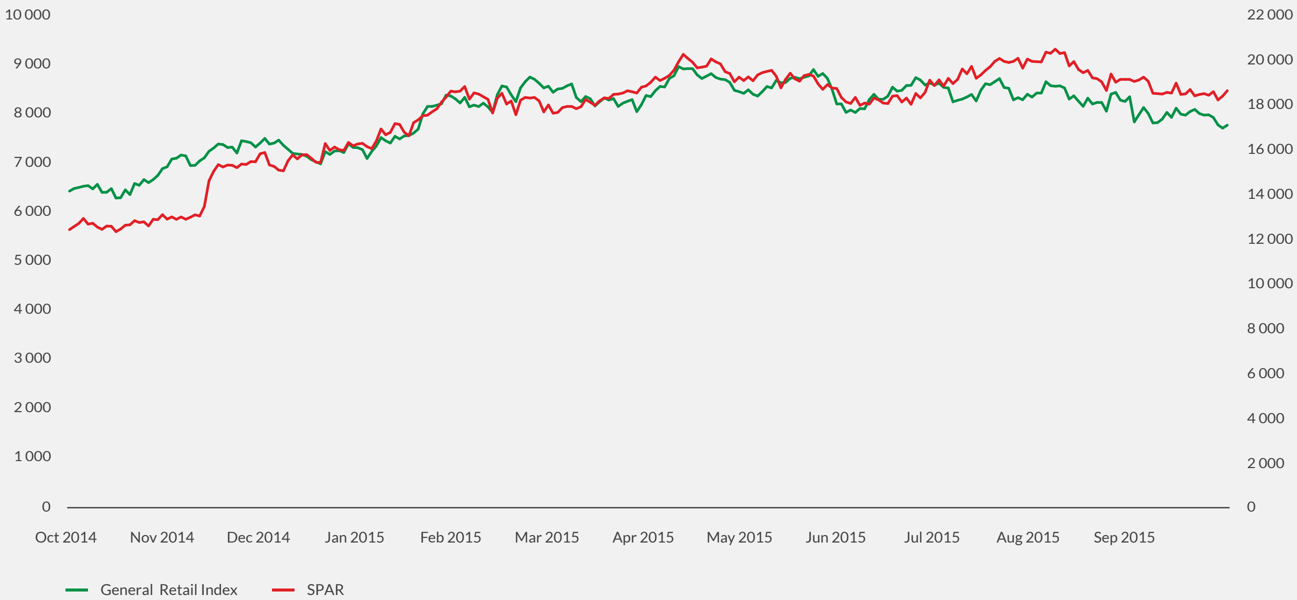
SHARE OWNERSHIP ANALYSIS

Rmillion	Number of shareholders	% of total	Number of shares	% of total shareholding
Shareholder spread as at 30 September 2015				
1–1 000	**9 627**	**64.67**	**3 760 432**	**2.17**
1 001–10 000	**4 103**	**27.56**	**12 636 620**	**7.29**
10 001–100 000	**924**	**6.21**	**28 605 512**	**16.51**
100 001–1 000 000	**205**	**1.38**	**57 487 646**	**33.18**
Over 1 000 000	**28**	**0.19**	**70 771 452**	**40.85**
	14 887	**100.00**	**173 261 662**	**100.00**
Shareholder spread as at 30 September 2015				
Public shareholders	**14 880**	**99.95**	**173 025 210**	**99.86**
Non-public shareholders	**7**	**0.05**	**236 452**	**0.14**
– shares held by directors and associates	**6**	**0.04**	**93 500**	**0.05**
– shares held by The SPAR Group Ltd Employee Share Trust (2004)	**1**	**0.01**	**142 952**	**0.09**
	14 887	**100.00**	**173 261 662**	**100.00**
Type of shareholders				
Pension funds	**484**	**3.25**	**50 399 878**	**29.09**
Mutual funds	**579**	**3.89**	**64 937 296**	**37.48**
Private investors	**12 825**	**86.15**	**19 826 049**	**11.44**
Insurance companies	**61**	**0.41**	**4 259 349**	**2.46**
Other	**938**	**6.30**	**33 839 090**	**19.53**
	14 887	**100.00**	**173 261 662**	**100.00**
Beneficial owners holding in excess of 5% of the issued shares				
GEPF Equity (PIC)			**31 483 611**	**18.17**
Oppenheimer Funds			**11 862 026**	**6.85**
Fund managers holding in excess of 5% of the issued shares				
PIC			**25 531 114**	**14.74**
Coronation Fund Managers			**16 099 257**	**9.29**
Oppenheimer Funds			**12 159 361**	**7.02**
Stock exchange statistics				
Market price per share				
– at year-end			cents	**18 500**
– highest			cents	**20 617**
– lowest			cents	**12 142**
Number of share transactions				**399 399**
Number of shares traded			millions	**132.7**
Number of shares traded as a percentage of total issued shares			%	**76.7**
Value of shares traded			Rmillion	**23 190.3**
Earnings yield at year-end^			%	**5.1**
Dividend yield at year-end			%	**3.4**
Price earnings ratio at year-end^			multiple	**19.7**
Market capitalisation at year-end net of treasury shares			Rmillion	**32 027**
Market capitalisation to shareholders' equity at year-end			multiple	**9.6**

^ *Normalised headline earnings represent headline earnings excluding business-defined exceptional items.*
The dividend cover is calculated using normalised headline earnings adjusted for the cash-related exceptional business acquisition costs of R46.0 million (see note 7).

SHARE PRICE PERFORMANCE

SPAR (SPP) (SHARE PRICE) VERSUS GENERAL RETAIL INDEX



Source of data: I-net Bridge

SHAREHOLDERS' DIARY

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of The SPAR Group Ltd (the '**company**') will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 9 February 2016, at 09:00 for the purpose of conducting the following:

ANNUAL FINANCIAL STATEMENTS
To present the annual financial statements of the company for the year ended 30 September 2015, including the reports of the directors, the Audit Committee, the Social and Ethics Committee and the auditors, as required in terms of section 30(3)(d) of the Companies Act, No. 71 of 2008 (the '**Companies Act**').

A copy of the annual financial statements, including the reports of the directors, the Audit Committee, the Social and Ethics Committee and the auditors, appears in the integrated annual report of which this notice forms part.

ORDINARY BUSINESS
Shareholders will be requested to consider and, if deemed fit, to pass the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of ordinary resolutions number 1, 2, 3, 4, 5 and 7 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. The percentage of voting rights that will be required for the adoption of ordinary resolution number 6 is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

1. **Proposed ordinary resolution number 1 – Election of non-executive directors**

1.1 To ratify the appointment of **Mrs M Mashologu** as an independent non-executive director of the company with effect from 1 December 2015.

Mrs M Mashologu was awarded her CFA Charter from the CFA Institute, an advanced certificate in entrepreneurship from HEC Paris and has a BCom in Finance and Economics from the University of the Witwatersrand.

She is currently a director at Sphere Holdings, sits as an independent non-executive director and audit committee member of the board of ACE Insurance Ltd South Africa, the South African subsidiary of the ACE Group of Companies, and acts as a member of the board of trustees of the African Leadership Network.

The Nomination Committee of the company has conducted an assessment of the suitability and performance of Mrs M Mashologu, and the board accepted the results of that assessment. Accordingly, the board recommends that her appointment be ratified.

1.2 To re-elect, as an independent non-executive director of the company, **Mr MJ Hankinson**, who retires in accordance with the Memorandum of Incorporation ('**MOI**') of the company but, being eligible, offers himself for re-election.

A brief curriculum vitae of Mr MJ Hankinson can be found on page 72 of the integrated annual report of which this notice forms part.

The Nomination Committee of the company has conducted an assessment of the performance of Mr MJ Hankinson, and the board accepted the results of that assessment. Accordingly, the board recommends that he be re-elected.

It is recorded that **Mr RJ Hutchison** and **Mr PK Hughes** retire as independent non-executive directors of the company in accordance with the MOI of the company and do not offer themselves for re-election.

2. **Proposed ordinary resolution number 2 – Appointment of the independent registered auditor**
To reappoint **Deloitte & Touche** as auditors of the company and to appoint **Mr G Kruger** as the designated auditor to hold office until the next annual general meeting ('**AGM**'), in terms of section 90(1) as read with section 61(8) (c) of the Companies Act.

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

3.1 **Mr CF Wells**, an independent non-executive director, as chairman of the company's Audit Committee;
3.2 **Mr HK Mehta**, an independent non-executive director, as a member of the company's Audit Committee; and
3.3 subject to the adoption of proposed ordinary resolution number 1.1, **Mrs M Mashologu**, an independent non-executive director, as a member of the company's Audit Committee,

in terms of section 94(2) of the Companies Act.

Brief curricula vitae of Mr CF Wells and Mr HK Mehta can be found on page 72 of the integrated annual report of which this notice forms part. The details of Mrs M Mashologu appear under proposed ordinary resolution number 1 above.

4. **Proposed ordinary resolution number 4 – Authority to issue shares for the purpose of share options**
Pursuant to the granting of share options by The SPAR Group Ltd Employee Share Trust (2004) (the '**Trust**'), 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 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 MOI of the company, the issue of the requisite number of ordinary shares to the Trust so as to enable it to meet its obligations to holders of the relevant share options when such options are exercised.

Note: The Trust scheme is closed for the issuing of further options.

5. **Proposed ordinary resolution number 5 – Authority to issue shares for the purpose of the CSP**
'Resolved as an ordinary resolution that such number of the ordinary shares in the authorised but unissued capital of the company required for the purpose of The Spar Group Ltd Conditional Share Plan ('**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 MOI of the company, the issue of the requisite number of ordinary shares in terms of the rules of the CSP. The intended settlement method of the CSP is a market purchase of shares, which will result in no dilution to shareholders. The rules of the CSP, however, are flexible in order to allow for settlement by way of a market purchase of shares, the use of treasury shares or the issue of shares and this resolution, if passed, will facilitate an award under the CSP being made by an issue of shares if, for whatever reason, this least preferred settlement method is used.

6. **Proposed ordinary resolution 6 – General authority to issue shares for cash**
"Resolved that, as required by and subject to the MOI and the requirements of the Companies Act and the JSE Listings Requirements from time

to time, the directors are authorised to allot and issue ordinary shares in the capital of the company for cash, as and when suitable situations arise, on the following conditions:

- any such issue of shares shall be to "public shareholders" as defined by the JSE Listings Requirements and not to "related parties";
- this authority shall only be valid until the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this annual general meeting;
- a SENS announcement giving details, including the number of shares issued, the intended use of funds and the average discount (if any) to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue was determined or agreed by the directors, will be published at the time of any such allotment and issue of shares representing, on a cumulative basis within the period of this authority, 5% or more of the number of ordinary shares in issue prior to any such issues;
- issues of shares (excluding issues of shares exercised in terms of any Spar share incentive scheme) in any one financial year, shall not, in aggregate, exceed 25 989 249 ordinary shares equating to 15% of the number of ordinary shares in the company's issued ordinary share capital (excluding treasury shares) as at the date of notice of this AGM; and
- in determining the price at which an allotment and issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price on the JSE Limited of ordinary shares measured over the 30-business days prior to the date that the price of issue is determined or agreed between the company and the party/ies subscribing for the shares."

Reasons and effect

The reason and effect of this resolution is to pass the approvals required in terms of the JSE Listings Requirements pertaining to a general issue of shares for cash.

7. **Proposed ordinary resolution 7 – Authority to issue shares for business purposes**
"Resolved that, in the event that ordinary resolution number 6 is not adopted, as required by and subject to the MOI and the requirements of the Companies Act and the JSE Listings Requirements from time to time, the directors are, as a general authority and approval, authorised, as they in their discretion think fit, to allot and issue the unissued ordinary shares of the company, subject to the following:

- the authority shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this annual general meeting; and
- issues in terms of this authority will not, in any financial year, in aggregate, exceed 25 989 249 ordinary shares equating to 15% of the number of ordinary shares in the company's issued ordinary share capital (excluding treasury shares) as at the date of notice of this AGM, provided that this limitation will not apply to the issue of ordinary shares in terms of any Spar share incentive scheme and, accordingly:
  - in calculating the number of ordinary shares issued in any financial year for the purpose of determining whether the aforementioned 15% threshold has been reached, any ordinary shares issued in terms of the rules of any such share incentive scheme shall not be included in that calculation; and
  - the number of ordinary shares which directors are authorised to allot and issue in terms of the rules of any such share incentive scheme shall not be subject to limitation, other than in terms of the rules applicable to that scheme."

Reasons and effect

The reason and effect of this resolution is to place ordinary shares in the authorised but unissued capital of the company under the control of directors, to enable the company to take advantage of any future business opportunities on a timeous basis.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders:

1. **Proposed special resolution number 1 – Financial assistance to related or inter-related companies**

'Resolved that the directors, in terms of and subject to the provisions of section 45 of the Companies Act, are hereby authorised to cause the company to provide any financial assistance, whether by lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies, during the period from 1 March 2016 to 28 February 2017.'

Reason and effect

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

2. **Proposed special resolution number 2 – Non-executive directors' fees**
'Resolved that the directors' fees payable to the non-executive directors of the company, for the period from 1 March 2016 to 28 February 2017, will be determined by reference to the following:

	Current R	**Proposed** R
Board		
Chairman (including his participation in all committees)	1 045 000	1 119 000
Member	296 000	350 000
Audit Committee		
Chairman	179 000	192 000
Member	86 000	93 000
Remuneration and Nomination Committee		
Chairman	104 000	112 000
Member	68 000	73 000
Social and Ethics Committee		
Chairman	104 000	112 000
Member	68 000	73 000
Risk Committee		
Chairman	104 000	112 000
Member	68 000	73 000

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Reasons and effect
This resolution is required in order to comply with the Companies 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 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 AGM 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 Committee.

NON-BINDING ADVISORY VOTE

1. 'Resolved that the remuneration policy of the company, which can be found on page 82 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.

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, 29 January 2016. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the meeting is Friday, 22 January 2016.

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, 5 February 2016. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised shares with 'own name' registration. A proxy form is attached.

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

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

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

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

ELECTRONIC COMMUNICATION
Shareholders may participate electronically in (but not vote at) the AGM. Shareholders wishing to participate in the meeting electronically should contact the company secretary on kevin.obrien@spar.co.za or +27 31 719 1811 not less than 5 (five) business days prior to the meeting. Access to the meeting by way of electronic participation will be at the shareholder's expense. Only persons physically present at the meeting or represented by a valid proxy shall be entitled to cast a vote on any matter put to a vote of shareholders.

By order of the board

KJ O'Brien
Company Secretary

FORM OF PROXY

THE SPAR GROUP LTD
Registration number: 1967/001572/06
JSE code: SPP
ISIN: ZAE000058517
("**SPAR**")

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

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

For use by SPAR shareholders at the annual general meeting of the company to be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 9 February 2016 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.	Election of non-executive directors			
1.1	Mrs M Mashologu			
1.2	Mr MJ Hankinson			
2.	Reappointment of Deloitte & Touche as auditor and appointment of Mr G Kruger as designated auditor			
3.	Election of members of the Audit Committee			
3.1	Mr CF Wells			
3.2	Mr HK Mehta			
3.3	Mrs M Mashologu			
4.	Authority to issues shares for the purpose of share options			
5.	Authority to issues shares for the purpose of the CSP			
6.	General authority to issue shares for cash			
7.	Authority to issue shares for business purposes			
SPECIAL BUSINESS				
1.	Financial assistance to related or inter-related companies			
2.	Non-executive directors' fees			
NON-BINDING ADVISORY VOTE				
1.	Non-binding advisory vote on the remuneration policy			

Signed at this day of 2016

Signature

NOTES TO THE FORM OF PROXY

Completed forms of proxy must be received at the office of the company's transfer secretaries, Link Market Services South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000, by no later than 09:00 on Friday, 5 February 2016.

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 AGM.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the AGM.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the company's transfer secretaries.
5. The chairman of the AGM may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the AGM is satisfied as to the manner in which the member wishes to vote.

CORPORATE INFORMATION

Company name
The SPAR Group Ltd

Registration number
1967/001572/06

JSE code
SPP

ISIN
ZAE000058517

Company Secretary
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Sponsor
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