INTEGRATED REPORT 2016

SPAR

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 our governance, performance, strategy and future prospects. The report is intended for all stakeholders, but is specifically relevant to investors and shareholders.

The report provides SPAR's stakeholders with an understanding of the group's past performance in the context of the external environment, demonstrated through a wide range of activities, interactions and relationships. This information enables stakeholders to gauge the prospects and future trajectory of SPAR's value creation model. The report covers material that is relevant to the six capitals, as described by the International Integrated Reporting Council's (IIRC) Integrated Reporting <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 60% of SPAR Holding AG (SPAR Switzerland) on 1 April 2016.

REPORTING GUIDELINES

We determined the content of this report by considering previous reports, as well as 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
- The <IR> Framework
- The Global Reporting Initiative's (GRI) G4 sustainability reporting guidelines
- The Carbon Disclosure Project (CDP)

SCOPE AND BOUNDARY

This report covers the activities of SPAR from 1 October 2015 to 30 September 2016. Financial and non-financial information was provided for the Southern African, Irish and Swiss operations, with as much comparability as possible. As BWG Group (BWG) and SPAR Switzerland are further integrated into the group, the extent and depth of non-financial reporting will improve.

It is important to distinguish between the JSE-listed company, SPAR – primarily a warehousing and distribution business – and the operations of our independent retailers, which are governed by The SPAR and Build it Guilds of Southern Africa. Both guilds are non-profit companies.

More detail about the guilds is provided on pages 12 and 93.

MATERIALITY PROCESS

In 2014, SPAR underwent a process to determine the group's material issues according to the <IR> Framework. The most significant outcome of this process was appreciating the importance of relationships relating to SPAR's business model, and how these drive growth. The four material relationships identified were with retailers, consumers, communities and suppliers.

To understand better the economic, environmental and social impact of SPAR's operations, the group adopted the GRI G4 Guidelines as our official sustainability reporting framework in 2016. In order to determine the GRI G4 Aspects (Aspects) most material to the group, SPAR launched a GRI materiality determination process, as outlined:

IDENTIFICATION

SPAR hosted an externally facilitated workshop that included representation from internal specialist disciplines, management and executives. Taking into account industry risks and opportunities, as well as SPAR's strategy, key activities and material relationships, the team selected the GRI G4 Aspects with the most substantive economic, environmental and social impact.

PERFORMANCE

These Aspects have been included in this report, and the impact, performance and management approach for each has been discussed.

This icon will be used to assist stakeholders in identifying our chosen material Aspects.

VALIDATION

To ensure stakeholder inclusiveness, SPAR ran a short, focused engagement process to test the robustness of our chosen material Aspects with a range of the group's material stakeholders. This enabled us to check whether our internal perceptions align with external expectations.

More detail about this process and its outcome is available online.

FEEDBACK

We are committed to communicating meaningfully with our stakeholders and value feedback on the effectiveness of this report. Any comments or requests for additional information can be emailed to our Company Secretary, Mandy Hogan, at mandy.hogan@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.

A further significant outcome of this materiality process was the inclusion of 'employees' as one of SPAR's material relationships. Accordingly, the structure of our report has been adjusted to illustrate this change. Quantitative and qualitative information relating to our chosen Aspects refers only to South Africa, as this remains the group's most significant area of operation.

SPAR has opted to report in accordance with the 'core' GRI G4 option. The full list of SPAR's chosen Aspects, as well as the GRI content index, is available online.

ASSURANCE

Financial information contained in this report was independently audited by Deloitte & Touche external assurance was sought on non-financial data. This includes the group's 2016 BBBEE verification, which was evaluated independently by AQRate. In addition, data submitted to the CDP was externally verified for the 2014/2015 financial year. SPAR further engaged with KPMG in order to develop the group's integrated assurance framework, which will be rolled out in 2017.

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

15 November 2016

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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 one of our chosen economic, social or environmental material Aspects.
- 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. It is used as an overarching term for our other retail brands, namely SPAR, KWIKSPAR, SUPERSPAR, TOPS at SPAR, SPAR Express, Build it, TrenDIY by 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

SPAR 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.

SPAR SWITZERLAND

SPAR operates in Switzerland through its ownership of SPAR Switzerland, and all references thereto encompass SPAR Switzerland's branded stores (SPAR and SPAR Express) and other brands, namely MAXI and TopCC, unless otherwise stated.

DISTRIBUTION CENTRE

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

DROPSHIPMENT

Dropshipment refers to a form of delivery whereby SPAR purchases merchandise from our suppliers, who then deliver directly to our retailers without the merchandise passing through the group's distribution centres.

GUILDS

The SPAR and 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 or lease their stores, and choose to operate under the SPAR brand. Each store owner is free to source stock as he or she chooses, but operates under specific guidelines and is able to 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, geographical 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 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

Grocery retail generally refers to larger-format stores that provide a comprehensive range of groceries. This is more common in South Africa and Switzerland, where shoppers buy groceries for a few days or more. Convenience retail stores are physically smaller, focusing predominantly on convenience items. This is similar to garage forecourt stores in South Africa, and is the predominant store format in Ireland, where shoppers pay a short visit for a handful of convenience items, mostly food and drink.

HOUSE BRANDS

The group has two primary house brands that it sources centrally. SPAR branded products cover a wide range of over 3 510 fresh and dry goods stock-keeping units (SKUs), and are positioned as a premium choice at competitive prices. SaveMor products are available in all stores, offering a basic range of 162 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 premium offering). SPAR Switzerland also offers consumers a discount product range.

HIGHLIGHTS

STEADY YEAR-ON-YEAR GROWTH FROM EXISTING STORE BASE

ONGOING EFFICIENCY IMPROVEMENTS AND INNOVATION IN WAREHOUSING, DISTRIBUTION AND LOGISTICS

THE ACQUISITION OF SPAR SWITZERLAND IN APRIL 2016 AND BOOKBUILD TO REFINANCE THE GROUP'S LIABILITIES

PARTICIPATED IN THE CDP WATER PROGRAMME FOR THE FIRST TIME ON 2015 OUTPUT

SUCCESSFUL LAUNCH OF THE FIRST RURAL HUB IN LIMPOPO AS PART OF OUR EMERGING FARMER DEVELOPMENT PROGRAMME

AWARDED TOP EMPLOYER OF THE YEAR AWARD IN 2015

FINALISATION OF THE TWO BROAD-BASED BLACK ECONOMIC EMPOWERMENT SCHEMES AND THE SUBSEQUENT PAY OUT TO PARTICIPANTS

KEY FACTS

SPAR has the most stores in urban residential areas in South Africa (nearly twice as many as our closest competitor)

BWG is the largest retailer in the Irish convenience retail market by market share

SPAR Switzerland has a state-of-the-art distribution centre and efficient distribution logistics

HIGHLIGHTS

(CONTINUED)

KEY FACTS (CONTINUED)

Turnover

+23.8% to R90.7bn

2015: R73.3bn

Headline earnings per share

+22.1% to 1 020.0 cents

2015: 838.5c

Annual dividend per share

+5.2% to 665 cents

2015: 632c

Operating profit

+12.3% to R2.6bn

2015: R2.3bn

Total number of retail stores (South Africa)

+98 stores to 2 033

2015: 1 935

Total number of retail stores (Ireland)

+8 stores to 1 340

2015: 1 332

Total number of retail stores (Switzerland)

392

2015: 385

Cases despatched per annum (South Africa)

+9m cases to 228m

2015: 219m

Cases despatched per annum (Ireland)

+9.7m cases to 32.6m

2015: 22.9m

Cases despatched per annum (Switzerland)*

14.8m

2015: NA

Number of employees (South Africa)^

+584 employees to 3 881

2015: 3 297

Number of employees (Ireland)

+517 employees to 1 944

2015: 1 427

Number of employees (Switzerland)

562

2015: NA

Total carbon footprint (South Africa)

+2.4% to 79 947 t

2015: 78 078 t

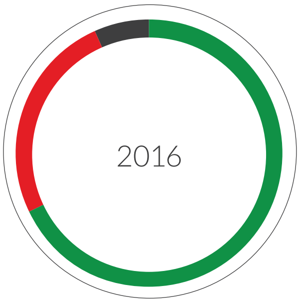
Km travelled per accident

2.2m

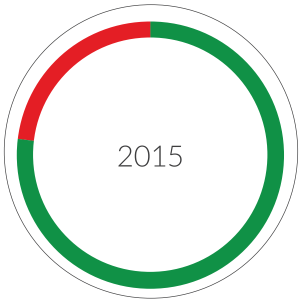
2015: 3.9m

* *The 2016 figure for Switzerland only represents the trading performance for 6 months.*
^ *Corporate office and distribution centre employees at year-end*

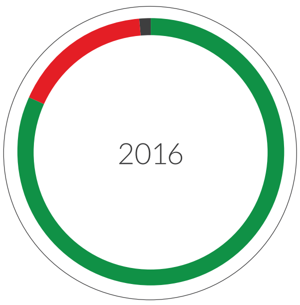
TURNOVER CONTRIBUTION



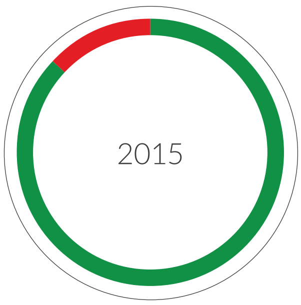
2016		2015
68%	South Africa	**77%**
26%	Ireland	**23%**
6%	Switzerland*	**0%**



OPERATING PROFIT CONTRIBUTION



2016		2015
82%	South Africa	**87%**
17%	Ireland	**13%**
1%	Switzerland*	**0%**



* *The 2016 figure for Switzerland only represents the trading performance for 6 months.*

GROUP AT A GLANCE

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

'The group is headquartered in Durban, South Africa, and has been operating in Southern Africa for over five decades.'

SPAR is a warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the Food and Drug Retailers sector. The group is headquartered in Durban, South Africa, and has been operating in Southern Africa for over five decades. With the acquisition of SPAR Switzerland in 2016, the group has expanded its business portfolio into a third major geography that is complementary to our operations in Ireland and South West England.

In South Africa, we operate six distribution centres and one Build it distribution centre, which supply and service 2 033 independently owned SPAR stores locally, and five countries on the African continent. Goods are distributed to the stores by a fleet of trucks and trailers owned by the group.

SPAR's operations comprise 2 033 SPAR, Build it, SaveMor, Pharmacy at SPAR and TOPS at SPAR stores in Southern Africa. The Irish operations comprise 1 340 SPAR, MACE, XL and Londis stores, and 22 wholesale Value Centre Cash and Carry branches in Ireland and South West England. SPAR Switzerland supplies a wide range of food and beverage products to consumers through 301 company-owned and independent retailer stores, trading under the SPAR and TopCC brands.



IN SOUTH AFRICA, WE OPERATE SIX DISTRIBUTION CENTRES AND ONE BUILD IT DISTRIBUTION CENTRE, WHICH SUPPLY AND SERVICE 2 033 INDEPENDENTLY OWNED SPAR STORES LOCALLY, AND FIVE COUNTRIES ON THE AFRICAN CONTINENT.

GROUP AT A GLANCE

(CONTINUED)

Distribution centres

GEOGRAPHICAL FOOTPRINT

OUR DISTRIBUTION CENTRES ARE AN ESSENTIAL COMPONENT OF OUR BUSINESS MODEL.

South Rand

61 000 m²

60.5 million cases despatched per annum

North Rand

29 581 m²

37.8 million cases despatched per annum

KwaZulu-Natal

62 712 m²

52.3 million cases despatched per annum

Western Cape

40 405 m²

34 million cases despatched per annum

Eastern Cape

22 685 m²

29.1 million cases despatched per annum

Lowveld

21 416 m²

12.5 million cases despatched per annum

Imports warehouse (Build it)

10 000 m²

1.7 million cases despatched per annum

STORES IN SOUTH AFRICA

BWG Group

24 000 m^2

21.8 million cases despatched per annum

Appleby Westward Group Ltd

9 613 m^2

10 million cases despatched per annum

St. Gallen

20 400 m^2

29.6 million cases despatched per annum

STORES IN IRELAND

STORES IN SWITZERLAND

GROUP AT A GLANCE

(CONTINUED)

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

OUR VALUES AND CULTURE

SPAR's values underpin all that we do. We are committed to showing passion, living our family values, and encouraging entrepreneurship in our leadership and through our relationships with our independent retailers. In 2015, our values were formally integrated into our strategic framework to ensure they form the foundation of our decision-making. Our values form an integral part of our performance management process.

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

UNDERSTANDING VOLUNTARY TRADING

One of SPAR's key differentiators is the system of voluntary trading, which is at the core of our business. 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. SPAR is therefore 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.

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. Therefore, the group's performance relies on its ability to attract and retain retailers' business by using our trading power to offer competitively priced products and superior warehousing and distribution capabilities. We have developed world-class retail operations to support our retailers in running their businesses, as illustrated below.

The voluntary trading model allows our retailers to access our various brands and support structures, but also affords them the freedom to stock their stores from any supplier of their choosing. This ensures that each SPAR store has its own personality and unique offering.

However, 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. We therefore place significant emphasis on supporting retailers to earn their business and loyalty.

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
- World-class distribution

GROUP AT A GLANCE

(CONTINUED)

UNDERSTANDING THE GUILDS

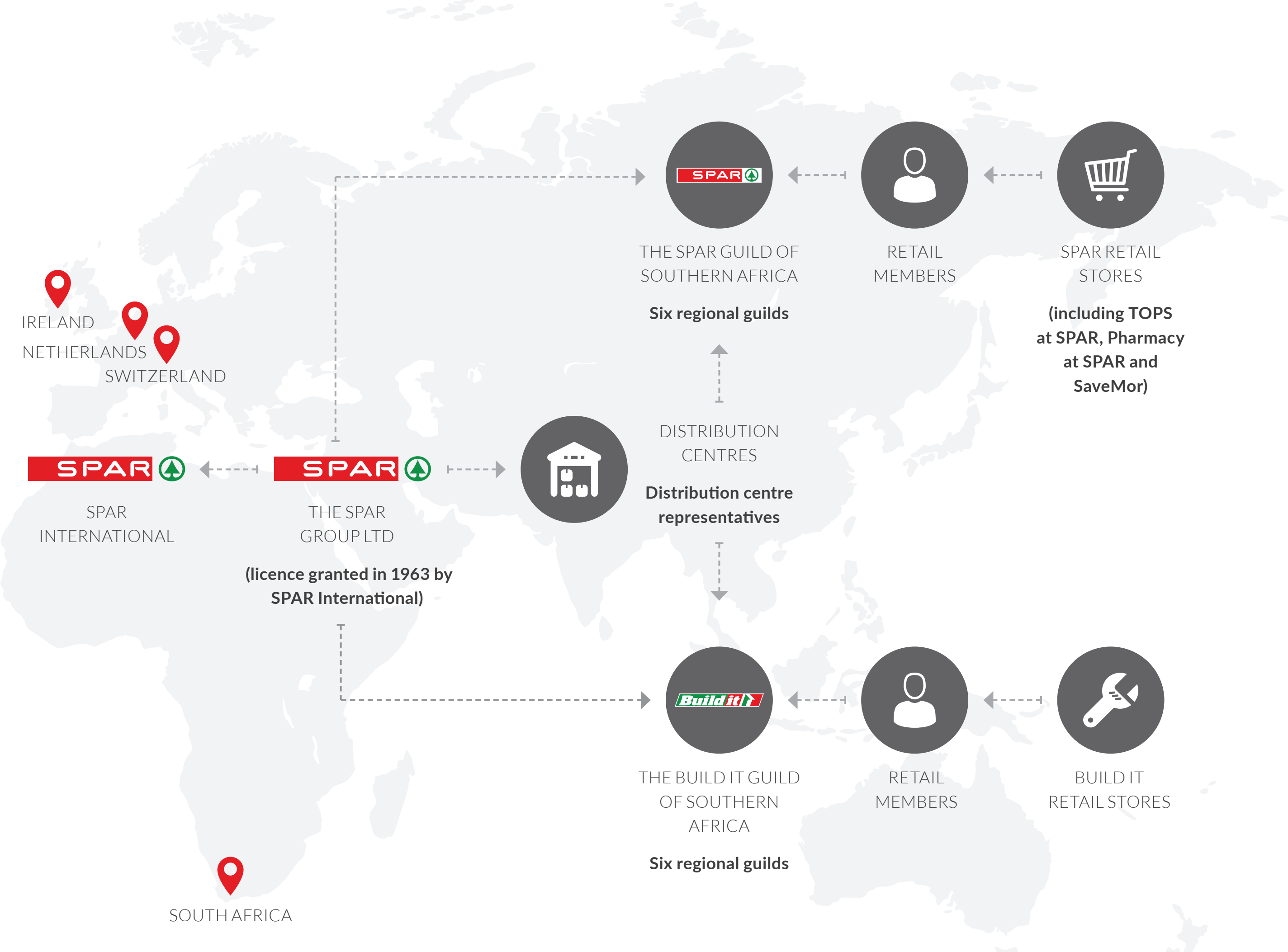
The group holds the licence to trade under the SPAR brand in South Africa. The group's licence was granted in 1963 by the global owner of the brand, SPAR International, which is based in the Netherlands, where SPAR originated. BWG was also licensed to trade under the SPAR brand in Ireland in 1963. SPAR Switzerland was licensed to trade under the SPAR brand in 1989. SPAR South Africa is the second largest membership country, SPAR Ireland the 10th largest, and SPAR Switzerland the 14th largest.

The SPAR Guild of Southern Africa pays a membership fee to SPAR International. The Chief Executive Officer (CEO) of BWG was the President of SPAR International in 2015. This role was taken over by our group CEO in 2016. Through this relationship, the group benefits from knowledge sharing and exposure to international leading practice.

The various guilds in South Africa represent a key stakeholder group that contributes significantly to the sustainability of SPAR's business model. Their purpose is to serve as custodians of the brand and to grant membership.

In South Africa, the SPAR guild operates in six geographical areas, each with its own regional guild comprising retailers and distribution centre representatives from the area. The Build it guild similarly has six regional guilds in its six operating areas, comprising retailers and retailers from its national distribution centre.

The SPAR guild currently has 890 members (2015: 885 members), while the Build it guild has 348 members (2015: 320 members). The Swiss guild operate differently to the Southern African guilds and therefore a straight membership comparison with Southern Africa is not possible.



STRATEGY AT A GLANCE

The SPAR strategy articulates the key imperatives and enablers required to deliver on the group's outcomes and vision of being the 'First-choice brands in the communities we serve'. A broad, executive-level action plan was developed in 2014 to support the implementation of the strategy in the various functional and operational areas of the business. Detailed plans were then developed, and specific key performance metrics relative to the desired outcomes were identified to enable the group to measure our performance against our strategy. Furthermore, the board believes that there is an inextricable link between strategy, risk, sustainability and performance management, as envisaged by King III. To support this, the group underwent an enterprise and risk management (ERM) process in 2015. The ERM framework was revisited and updated during the year.

STAKEHOLDER RETURNS

VALUES:

PASSION | FAMILY VALUES | ENTREPRENEURSHIP

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
As a wholesaler and distributor of goods, our first priority is supply chain optimisation to ensure we run a lean organisation.	Creating a competitive price perception is essential to attracting new customers to our stores and maintaining their business in the long term.	To remain competitive, it is essential that we deliver excellence in Fresh, increase the range of our products and the sales of our house brands, and keep abreast of current market trends.	The strength of our brand is key to our ability to attract independent retailers and draw customers to their stores.	The system of voluntary trading means that we are only as strong as our retailers, necessitating our provision of expert retail leadership and support.	We seek to expand our organisation through organic and real growth opportunities.

IMPERATIVES

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

ENABLERS

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

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

More information about our business model, strategy, key performance metrics and risk management approach is provided on pages 36 to 47 and 102.

GROUP AT A GLANCE

(CONTINUED)

STRATEGIC DEVELOPMENTS

The material developments in our strategy are summarised below.

FOREGROUNDING OF GROUP VALUES

Embedding passion, family values and entrepreneurship as the primary criteria for our decision-making is fundamental to the way we do business. We encourage and reward behaviour that exemplifies these values.

Read more in 'Our values' on page 10.

RETAILER PROFITABILITY AS THE CRITICAL DRIVER OF FUTURE FINANCIAL GROWTH

The development of promotional campaigns, boosting customer service through skills training and guiding vulnerable stores to identify opportunities for store improvements will enhance retailer profitability. Financial mentoring, assistance and access to loan facilities are also critical in enabling retailers to improve their retail offering.

Read more in 'Our relationship with retailers' on page 40.

EMPHASIS ON TRANSFORMATION

Building a diverse talent base that reflects the South African population is critical in adding depth to our organisation and strengthening our social licence to operate. We have increased resources to improve our employment equity status and have various initiatives in place to establish greater representation in our supply chain. To this end, we have included transformation targets in the incentive structures of our distribution management. We continue to focus on increasing the number of black retailers in South Africa.

Read more in 'Social sustainability in Southern Africa' on page 59.

GOING FORWARD: INTEGRATING SPAR SWITZERLAND INTO THE GROUP STRATEGY

SPAR Switzerland has a significantly smaller market share than the South African and Irish operations, with different market conditions. We will therefore work with SPAR Switzerland to develop a unique growth strategy, as well as price and value methodologies that appeal to local consumers. The push for sustainable and profitable independent retailers remains a critical strategic focus in all our operations. We will support this by identifying synergies across our operations to enhance our brand and product offering.

Read more in 'Operational overview' from page 48.

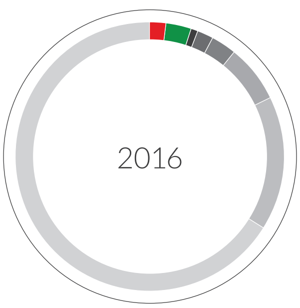
ORGANISATIONAL STRUCTURE

THE SPAR GROUP LTD

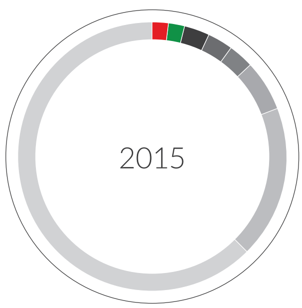
DISTRIBUTION CENTRES	**See page 56**
NEW BUSINESS	**Geographical expansion into Africa and internationally, forecourt retailing and other business opportunities**
GROUP SERVICES	**Finance, human resources, logistics, IT, retail operations and merchandise**
BUILD IT	**See page 58**
PROPERTIES	**Distribution centres and leases**
SPAR SA **(100% ownership)**	**SPAR licence and trademark holder**
THE BWG GROUP **(80% ownership)**	**SPAR Ireland and South West England operations**
SPAR SWITZERLAND **(60% ownership)**	**SPAR Switzerland operations**

OWNERSHIP PROFILE

SPAR has a broad range of beneficial shareholders. No single shareholder owns more than 16% of the total shares and, at 30 September 2016, 49% of SPAR shares were held by offshore investors.



2016		2015
2%	Government of Singapore Investment Corporation	**2%**
3%	iShares	**2%**
1%	Allan Gray	**3%**
2%	Coronation Fund Managers	**3%**
3%	Vanguard	**3%**
7%	Oppenheimer Funds	**6%**
16%	Government Employees Pension Fund	**18%**
66%	Other	**61%**



CHAIRMAN'S REPORT

'THE ACQUISITION OF 60% OF SPAR SWITZERLAND IN APRIL HAS EXPANDED OUR BUSINESS PORTFOLIO INTO A THIRD MAJOR GEOGRAPHY.'

'We are fortunate that SPAR's business model enables us to build our brand within communities and create lasting partnerships through our network of independent retailers.'

Last year, the SPAR Group celebrated the first full year of operating in a global context. This year, we achieved another key global milestone. The acquisition of 60% of SPAR Switzerland in April has expanded our business portfolio into a third major geography. With the benefit of experience gained through the BWG acquisition, the board and management are confident that we have concluded an attractive deal that will deliver real value for our shareholders.

Locally, ongoing challenges in the domestic operating environment were compounded by the worst drought faced in a century. The resultant spike in food inflation and threat of unstable water supply negatively impacted cash flows. Despite this, the SPAR story continues to be a positive one. Including the contributions of BWG and SPAR Switzerland, SPAR improved profit after tax by 27.7% to deliver real growth.

We are fortunate that SPAR's business model enables us to build our brand within communities and create lasting partnerships through our network of independent retailers. The strength of this model helped us achieve good results under difficult circumstances. Independent retailers continue to recognise the benefits of SPAR's merchandising, warehousing and distribution capability. A 12.3% increase in the uptake of SPAR house brands demonstrates that cash-strapped consumers continue to place their trust in SPAR.

THE ACQUISITION OF SPAR SWITZERLAND

Similar to the acquisition of the BWG Group, the transaction with SPAR Switzerland has expanded the group into a business that we know and understand. SPAR International and the SPAR retail model, as well as the SPAR brands, are at the foundation of both businesses. The addition of the Swiss business creates scale and strengthens SPAR's model by further diversifying our revenue streams and mitigating our exposure to a single currency.

MIKE HANKINSON, CHAIRMAN

The synergies that exist between the businesses create opportunities to share knowledge, technologies, products and best practices across groups to the mutual benefit of both. These synergies further mitigate the risk of moving into an unknown country.

Going forward, we will emphasise our common objective of fostering profitable, independent retail that supports brand enhancements, while appreciating the challenges and opportunities unique to the different geographies.

GOVERNANCE

In March, the board approved the offering of new SPAR ordinary shares to raise approximately R2 billion through an accelerated bookbuild. The proceeds of the bookbuild were then used to fund the purchase price for SPAR Switzerland, and to reduce gearing of our balance sheet following the acquisition of the BWG Group in 2014. The performance and uptake of the bookbuild by the investment community exceeded our expectations. It was significantly oversubscribed, demonstrating shareholders' confidence in SPAR. The lower level of gearing will further provide us with the financial flexibility to continue to invest in existing operations and pursue value-enhancing opportunities.

Our business model is grounded in the independence of our retailers. While this co-operative relationship is one of our greatest strengths, it does pose certain risks, particularly where retailers fail to meet the standards for quality and behaviour that have come to be associated with the SPAR brand.

The Competition Commission of South Africa (CompCom SA) commenced their second investigation into the retail industry during the year, highlighting various issues in the published Terms of Reference. At the time that the Terms of Reference for the CompCom SA enquiry were published, the group received an application filed in the Competition Tribunal. This application covered inter alia allegations that the group and two supermarket chains had contravened the Competitions Act through the abuse of exclusivity clauses in lease agreements. While the group is vigorously opposing the application, we are co-operating with the Commission's investigative team as they collect information on the various issues highlighted.

During the year, the board reviewed and approved the Group Fraud and Corruption Prevention Policy. This policy acts as a guide to ensure all instances of fraud or corruption are managed in a fair and uniform manner. The policy further assists us in creating a climate for the prevention and detection of fraud, theft, corruption or associated internal irregularity.

We completed the annual board evaluation and were satisfied that the board performed effectively during the year and is appropriately constituted to add value to the business, in accordance with the principles of good corporate governance.

CHAIRMAN'S REPORT
(CONTINUED)

ATTRACTING AND RETAINING COMPETENT AND MOTIVATED EMPLOYEES WHO LIVE OUR VALUES AND ARE ALIGNED TO OUR CULTURE, IS CRUCIAL TO SPAR'S FUTURE.

SPAR'S BBBEE SHARE SCHEME

In 2009, the group entered into a BBBEE empowerment deal. Collectively, 16 000 SPAR employees and SPAR retailer employees participated in and benefitted from this scheme, which operated through the SPAR BBBEE Employee Trust and SPAR BBBEE Retailer Employee Trust respectively. In terms of the transaction, 7.6 million redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust, and 11.3 million redeemable convertible preference shares were issued to The SPAR BBBEE Retailer Employee Trust. All BBBEE scheme shares vested and matured in August 2016, seven years after the grant date, realising a gross value of R1.5 billion.

To ensure participants were well informed about the potential long-term benefits of the scheme, SPAR published and distributed an information booklet in five different languages. Financial wellness presentations were also hosted nationally to guide participating employees on how best to invest the money they received. The positive feedback from our staff and retail stores has been nothing short of amazing.

DIVIDEND

SPAR maintains a progressive dividend policy as part of our commitment to grow and share value with shareholders. Accordingly, the board approved a final dividend of 410.0 cents per share (2015: 393.0 cents per share), which amounts to a total dividend for the year of 665.0 cents per share (2015: 632.0 cents per share). This is an increase of 5.2% for the total dividend.

APPRECIATION

The hard work and commitment of our employees, our most valuable asset, must once again be acknowledged. Similarly, the board acknowledges the invaluable role played by the Managing Directors of our distribution centres in overseeing the group's daily operations, while remaining committed to supporting social and environmental sustainability at a regional and national level. We also extend our appreciation to the Executive Committee and all board members for their ongoing service.

In particular, I would like to congratulate Graham O'Connor on his appointment as President of SPAR International. The role is one of coordinating strategically across existing countries to ensure that the SPAR name is upheld across the globe. The position is also one of sharing international expertise and best practice to support brand enhancement. We are confident that Graham will bring a wealth of retail experience to this role, and look forward to opportunities for global knowledge sharing and collaboration. Despite Graham now taking on a dual role, we are sure of his commitment to SPAR South Africa, bolstered by the strength of his executive team.

Management across the three geographies should be commended on a positive year despite challenging local and international conditions that placed strain on economies. We look forward to strengthening new and existing partnerships in the year ahead.

OUTLOOK

Attracting and retaining competent and motivated employees who live our values and are aligned to our culture is crucial to SPAR's future. Skills shortages in key technical roles and succession planning are key risks that will be emphasised by the board in the years ahead.

The board will seek to ensure that we draw maximum value from our acquisitions, and will focus on embedding SPAR's purpose, vision and values in our decision-making processes. We are excited about the opportunities that the acquisitions present, and look forward to their future contributions.

Trading conditions in the domestic market are expected to remain under pressure. Against this backdrop, we will maintain our focus on sustainable, organic growth. We have always been a business that lives according to passion and a commitment to our values, with the ultimate goal of creating a unique customer service offering. Looking ahead, we will work to embed this energy in our acquired operations and continue to investigate opportunities to enhance value across our business 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 in Pinetown in the company's boardroom, 22 Chancery Lane, Pinetown, on 7 February 2017 at 09:00.

Mike Hankinson
Chairman

15 November 2016

CHIEF EXECUTIVE OFFICER'S REPORT

'OUR VALUES OF PASSION, FAMILY AND ENTREPRENEURSHIP WERE FURTHER EMBEDDED IN THE ORGANISATION.'

'SPAR Ireland had an amazing year with all our retail brands growing positively.'

The SPAR Group showed resilience and delivered a strong performance. We gained market share due to the commitment of our retailers and distribution centres to bring communities world-class stores, excellence in Fresh, and leadership through innovation and the entrepreneurial spirit of the SPAR family. Our expansion into Switzerland demonstrates our vision to leverage suitable growth opportunities and create substantial value for our shareholders and all stakeholders, now and into the future.

HIGHLIGHTS OF 2016

- Group turnover increased by 23.8%, underpinned by pleasing growth in the Southern African and Irish operations.
- The group's profit after tax increased by 27.7%.
- Our values of passion, family and entrepreneurship were further embedded in the organisation.
- The BWG Group's profit before tax more than doubled to reach R377.3 million.
- SPAR's house brands grew by 12.3%, exceeding the growth of SPAR's core business.
- The acquisition of SPAR Switzerland in April will broaden and diversify our business portfolio from a base that is complementary to the SPAR Group.
- The unfolding of our BBBEE share scheme demonstrates our commitment to our people.

FOCUS ON SOUTHERN AFRICA

Our Southern African operations contributed 68% (2015: 77%) to overall turnover. The domestic operating environment was affected by severe drought, economic uncertainty and rising food inflation. Customers came under pressure to reduce spend, resulting in a low-sales environment. In response, retailers pushed promotions and cut prices. This resulted in an acutely competitive retail environment.

In the face of tough conditions, our business model, grounded on the system of voluntary trading, continues to perform.

GRAHAM O'CONNOR, CEO

Group turnover increased by

23.8% to R90.7 billion

Profit after tax increased by

27.7% to R1.8 billion

New store openings in South Africa

117 stores

We achieved an increase of 8.9% in SPAR wholesale turnover to R49.6 billion (2015: R45.6 billion) against retail turnover growth of 8.2% to R73.2 billion (2015: R67.9 billion). In other words, our independent retailers recognise the value added by the SPAR brand and support services, and the bulk of goods they sell are supplied by SPAR.

While we continue to search for expansion opportunities, our efforts are focused on establishing better stores and improving our retail offering, especially in Fresh. Our retailers opened 117 new stores, with 254 (2015: 242) stores being revamped during the year. Currently, 32% of SPAR store turnover is from fresh produce, home-meal replacement, the butchery and bakery food service departments.

Once again, TOPS at SPAR sustained its positive growth trajectory and maintained double-digit wholesale turnover growth. We are pleased with the relaunch of the TOPS at SPAR logo. Build it delivered an excellent performance, with growth of 13.4%. The group's other store formats gained momentum. SaveMor opened 4 new stores, and 17 Pharmacy at SPAR stores were opened.

We enhanced distribution capacity. The expansion of the Western Cape dry and perishables facility was completed in October 2016, adding 6 855 m^2 of floor space with high-density storage capability. We expanded our Mthatha depot to better handle large volumes of fast-moving commodities within a closer proximity to our retailers. This reduced costs for our retailers operating in the region. Additional land was acquired in the West Rand and the Eastern Cape to facilitate expansion and ease congestion. Volumes handled by the distribution centres grew by 3.4%, with a total of 226.4 million cases (2015: 219.0 million cases) despatched during the year.

Volumes into Africa, in particular Botswana and Namibia, continue to be strong with solid growth in retail sales. Looking at our other Southern African operations, Mozambique performed well despite political instability and the unavailability of foreign exchange. Stalling factors in Zambia appear to be behind us, and we have finalised a deal to buy 45% of SPAR Zambia. We are confident that we have found good partners to maximise this opportunity going forward.

CHIEF EXECUTIVE OFFICER'S REPORT

(CONTINUED)

OUR DISTRIBUTION CENTRES ARE GEARED FOR GROWTH, WITH APPROPRIATE SHORT-TERM CAPACITY TO HELP US REALISE GAINS IN CONSTRAINED CONDITIONS.

FOCUS ON INTERNATIONAL

SPAR Ireland had an amazing year with all our retail brands growing positively.

Undoubtedly, one of the most material developments in the Irish operating environment was the Brexit vote. While it is too early to determine the exact consequences of this decision, we are wary of the possible adverse impact on the Irish economy.

We remain positive about the sustained growth of our Irish operations. BWG's turnover increased by 36.8% to R23.1 billion, operating profit rose by 41.4% to R433.4 million, and profit after tax is up 106.0% to R327.6 million. The beginning of July marked the first anniversary of the Londis acquisition. In our first 12 months of ownership, sales amounted to R26 billion, substantially ahead of our business case projections.

The Swiss acquisition was seen by the board and management as an attractive investment opportunity in a familiar business with solid growth potential. We are confident that they are led by a strong management team, who will remain in place and work with us to grow the business, improve efficiencies and optimise their financial performance. We sent local management and logistics and technical specialists across to Switzerland to guide skills transfer and accelerate alignment.

Despite holding a small market share relative to the large local players, and in terms of our Irish and Southern African operations, SPAR Switzerland has a state-of-the-art distribution centre and efficient distribution logistics. We have a good opportunity to leverage these assets and enhance the retail offering, supported by our large-scale wholesale and distribution expertise.

We have invested in businesses that support our trading model and sustainably profitable, independent retail. Going forward, it is this overarching belief in our trading model that will shape future acquisitions rather than the possibility of high returns.

During the year under review, we entered into a joint venture with Ceylon Biscuits Limited in Sri Lanka to establish SPAR SL. SPAR is a 50% shareholder in this joint venture company, with Ceylon Biscuits Limited holding the remaining 50%. SPAR SL was established to develop and grow the SPAR brand in Sri Lanka, and we have sent a senior retail operations manager to the country to assist in this process.

STRATEGY OVERVIEW

We reviewed our strategy during the year and affirmed our commitment to our core values. We launched a SPAR Values Committee to better integrate our values into our daily operations. We also launched a SPAR Wellness Week, during which key health measures were benchmarked with the aim of reviewing these annually to assess and improve the health and well-being of our SPAR family.

Retailer profitability remains top of mind. We are currently in the advanced stages of rolling out a new dropshipment claims system to enable us to support retailers in their engagement with suppliers. We are also undergoing a financial benchmarking exercise that grants us full exposure to close to 90% of our retailers' financials at store level. This will enable us to work collaboratively with our retailers to assess opportunities for value add and find new ways to enhance retailer profitability.

We have redoubled our focus on achieving excellence in Fresh. We rebranded and relaunched *Chika Chicken* to improve our home-meal replacement offering. Additionally, we appointed a National Meat Executive to strengthen our meat offering and butcheries at retail level.

OUTLOOK

Despite the tough, local trading environment, we remain positive. Our distribution centres are geared for growth, with appropriate short-term capacity to help us realise gains in constrained conditions.

During the year, we engaged positively with government. We committed R10 million to a small, medium and micro enterprise (SMME) joint fund to support small businesses, entrepreneurship and economic growth in South Africa. We want our country to prosper and look forward to working alongside government to realise South Africa's potential.

Internationally, we are excited about the new possibilities our acquisitions will bring. Ireland is performing well and the management team have demonstrated their potential. The focus is now on bedding down our Swiss acquisition and realising the full potential of that business.

APPRECIATION

First and foremost, thank you to our retailers and distribution centre employees who have shown commitment and entrepreneurship in a difficult economy, and to our suppliers for their collaboration and partnership.

Thanks also to the board and executive management for their ongoing support and guidance.

To all in the SPAR family – thank you for the fantastic teamwork and the effort that has gone into making this year a success.

Graham O'Connor
Chief Executive Officer

15 November 2016

FINANCIAL REVIEW

SALIENT FEATURES

Rmillion	2016	2015	Change (%)
Turnover	**90 688.5**	73 258.8	23.8
Gross profit	**8 407.0**	6 366.6	32.0
Gross profit (%)	**9.3**	8.7	
Operating profit	**2 577.3**	2 294.2	12.3
Profit after tax	**1 815.0**	1 420.9	27.7
Headline earnings per share (cents)	**1 020.0**	835.5	22.1
Dividend per ordinary share (cents)	**665.0**	632.0	5.2
Net asset value per share (cents)	**3 140.1**	1 922.6	63.3

SPAR achieved pleasing overall financial results for the 2016 financial year. SPAR Southern Africa's organic growth focus continued to pay off with positive indications of market share gains across all store formats. The BWG Group (SPAR Ireland) delivered excellent growth, underpinned by a positive contribution from all brands and store formats, while the acquisition of a majority stake in SPAR Switzerland (effective 1 April 2016) added 302 retail customers and a third geographic region to the group's portfolio. 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 106 to 175.

FINANCIAL PERFORMANCE

The SPAR Group achieved a significant 23.8% increase in reported turnover to R90.7 billion (2015: R73.3 billion). The core Southern African business achieved growth of 9.5% underpinned by aggressive promotional and marketing activity in a highly competitive market. In addition, the Irish operations delivered 36.8% turnover growth, bolstered by the acquisition of the Londis business in the latter part of the prior year and the Gilletts Group in the current year, and a strong performance across all other brands. The turnover of SPAR Switzerland, consolidated for the second six months, contributed R5.9 billion. Resulting from its international expansion, the group's revenue streams have become more geographically diversified with 32.0% of total turnover being generated in foreign currency (2015: 23.1%).

The increasing offshore revenue streams also increased the group's gross margin, rising from 8.7% to 9.3%. Southern African gross margins were enhanced by a continued growth in ex-warehouse sales as well as an increased contribution from corporate stores. In Ireland, increased volumes from the recently commissioned perishables facility at the Kilcarbery National Distribution Centre contributed to margin gains. The newly acquired Swiss business enjoys higher gross margins of 14.0%, as a result of operating in the convenience retail sector and also contributed to the overall gross margin expansion.

The SPAR Group reported a total operating profit of R2.6 billion, up 12.3% from the previous year (2015: R2.3 billion). The operating profit of the Irish operations grew 41.4% to R433.4 million. In Southern Africa, operating profit increased 6.2%, being impacted by higher marketing and IT costs, contributions to closure costs of the Zimbabwe associate operation of R19.3 million and net debt impairments increasing by R15.7 million.

Profit before tax increased 24.6% to R2.4 billion (2015: R2.0 billion), boosted by net interest income of R44.5 million (2015: R14.1 million net interest expense) from the Southern African operations, largely attributable to the proceeds of the equity raising in April 2016. Lower finance costs in Ireland following the banking facility refinancing in July 2015 also had a substantial impact.

Profit after tax improved 27.7% to R1.8 billion (2015: R1.4 billion), as a result of lower effective tax rates in both Ireland and Switzerland.

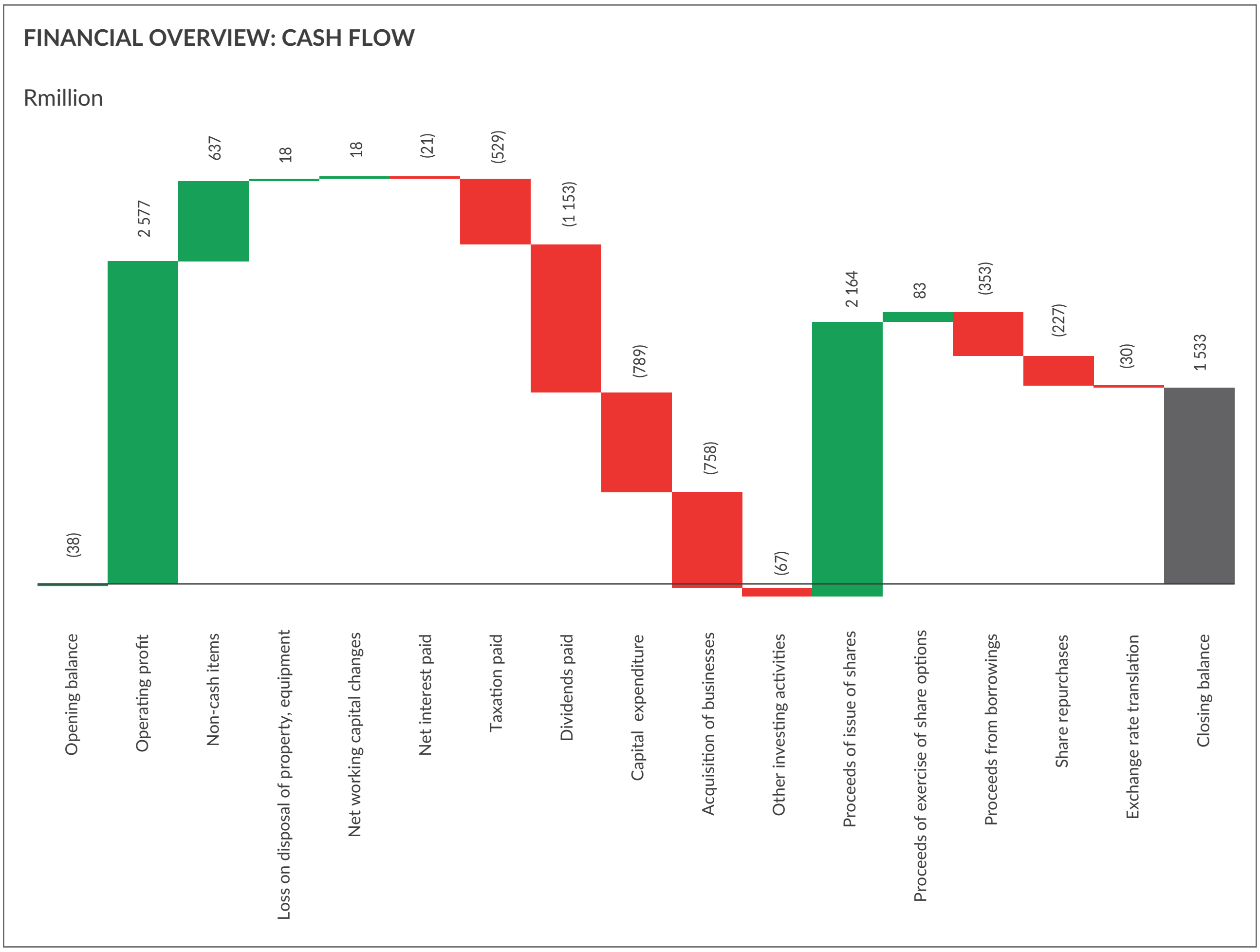
Headline earnings per share increased 22.1% to 1 020.0 cents (2015: 835.5 cents), as the weighted average number of shares increased to 179.7 million shares (2015: 173.1 million) following the issue of shares to fund the Irish and Swiss acquisitions as well as settling the BBBEE share scheme that vested in August 2016.

The board approved a final dividend of 410.0 cents resulting in a total annual dividend growth of 5.2% which was largely impacted by the increased number of ranking shares and accounting adjustments in the prior year.

CASH FLOW

In line with the improved trading performance, cash generated from operations rose to R3.3 billion (2015: R3.0 billion). Overall cash flow was, however, negatively affected by a R425.0 million increase in trade receivables for the Southern African operations. This being largely due to the timing of customer weekly payments. The improved cash holding of the group was lifted by the issue of 11.9 million ordinary shares for total proceeds of R2.1 billion in April 2016, of which R725.0 million was utilised to settle the funding raised to purchase 60% of SPAR Switzerland.

Distributions to shareholders totalled R1.153 billion (2015: R1.012 billion) during the year.



Capital expenditure increased to R788.7 million (2015: R525.5 million).

CAPITAL EXPENDITURE

Volumes handled by SPAR's seven distribution centres in South Africa rose 3.4% with 226.4 million cases despatched. The group continued to invest its capacity to meet projected volume demand increases. During the 2016 year this investment totalled R339.5 million and included the expansion of the Western Cape and North Rand perishables facilities. In Ireland and Switzerland, capital expenditure amounted to R325.6 million and R123.6 million respectively, which was applied to investments in the retail environment and technology upgrades.

The commissioning by SPAR Ireland of the chilled facility at the Kilcarbery National Distribution Centre was completed and will result in lower distribution costs per case. In addition, the Londis chilled facility was closed and consolidated into the Kilcarbery facility where volumes peaked at 32 500 cases per day, delivering economies of scale and improved costs per case.

Budgeted capital expenditure for the year ahead in Southern Africa, amounting to R752.0 million (budget 2016: R462.2 million), includes the purchase of additional land to build a new dry warehouse in the Eastern Cape, property in KwaZulu-Natal to accommodate future expansion of the dry facility and completing the acquisition of land in the West Rand to develop a future distribution centre. The group will also make further investments in its IT systems across all three geographies to support future growth. In Ireland, budgeted capital projects for the year ahead amount to €20.0 million and include wide ranging retail development projects. In Switzerland, CHF23.0 million has been budgeted in 2017 for retail investments and revamps on TopCC premises. It is anticipated that the

FINANCIAL REVIEW

(CONTINUED)

foreign subsidiaries will fund all capital expenditure from their own cash flows.

GEOGRAPHIC OVERVIEW

SOUTHERN AFRICA

The turnover of SPAR Southern Africa increased 9.5% to R61.7 billion (2015: R56.4 billion) underpinned by double digit liquor and building material sales growth. Furthermore, combined food and liquor wholesale turnover growth of 9.2% was well ahead of internally measured food inflation of 6.2%.

An increase in ex-warehouse sales' contribution to 56.3% (2015: 55.8%) of supplied sales unlocked higher gross margins of 8.24% (2015: 8.16%). The contribution of the corporate owned stores to the group's bottom line is also enhancing margins. Operating expenses grew by 11.9%. SPAR Southern Africa achieved a 15.7% increase in profit before tax to R2.1 billion, which was boosted by net interest income of R44.5 million.

SPAR stores performed well despite a highly competitive market with retail turnover growth of 8.2% to R73.2 billion (2015: R67.9 billion) and strong organic like-for-like growth of 7.9%. Combined food and liquor retail sales, which allow for a better industry comparison, increased by 8.9%. This bears testimony to the effectiveness of extensive marketing campaigns and promotions rolled out during the year as well as initiatives to drive SPAR's fresh and home-meal replacement offerings. Wholesale turnover growth of 8.9% to R49.6 billion indicates increased loyalty from SPAR's independent retailers. Also demonstrating the success of SPAR's ongoing efforts to deliver value to price sensitive consumers, demand for its SPAR-branded products grew 12.3% during the year, with total sales of R7.3 billion.

Reflecting SPAR's focus on supporting the profitability of existing retailers, total retail space growth slowed to 1.5%. This was due to increased scrutiny to confirm the viability of all proposed expansion projects and a number of new developments being delayed by property developers. In line with its organic growth focus, SPAR accelerated the pace of store refurbishments, with 167 stores being revamped (2015: 159 stores). A net five stores were opened during the year, bringing the total store numbers to 890 by 30 September 2016.

TOPS at SPAR continues to enjoy increasing levels of customer loyalty, reflected by a 14.6% increase in reported retail turnover to R8.9 billion (2015: R7.8 billion). The brand extended its strong organic growth trajectory with same store turnover up 10.7%. These results were underpinned by a number of entertaining promotional and marketing campaigns that appeals to its target market. Wholesale turnover grew by 12.0% to R5.2 billion (2015: R4.6 billion). Despite delays in obtaining Liquor Licences, 45 new TOPS at SPAR stores opened during the year and the brand closed the year with 691 stores. The total retail space increased by 9.3% for the period. The majority of stores converted to the new TOPS at SPAR logo and 36 stores were revamped.

The performance of Build it continues to defy ongoing pressure on consumer spending with retail sales up 13.4% to R11.7 billion (2015: R10.4 billion) and same store growth of 7.4%. Improved dropshipment support benefitted wholesale turnover, which grew 11.6% to R6.9 billion. Build it withstood deflationary pressures in an increasingly competitive market, with increasing numbers of independent and informal retailers entering the market and new cement manufacturers lowering cement prices to grow market share. Consumers continue to favour Build it's house brand imports with sales improving 9.7% to R285.2 billion for the period. The recently launched TrenDIY ended the year with four stores, and work is ongoing to fine tune its offering in order to bed down this new brand. As at 30 September 2016, Build it's store network stood at 348 stores, having opened 32 new outlets during the year.

IRELAND

BWG Group showed an excellent 36.8% increase in turnover to R23.1 billion (2015: R16.9 billion), with euro-denominated turnover growth of 14.5% to €1.4 billion and all retail brands achieving positive growth. This compares extremely favourably against the reported internal deflation of -1.1% for food and non-alcoholic beverages and inflation of 1.4% for alcohol and tobacco products in the 12 months to September 2016 (Source: Irish Central Statistics).

The integration of the Londis business, acquired in the prior year, was completed and sales retention was ahead of plan with a pleasing improvement in like-for-like sales. Excluding Londis, BWG Group attained organic turnover growth of 4.8% for the period (2015: 2.6%). The performance of the SPAR brand was particularly pleasing, with total turnover up 8% and 6.0% on a like-for-like basis. Management interventions were successful at EUROSPAR which grew sales strongly in the year. The BWG Wines and Spirits and BWG Food Service businesses delivered excellent results. Appleby Westward, operating in South West England, delivered 13.0% turnover growth including a positive contribution from the Gilletts Group, which comprises 63 SPAR stores and was acquired in July 2016.

Due to an improved product mix, led by higher perishable volumes, the gross margin increased to 10.8%. Profitability in the second half recovered, compensating for slightly lower margins at the half- year stage when BWG Group's margin was impacted by heightened competition. Operating profit grew 41.4% to R433.4 million while profit after tax increased 106% to R327.6 million (2015: R159.0 million), or 73% in euro terms. This reflects the improved trading performance as well as substantial interest cost savings on the lower banking rates which were realised for the full year.

Total store numbers across BWG Group's store formats increased to 1 340 stores, with 94 new stores opened during the year and the completion of 197 store refurbishments.

SWITZERLAND

A majority stake in SPAR Switzerland was acquired effective from 1 April 2016. Retail sales industry-wide were impacted by adverse weather and flooding in Europe during the months of June and July. SPAR

Switzerland's overall sales for the six month period were down some 4.1% from the prior year, compared to Swiss food retail sales which increased by 0.6% year-on-year for the same period (Source: Federal Statistical Office). Driving sales at both the retail and wholesale level in Switzerland is a key priority for SPAR to improve this acquisition's business performance.

The higher gross margins that characterise SPAR Switzerland's business model compared to the group's other regions, partially shielded the impact of lower sales. The business model whereby most products distributed are ex-warehouse, with limited central billing arrangements, underpins the reported gross margin of 14.0%. Furthermore, SPAR Switzerland is highly exposed to the convenience retail sector that commands higher margins.

The cost structure of SPAR Switzerland reflects the greater exposure of this business to retail, resulting from the proportionately higher contribution from corporate-owned stores and TopCC cash-and-carry outlets. Accordingly, selling and marketing expenditure typically amounts to some 70% of this business's overheads, or at least double that of the rest of the group. An IAS 19 pension liability charge of R12.8 million also impacted reported expenses.

SPAR Switzerland recorded operating profit of R32.2 million for the period and profit before tax amounting to R6.3 million. However, adjusting for the extraordinary IFRS pension charge and a financial liability relating to the future minority purchase obligation, this reported figure increases to R31.0 million. Although the performance of SPAR Switzerland for this first period of consolidation was well below plan, the adjusted result is closer to management's expectation. The underlying drivers to reach the required returns have been fully analysed and plans have been prioritised to improve the performance of this region.

THE BBBEE TRANSACTION

In 2009, the group entered into a BBBEE empowerment deal, with approximately 16 000 SPAR employees and SPAR retailer employees being the beneficiaries of this scheme. In terms of the transaction, 18.9 million redeemable convertible preference shares were issued to the BBBEE Trusts.

All BBBEE shares vested in August 2016, seven years after the grant date. This resulted in an issue of 7.4 million new ordinary SPAR shares for cash which was taken up by institutional investors. The value created through the placement of these shares realized R1.5 billion which was distributed to the beneficiaries.

BORROWINGS

At year-end the group had external banking facilities in South Africa totalling R3.6 billion of which R Nil (2015: R634 million) was drawn down. Committed facilities totalled R2.2 billion while the group has access to R1.4 billion of uncommitted facilities.

BWG Group has access to €60 million of revolving credit and overdraft facilities.

SPAR Switzerland has confirmed credit lines of CHF67.0 million.

THE NET BORROWINGS POSITION AT YEAR-END

Rmillion	2016	2015
Long-term borrowings	4 164.3	2 367.9
Current portion of long-term borrowings	265.9	87.2
	4 430.2	2 455.1
Bank overdraft	507.1	519.1
Total borrowings	4 937.3	2 974.2
Less: cash and cash equivalents	(1 611.8)	(399.9)
Net borrowings	3 325.5	2 574.3
Increase in funding	751.2	(33.1)

Net borrowings increased from the prior year largely as a result of the acquisition of the Swiss business and the first time consolidation of their borrowings.

FINANCIAL REVIEW

(CONTINUED)

CAPITAL EXPENDITURE AND COMMITMENTS

A summary of the group's capital expenditure and approved capital commitments as at 30 September 2016 is set out below:

	2016			2015		
Rmillion	**Contracted**	**Approved, not contracted**	**Total**	Contracted	Approved, not contracted	Total
South Africa	**225.1**	**56.9**	**282.0**	70.3	10.8	81.1
Ireland	**84.0**	**1.9**	**85.9**	88.6	7.4	96.0
Switzerland	**12.9**	**95.8**	**108.7**			
Total	**322.0**	**154.6**	**476.6**	158.9	18.2	177.1

FINANCIAL RISK MANAGEMENT

The identification of sustainability and financial risks for the group forms part of the enterprise risk management process. During the course of the year this was again 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 impacting 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 Financial 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 have been no material impacts of these amendments on the financial statements.

GOING CONCERN STATUS

The board had 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

15 November 2016

FIVE-YEAR FINANCIAL REVIEW

Rmillion	2016	2015	2014	2013	2012
CONDENSED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME					
Revenue	**92 227**	74 060	55 016	47 796	43 560
Operating profit	**2 577**	2 294	1 865	1 646	1 510
Other non-operating items	**(25)**	(131)	(1)		
Interest income	**99**	29	34	34	33
Interest expense	**(110)**	(122)	(38)	(25)	(28)
Finance costs including foreign exchange gains and losses	**(107)**	(108)	(3)		
Share of equity accounted associate income/(loss)	**5**	(4)	(13)	3	4
Profit before taxation	**2 439**	1 958	1 844	1 658	1 519
Income tax expense	**(624)**	(537)	(499)	(471)	(460)
Profit for the year attributable to ordinary shareholders	**1 815**	1 421	1 345	1 187	1 059
Actuarial loss on retirement funds	**(190)**	(12)	(21)		
Actuarial (loss)/gain on post-retirement medical aid	**(6)**	(3)	(8)	12	
Loss on cash flow hedge	**(28)**				
Exchange differences from translation of foreign operations	**(29)**	21	16	1	
Total comprehensive income	**1 562**	1 427	1 332	1 200	1 059
CONDENSED STATEMENTS OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**6 160**	3 221	2 878	1 749	1 588
Goodwill and intangible assets	**4 008**	3 281	2 726	387	391
Loans and investments	**310**	138	124	120	119
Operating lease receivables	**101**	97	85	98	113
Deferred taxation asset	**31**	34	41	28	15
Current assets	**16 585**	12 365	11 254	7 405	7 673
Assets classified as held for sale	**161**	194	15		
Total assets	**27 356**	19 330	17 123	9 787	9 899
Equity and liabilities					
Capital and reserves	**5 643**	3 328	3 027	3 176	2 827
Deferred taxation liability	**291**	215	179	2	4
Post-employment benefit obligations	**1 392**	447	415	111	118
Financial liability	**1 568**	730	549		
Long-term borrowings	**4 164**	2 368	1 866		
Long-term provisions	**59**				
Operating lease payables	**116**	109	119	115	129
Current liabilities	**14 123**	12 133	10 968	6 383	6 821
Total equity and liabilities	**27 356**	19 330	17 123	9 787	9 899
CONDENSED STATEMENTS OF CASH FLOWS					
Cash flows from operating activities before dividends	**2 700**	2 281	1 348	339	1 824
Dividends paid	**(1 153)**	(1 012)	(867)	(782)	(671)
Cash flows from investing activities	**(1 614)**	(978)	(924)	(296)	(222)
Cash flows from financing activities	**1 667**	162	(101)	(101)	(71)
Net movement in cash and cash equivalents	**1 600**	453	(544)	(840)	860

RATIOS AND STATISTICS

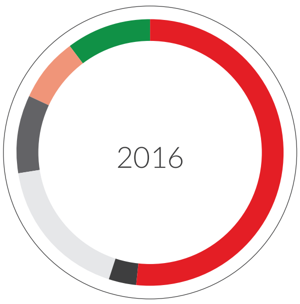
		2016	2015	2014	2013	2012
SHARE PERFORMANCE						
Number of ordinary shares (net of treasury shares)	millions	**192.5**	173.1	172.8	172.4	172.3
Headline earnings per share	cents	**1 020.0**	835.5	781.8	694.8	623.9
Normalised headline earnings per share	cents	**1 033.0**	940.0	779.8		
Dividends per share	cents	**665.0**	632.0	540.0	485.0	430.0
Dividend cover	multiple	**1.53**	1.45	1.45	1.45	1.45
Net asset value per share	cents	**3 140.1**	1 922.6	1 751.1	1 842.2	1 643.6
COMPREHENSIVE INCOME INFORMATION						
Gross margin	%	**9.3**	8.7	8.3	8.1	8.0
Operating profit margin	%	**2.8**	3.1	3.4	3.5	3.5
Headline earnings	Rmillion	**1 832.9**	1 446.3	1 351.3	1 197.7	1 073.0
SOLVENCY AND LIQUIDITY						
Return on equity	%	**40.5**	44.7	43.4	39.6	39.8
Return on net assets	%	**45.7**	68.9	61.7	51.8	53.4
EMPLOYEE STATISTICS						
Number of corporate office and distribution centre employees at year-end		**6 387**	4 724	4 025	3 886	3 904
STOCK EXCHANGE STATISTICS						
Market price per share						
– at year-end	cents	**19 222**	18 500	12 558	12 120	12 800
– highest	cents	**21 971**	20 617	13 632	13 335	13 091
– lowest	cents	**16 161**	12 142	11 089	10 750	9 283
Number of share transactions		**499 716**	399 399	228 064	225 437	188 043
Number of shares traded	millions	**178.2**	132.7	104.5	129.4	112.7
Number of shares traded as a percentage of total issued shares	%	**92.6**	76.7	60.4	75.1	65.5
Value of shares traded	Rmillion	**34 793.2**	23 190.3	12 998.2	15 159.7	12 651.0
Earnings yield at year-end	%	**5.4**	5.1	6.2	5.7	4.9
Dividend yield at year-end	%	**3.5**	3.4	4.3	4.0	3.4
Price earnings ratio at year-end	multiple	**18.6**	19.7	16.1	17.4	20.5
Market capitalisation at year-end net of treasury shares	Rmillion	**37 004**	32 027	21 708	20 899	22 057
Market capitalisation to shareholders' equity at year-end	multiple	**6.6**	9.6	7.2	6.6	7.8

VALUE-ADDED STATEMENT

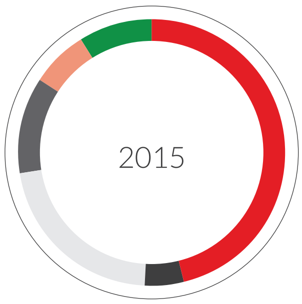
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 Rmillion	% of revenue	%	2015* Rmillion	% of revenue	%
Revenue	**92 227**			74 060		
Less:						
Net cost of product and services	**85 721**			69 401		
Value added	**6 506**			4 659		
Add:						
Income from investments and associates	**103**			25		
Wealth created	**6 609**	**7.2**	**100.0**	4 684	6.3	100.0
Applied to:						
Employees						
Salaries, wages and other benefits	**3 422**		**51.8**	2 164		46.2
Providers of capital	**1 370**		**20.7**	1 242		26.5
Interest on borrowings	**217**		**3.3**	230		4.9
Dividends to ordinary shareholders	**1 153**		**17.4**	1 012		21.6
Taxation	**624**		**9.5**	537		11.5
Depreciation of assets	**531**		**8.0**	332		7.1
Retained in the group	**662**		**10.0**	409		8.7
Wealth distributed	**6 609**		**100.0**	4 684		100.0

* *Revised to be consistent with current year classification*

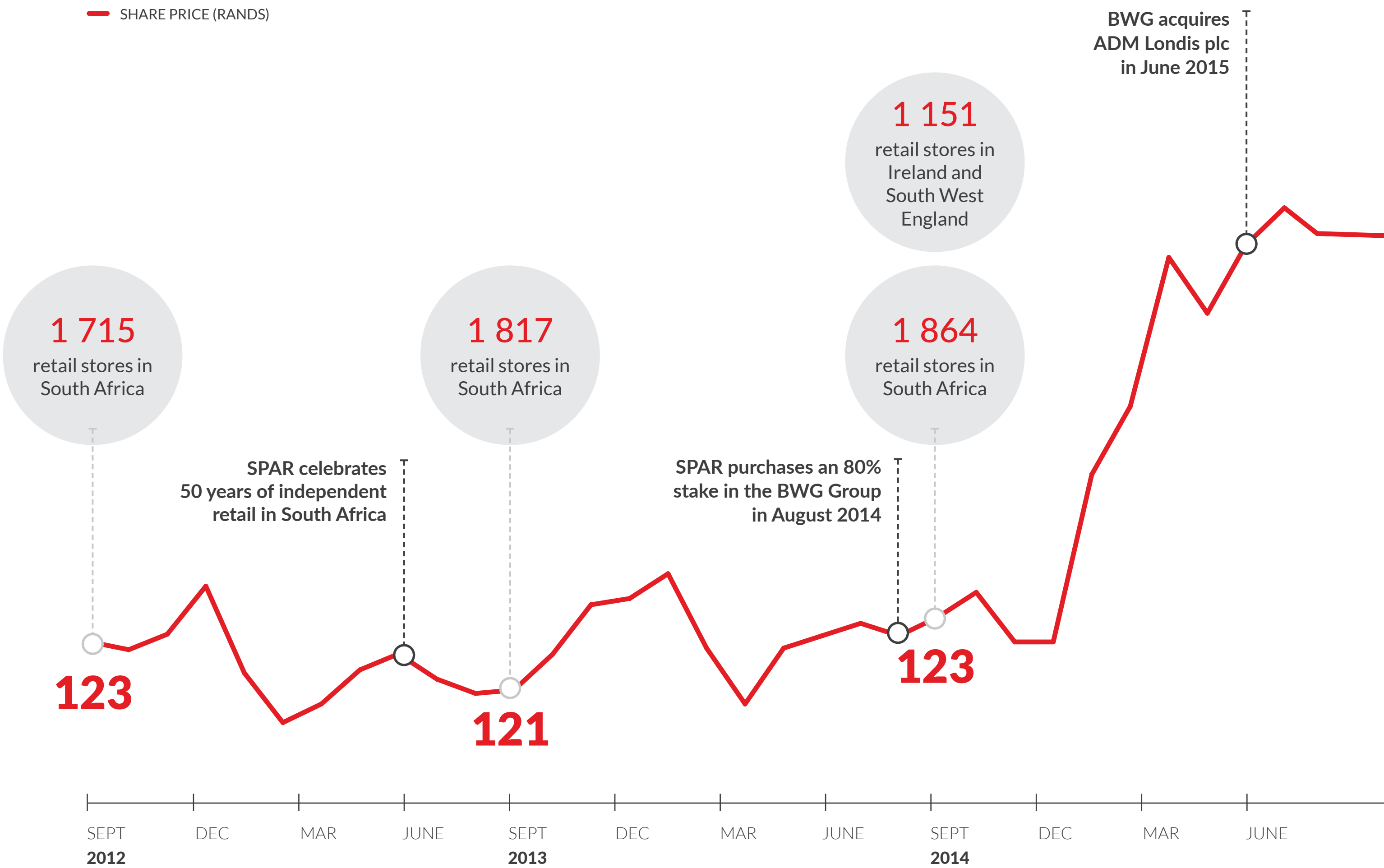


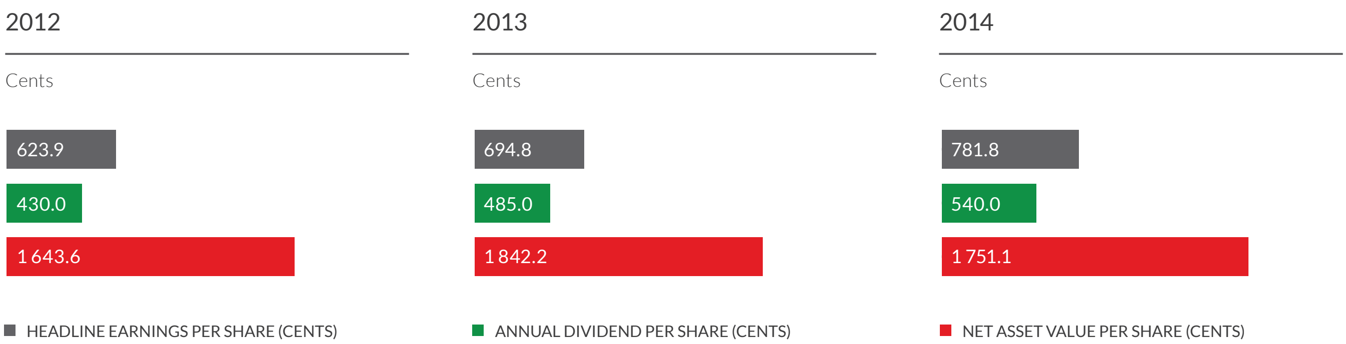
2016		2015
51.8%	Salaries, wages and other benefits	**46.2%**
3.3%	Interest on borrowings	**4.9%**
17.4%	Dividends to ordinary shareholders	**21.6%**
9.4%	Taxation	**11.5%**
8.0%	Replacement of assets	**7.1%**
10.0%	Retained in the group	**8.7%**

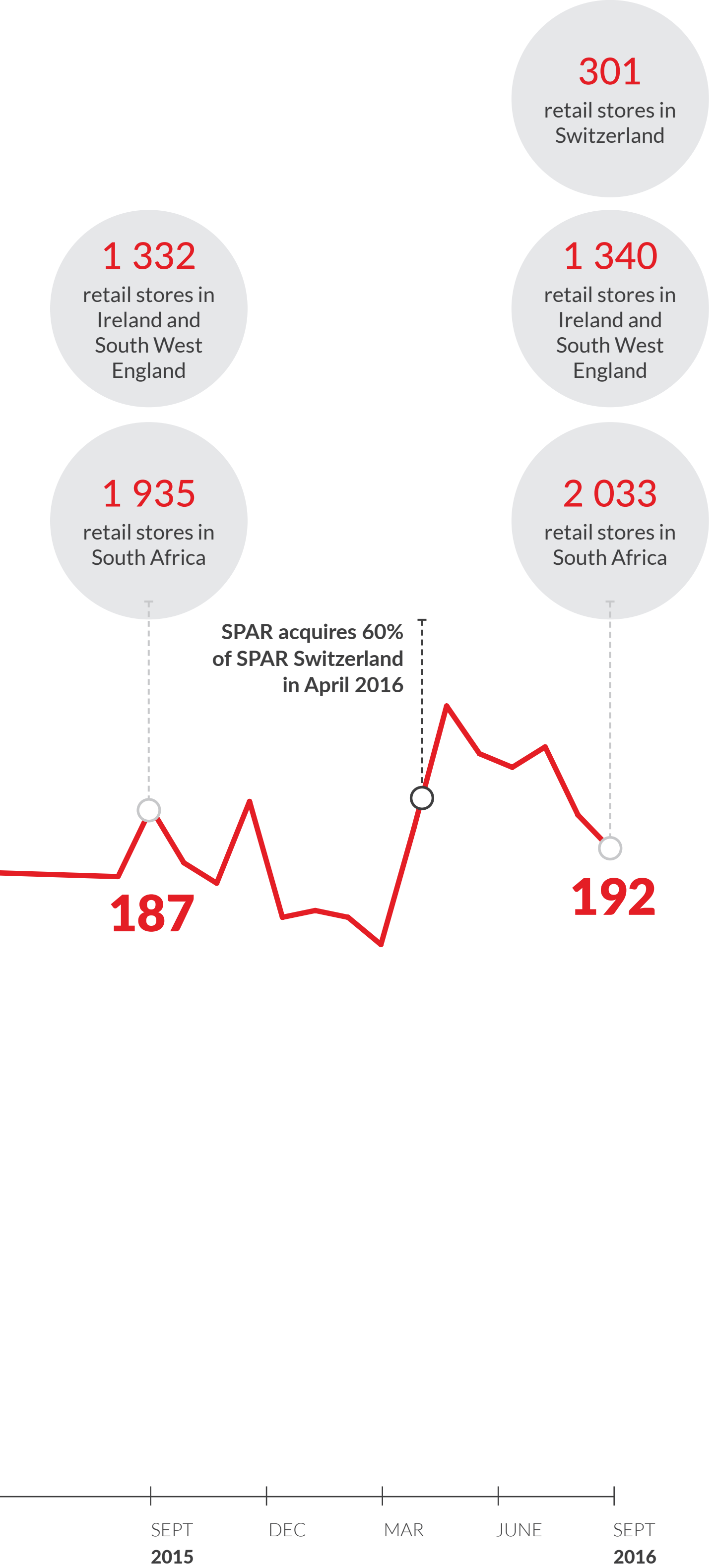


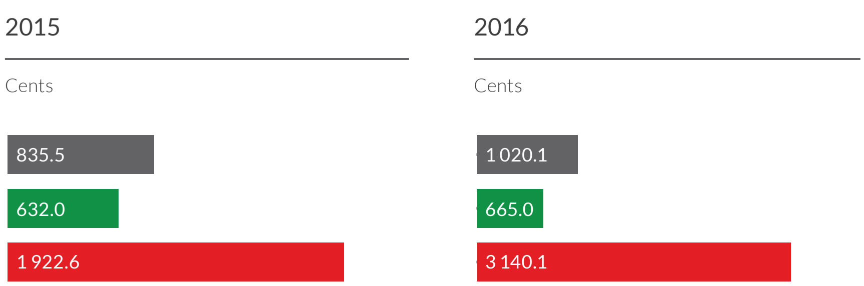
INVESTMENT CASE

Since listing on the JSE in 2004, the group has shown solid growth in earnings, dividends and value per share.






301
retail stores in Switzerland
1 332
retail stores in Ireland and South West England
1 340
retail stores in Ireland and South West England
1 935
retail stores in South Africa
2 033
retail stores in South Africa
SPAR acquires 60% of SPAR Switzerland in April 2016
187
192
SEPT 2015
DEC
MAR
JUNE
SEPT 2016


2015
Cents
835.5
632.0
1 922.6
2016
Cents
1 020.1
665.0
3 140.1


PINTOWN
Build it


Build it


SPAR


KWIKSPAR

INVESTMENT CASE

(CONTINUED)

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

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.

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.

COMMITTED LEADERSHIP

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

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, Irish and Swiss 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 2 033 stores in Southern Africa create a particularly strong presence in urban and rural residential areas (nearly twice as many stores as our closest competitor).
- Sustained focus is maintained on new business development in Africa.
- The range of store formats in Ireland and South West England, as well as Switzerland, has significantly expanded our footprint.
- The expansion into Sri Lanka will extend our footprint into the Asian market.

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%.

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 25.4% to revenue, there is significant upside potential for growth.

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.

MARKET POSITIONING

- Store format range and geographical 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.

CASE STUDY:

LEADERSHIP THROUGH LEARNING AND DEVELOPMENT

The SPAR Academy of Learning contributes toward making SPAR an employer of choice by offering best-in-class, quality education and training for our people while growing the group's core competencies.

The retail industry is acutely competitive, and innovation is crucial to our long-term success. This is enabled through a culture of learning, driven by competent people. Annually, SPAR spends in excess of R45.0 million on learning and development that benefits employees at our corporate office, distribution centres, as well as our retailers and retailer employees.

The SPAR Academy of Learning is the umbrella body for SPAR's learning and development initiatives. The Academy is accredited by the Sector Education Training Authority (SETA), and provides centralised learning through the SPAR Retail College, and decentralised, virtual learning for the various regions through distance or E-learning programmes.

Education and training is directed at the needs of the business. We focus on improving our retailers' service departments through the 'Good Food Fundi' programme, which was launched in 2006. This programme improves the quality and preparation of SPAR's butchery, bakery, home-meal replacement and fresh produce offerings, which is in line with the group's strategic imperative to achieve group profitability through a focus on Fresh.

E-learning was officially launched in February 2015 to enable decentralised, distance learning solutions across our retail stores. We have developed 17 programmes that address two key needs identified at retail level: current and future manager development (through a two-year programme that covers floor, administration, service departments and financial management), and developing service department supervisors (supporting retailer profitability by ensuring departments are successfully run according to best operating procedures).

Currently, 19 000 learners are enrolled on the E-learning system, and close to 300 stores are on board.

Looking ahead, The SPAR Academy is focused on reaching 150 additional stores in 2017. A Knowledge Hub will be launched to promote collaborative learning. Additionally, a quality management system will be launched, which will enable The SPAR Academy to monitor feedback and modify programmes to ensure relevance and value. There will also be a strong focus on customer service modules to enhance the SPAR brand in the mind of consumers.

BUSINESS MODEL AND STRATEGY

SPAR creates value on a global scale through our voluntary trading model and convenient delivery of fresh food and groceries where people live. The group creates significant value for our independent retailers, who benefit from the economies of scale, efficiency and a wide scope of products offered and distributed through our distribution centres.

BUSINESS MODEL

Retailers further benefit from the merchandising expertise, support services and benchmarking offered by SPAR, which enable them to offer a range of products at competitive prices. Voluntary trading further equips retailers with the ability to customise their product and service offering to be responsive to their local, niche consumer segment needs and expectations. This unlocks value for both retailers and consumers.

To support this value creation, our business model is grounded in SPAR's core business as a wholesaler and distributor of goods. At each point in the value chain, we support close working relationships with key stakeholders to enhance our value proposition. We strive to manage our use of resources and the six capitals of value creation through environmentally and socially sustainable business practices.

The management of our material social and environmental impact is discussed from page 68.

The diagram on the opposite page outlines the core activities of SPAR. This is followed by a discussion of our five material relationships, which are critical to the sustainability of our business model.

In addition to our relationship with our suppliers, employees, retailers, consumers and communities, we recognise our shareholders, government and regulators as key stakeholders. While the group actively engages with our various stakeholders at different touch points along the value chain (described below), SPAR is in the process of developing a comprehensive stakeholder engagement framework that will further assist in managing the needs, expectations and risks associated with our key stakeholder groups to ensure the achievement of our strategy.

KEY STAKEHOLDER GROUP	TOUCH POINTS	KEY TOPICS
Suppliers	More information on page 38	• Return on investment • Shared value • Willingness to collaborate
Employees	More information on page 39	• Employer of choice • Motivated brand ambassadors • Learning organisation
Retailers	More information on page 40	• Common goals • Business partners • First choice brands
Consumers	More information on page 42	• Value for money • Brand that cares • Trusted
Communities	More information on page 43	• Ownership of My SPAR • Involvement in community • Care for community
Shareholders	More information on page 32	• Sound investment • Good communication • Consistent growth
Government		• Improve engagement through industry bodies
Regulators		• Improve engagement through industry bodies

In the following discussion of our business model and strategy, quantitative and qualitative data refers only to South Africa as this remains our most significant area of operation.

UNDERSTANDING OUR OPERATING ENVIRONMENT

SPAR operates within a highly competitive environment. Sustained economic weakness resulted in a low-sales environment. This led to aggressive marketing and unsustainable price drops by competitors. Rising fuel, food and utility prices continue to affect our consumers and retailers. Persistent drought and fluctuating exchange rates spiked food inflation. This is a particular concern for stores targeted at lower-LSM consumers, as defined-income households must reduce their baskets to absorb costs. Service delivery protests and labour unrest linked to the South African local municipal elections in August resulted in operational disruptions at supplier operations, distribution centres and stores. To enable growth and provide profit-making opportunities, the group maintained its strategic focus on optimising our core business functions, discussed below. SPAR continues to service the growing demand for convenience and our Fresh offering – with quality as the differentiator.

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 that benefits 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 whenever possible, including our emerging farmer development programme.

WAREHOUSING

286 935 m²
total floor area

39 676 m²
satellite warehouse space

4 386 656
cases despatched per week

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

Advanced technology to optimise the 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.

DISTRIBUTION

361 trucks
in South Africa

35 trailers
in South Africa

226.4 million
cases despatched

Fluctuations in fuel prices emphasise the importance of route management systems, truck specifications and turnaround times, 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 from retailers and recycle.

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

RETAILER SUPPORT AND MARKETING

1 039 499 m²
SPAR retail space in South Africa

119 761 m²
TOPS at SPAR retail space

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

Encouraging retailers' entrepreneurial flair, within SPAR guidelines, to ensure consistency.

The 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
- The SPAR development fund

SUPPLIERS
page 38

EMPLOYEES
page 39

RETAILERS
page 40

CONSUMERS
page 42

CENTRE OF COMMUNITY
page 43

OUR RELATIONSHIP WITH SUPPLIERS

WHO THEY ARE

5 000+

MULTINATIONAL, SMME AND INDIVIDUAL TRADER SUPPLIERS

60.0%

OF OVERALL STOCK SUPPLIED BY OUR TOP 20 SUPPLIERS

HOW WE ENGAGE

- Regular interaction through distribution centres and satellite warehouses during deliveries
- Joint business planning to target efficiencies 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's operating model relies on an efficient supply chain and robust relationships with suppliers to ensure an appealing value proposition for retailers at acceptable wholesale margins. The scale of our logistics and distribution systems provides suppliers with substantial volumes and scale at reduced operating costs. The high volumes handled at our distribution centres ensure a spread of fixed costs that translates into reduced unit costs.

Joint business planning with our suppliers encourages vertical co-ordination and efficiency, and we have identified a number of cost-reduction opportunities. These include, for example, backhauling and one-way loads, optimal buying configurations and supply chain mapping. Backhauling and one-way loads require collaboration with suppliers to deliver goods to retailers on their return journey from our distribution centres, where possible. We also deliver goods to retailers near our suppliers, collect goods from suppliers, and return to the distribution centre with a full truck. These initiatives reduce unnecessary labour and fuel costs associated with delivery trucks returning to their point of origin empty. Optimised supplier fleet utilisation further results in a reduction in our carbon footprint.

Supply chain mapping makes use of our cost-to-serve modelling tool and enables us to work with our suppliers to optimise the most effective route to market. These initiatives result in increased efficiencies and shared savings for our suppliers and the group. By stripping costs out of our supply chain, we are further able to pass the cost-saving benefit on to our retailers.

Most of our procurements happens at distribution centre level, while certain products are sourced from local suppliers at store level. This enables sourcing in support of local enterprise. We work with suppliers to encourage sustainable product development and transparent sourcing. Our emerging farmer development programme assists vertical co-ordination between commercial and community farmers to the benefit of the surrounding rural economies.

More information about our emerging farmer development programme can be found on page 64.

OUR RELATIONSHIP WITH
EMPLOYEES

WHO THEY ARE

3 881

EMPLOYEES ACROSS OUR CORPORATE OFFICES AND DISTRIBUTION CENTRES

74.3%

OF EMPLOYEE BASE IS MALE (due to the nature of work done at our distribution centres, where employees handle bulk goods and operate heavy machinery)

HOW WE ENGAGE

- Strong relationships with our workforce and the various trade unions
- Learning and development initiatives through The SPAR Academy of Learning
- Various committees established at each distribution centre, including Health and Safety, shop stewards and Values Committees
- Employee wellness clinics at each distribution centre – boosted by the launch during the year of our employee Wellness Week

RELATED STRATEGIC IMPERATIVES

- Transformation
- Retail relationships, leadership and support
- Centre of community
- Motivated and competent people
- Lean organisation
- Stakeholder returns
- Transformation
- Retailer relationships, leadership and support

OUR APPROACH

Motivated employees are crucial to SPAR's future. We pride ourselves on being a business that is built on solid relationships, with an emphasis on family values and meaningful workplace interaction.

During the year, 9 060 days (2015: 15 067 days) were spent in employee training. Courses cover a wide spectrum, from enhancing operational proficiency at floor level, to development programmes to grow management. In total, R13.2 million was spent on training, reaching 10 800 employees across the group's operations.

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). We are committed to maintaining positive relationships with unions at the relevant distribution centres to agree on acceptable terms of employment of unionised members.

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 four distribution centres, namely Western Cape, Eastern Cape, Lowveld and Build it, are not unionised.

SPAR provides employees with a wellness service through clinics at each distribution centre. We invested R3.7 million (2015: R2.8 million) in this service during the year. The service is provided free of charge to all on-site employees, with support focused on health and wellness, liquor 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.

More information about our employees can be found in the 'Social sustainability report' on page 60.

OUR RELATIONSHIP WITH RETAILERS

WHO THEY ARE

2 033

INDEPENDENT STORE OWNERS WHO OPERATE UNDER THE SPAR BRAND

254

STORES UPGRADED IN THE PAST YEAR

HOW WE ENGAGE

- Regular interaction with regional and distribution centre management and operations teams
- Regular store visits and monthly performance monitoring
- Annual retail conference
- Guild membership
- 'Look and Learn' trips, locally and abroad

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 maintaining a robust working relationship between wholesaler and retailer. For SPAR, the quality of this relationship is dependent on our ability to equip our retailers to run a sustainably profitable and professional business. Under the current economic conditions, and in the face of rising inflationary cost pressures and increased competition, maintaining this relationship remains our top priority.

We have increased our focus on our relationship with our retailers through financial benchmarking and the development of tailored service packages that respond to the unique challenges of individual stores. This is particularly important in South Africa, where customer demographics, spending power and surrounding infrastructure vary greatly across regions.

All retailers have access to an online database that makes available various SPAR store and product specifications and best practice manuals. This includes guidance on recipes and pricing to achieve consistency and quality in fresh produce and the growing home-meal replacement segment. This is supported by the SPAR Academy of Learning, which provides access to a variety of E-learning programmes shaped in response to retailers' needs. These programmes range from short-term guidance on how to solve day-to-day issues in store, to longer-term programmes that build human resources and supervisory capability. The guilds further provide retailers with marketing support and access to SPAR's development fund to invest in refurbishments.

We remain committed to growing our retailer base while supporting our existing retailers. In particular, our focus is attracting black entrepreneurs in South Africa. All new retailers receive support and guidance from the group and the guild to assist them in overcoming challenges associated with the initial set-up phase.

RETAIL TRAINING

JUMPSTART	To create a pool of entry-level candidates from which retailers can recruit. 1 052 candidates trained during the year and 321 have been placed in jobs.
GOOD FOOD FUNDIS	Skills programme in the areas of bakery, fresh produce, home-meal replacements and butchery.
RETAIL MANAGEMENT PROGRAMME	A distance learning course to improve retailer skills. Since 2011, 245 retailers have completed this course.
MANAGEMENT INDUCTION PROGRAMME	A programme assisting new retailers to understand how SPAR operates. Since 2002, 1 138 delegates have completed the course.
E-LEARNING	Reaching 266 stores this year, with more than 20 programmes conducted and 27 778 employees trained.

OUR RELATIONSHIP WITH CONSUMERS

WHO THEY ARE

DUE TO OUR GEOGRAPHICAL SPREAD AND VOLUNTARY TRADING MODEL, WE SERVICE THE FULL SPECTRUM OF LSM GROUPS IN SOUTHERN AFRICA.

HOW WE ENGAGE

- Marketing and promotional campaigns
- Ad hoc customer perception surveys
- In-house customer care line
- Benchmarking exercises between cluster stores
- Owner-managed stores with direct daily interaction with consumers
- Social media, including Facebook

RELATED STRATEGIC IMPERATIVES

- Centre of community
- Retailer profitability
- Excellence in Fresh
- Competitive pricing

OUR APPROACH

Ensuring that SPAR is perceived as offering customers value, quality and convenience is critical in growing and maintaining our market share. We remain within the industry benchmark on the surveyed basket. Additionally, we work with our retailers to offer consumers a comfortable and rewarding shopping experience focused on cleanliness, convenience and friendly employees.

We service the full spectrum of LSM groups in South Africa, which exposes the group to a wide range of trading patterns. Generally, higher-income consumers opt for convenience items and fresh produce. This includes ready-to-eat products, home-meal replacement items and daily, top-up shopping. Conversely, lower-income consumers are more likely to do a monthly shop, with an emphasis on commodity and bulk products. The ability to stock the appropriate product mix to cater accurately for unique customer profiles at store level is a key strength of the voluntary trading model. This enables retailers to customise their service offering, unlocking value for consumers.

We further strive to offer our retailers the facility to create value for consumers through our My SPAR Rewards programme. Participating consumers benefit from electronic product coupons that are sent to their mobile phones to help them save money. The group has an in-house customer care line that addresses complaints and queries. Marketing campaigns focused on promoting family values and a balanced lifestyle are also important in maintaining the group's positive engagements with consumers.

OUR RELATIONSHIP WITH
COMMUNITIES

WHO THEY ARE

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

HOW WE ENGAGE

- Each SPAR store aims to be centre of 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 at SPAR and Pharmacy at SPAR, further ensure that a local neighbourhood SPAR can become a convenient, one-stop shopping destination. The voluntary trading model enables retailers to support local enterprise development, adding value by growing the local economy. Retailers and their employees are also often from the local community, which strengthens personal ties with their target market.

SPAR is founded on passion, family values and entrepreneurship. To foster this culture and position the SPAR brand as a force for good in society, the group encourages retailers to be the centre of their community by supporting philanthropic and sponsorship initiatives at store level.

There is a symbiotic relationship between SPAR's continued growth and the sustainability of the communities that support our stores. Our formal CSI policy ensures that allocated funds support meaningful, sustainable projects, locally and nationally. During the year, SPAR invested R15.7 million (2015: R14.1 million) in CSI initiatives and R16.8 million (2015: R17.5 million) in various sponsorship projects.

More information about SPAR's investment in local communities can be found in the 'Social sustainability report' on page 59.

BUSINESS MODEL AND STRATEGY

(CONTINUED)

SPAR'S STRATEGY GUIDES THE BUSINESS TOWARDS OUR OVERARCHING GOAL OF GENERATING SUSTAINABLE STAKEHOLDER RETURNS IN A MANNER THAT IS BENEFICIAL FOR SOCIETY AND THE ENVIRONMENT.

STRATEGIC AND SUSTAINABILITY OBJECTIVES

We review our strategy every year to ensure we are responsive to the risks and opportunities arising in our external context. Furthermore, we recognise that risk management is integral to the achievement of SPAR's strategic imperatives. We perform an annual, comprehensive ERM analysis to ensure our sustainability risks are integrated with our group risks and group strategy, with appropriate action plans in place.

More information about SPAR's strategy for addressing sustainability can be found on page 59.

One of the key elements of SPAR's strategy is our strategic imperatives. By delivering on these imperatives, we are well positioned to achieve our strategic outcomes and vision to be the 'First-choice brands in the communities we serve'. Our ERM framework supports this by assisting the group to identify key risks linked to our imperatives.

A group risk register was developed in 2014 that details our top 40 risks. These risks have been identified across SPAR's value chain, and are managed at different levels of the business. To strengthen accountability and mitigate the key risks identified, detailed action plans have been developed, with clearly defined owners and timelines.

The risks outlined below have been identified and ranked as the top 10 risks most likely to impact the achievement of the group's strategy. These risks are monitored and managed at board level.

RANKED RISK	DESCRIPTION	ACTION PLAN
Macroeconomic factors causing a decline in business	Global and macroeconomic conditions, such as inflation, currency depreciation, unemployment, etc.	• Identify key macroeconomic factors impacting the business • Track and report on trends, and flag when factors reach certain thresholds • Develop medium to long-term mitigation strategies
Inability to develop new sites stunting growth	Acquiring new growth sites is fundamental to the growth strategy	• Identify new business drivers • Identify opportunities to assist retailers with capacity to own multiple stores
Political instability in SPAR markets hindering business	National or international political events that result in fundamental shifts in a country's economic system, such as Brexit	• Active participation in industry bodies such as the Consumer Goods Council of South Africa (CGCSA) as well as the National Business Initiative (NBI) • Increase constructive engagement with government
Significant physical damage to infrastructure causing business disruptions	Fire, natural disaster, racking collapse, accidents, incidents at neighbouring facilities, etc.	• Conduct regular risk audits, and action areas of non-compliance • Revise, update and communicate emergency management plan to all employees biannually

RANKED RISK	DESCRIPTION	ACTION PLAN
New legislative requirements negatively impacting business	New legislative requirements impacting the business, such as the Draft Carbon Tax Bill, e-Tolling, increased taxes, etc.	• Maintain list of upcoming legislative changes affecting the business • Identify and engage with relevant stakeholders to influence and inform new legislation • Analyse and report on potential impact of new legislation • Document actions to mitigate negative impact of new legislation
Poor individual retailer performance negatively impacting SPAR Group	There is a wide spread of retailer performance, including reputational and financial. Poor-performance stores impact brand, price perception, store viability, group profitability and efficiency. There is a risk of retailers not becoming involved in the communities they serve in a meaningful, sustainable way, and therefore not living SPAR's vision.	• Identify which retailers are performing below financial cluster benchmarks, and identify actions to improve stores • Offer new retailers training and support • Develop a list of poor-performing retailers per region, and identify unique actions to address this
Transformation issues across all areas negatively impacting the business	Multiple transformation issues with regard to employees and management, supply chain and enterprise development, retailers and training and development. These issues must be monitored and advanced.	• Identify transformation targets in terms of each of the codes • Offer retailers leadership in completing their transformation scorecards • Identify entrepreneur development and supplier development opportunities
Poor adherence to and implementation of group initiatives by retailers	Resistance and a lack of buy-in and discipline by retailers results in an inability to market our offerings on a national basis. This results in financial and reputational damage.	• Conduct and document robust pilots for all new concepts/ initiatives in most appropriate stores • Document list of mandatory initiatives
Disruption of operations due to labour disputes and/or industrial and mass action	Labour unrest from a variety of causes, including spill over from related industries, unsatisfactory resolution of central bargaining and outsourcing issues.	• Conduct an annual comprehensive climate survey at all sites (including central office) • Identify opportunities to improve relationship with union and employees • Annual review and update of strike contingency plan
Major customer groups negatively influencing sustainability of the business	Large groups present a number of challenges, including proportionally large influence on specific DCs, profitability, reputation, relationships and standards with other retailers, dropshipments, loss of a significant percentage of business, leaving the group, etc.	• Identify risks per major customer group that could impact SPAR's future sustainability

Read more in the Risk Committee report on page 102.

BUSINESS MODEL AND STRATEGY

(CONTINUED)

STRATEGIC OUTCOMES

The following table provides an overview of our stated strategic outcomes and associated imperatives, and provides a measurement of progress made in delivering against our key strategic performance indicators per outcome:

OUTCOME	KEY PERFORMANCE INDICATORS	PROGRESS
WORLD-CLASS REPLENISHMENT		
Strategic imperatives • Excellence in Fresh • Supply chain optimisation	• 30% contribution of fresh produce to SPAR turnover • Increase in-stock levels • Reduce input costs – fuel, energy and labour • Reduce carbon footprint by 10% by 2017 • Increased percentage of biofuel to total fuel used • Tonnes of recycled plastic and cardboard	• Enhancements to our retail and warehousing systems through stock and storage replenishment enhancement (SRE) projects (including automated ordering). This has been implemented across the group • Stock levels increased by 10.3% • Ongoing innovation in logistics management, including the implementation of a routing system that identifies the most effective route-to-market and ensures a reduction in distance travelled as well as fuel used. During the year, this resulted in a reduction of four vehicles from our fleet • Increased focus on enhanced cube utilisation in trucks and distribution centres, supported by route optimisation, has resulted in a substantial drop in average cost per kilometre • The litres of biofuel used increased to 442 605 (2015: 324 800) • Incentive schemes are crucial to expense management. Productivity incentive schemes resulted in an increase in productivity across our distribution centres over the past four years. • 13 342 metric tonnes of plastic and cardboard recycled
COMPETITIVE PRICING		
Strategic imperatives • Retailer profitability • Centre of community • Supply chain optimisation	• Own and external industry pricing surveys • Market share • Food price inflation • Customer survey responses • Wholesale profit margin • Retail profit margin	• Monthly Business Monitor International (BMI) research shows that we remain within the industry benchmark on the surveyed basket • Calculated marketing approach to advance product and price promotions that compliment a positive price perception • Marketing is used to communicate the consistent quality and value of the SPAR brand – *'As good as the best for less'* • Continued focus on managing wholesale profit margins and retailer profit margins to the mutual benefit of both
COMPREHENSIVE RANGE		
Strategic imperatives • Excellence in Fresh • Supply chain optimisation • Retailer profitability	• Service department sales ratio • Increase house brand sales • Decrease 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 • Distribution centres are able to provide a fully inclusive range of dry, perishables and fresh to retail • The SPAR brand has a wide product range and pricing mix that services the entire LSM spectrum • 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	KEY PERFORMANCE INDICATORS	PROGRESS
WORLD-CLASS BRAND		
Strategic imperatives • Retailer profitability • Centre of community	• House brands as a percentage of total sales • Customer survey responses • Loyalty programme uptake	• The development of our in-house, stand-alone brands *Freshline*, *Tender and Tasty*, *Good Living*, *Chika Chicken* and *Beantree* to enhance our convenience offering • Continued focus on innovation and enhancement of the SPAR brand. • 12.3% growth in the SPAR brand (ahead of business growth) demonstrates growing support from consumers (we have also seen a rise in the number of consumers using SPAR brand health and personal care products) • We fully comply with all relevant legislation in terms of labelling, packaging and product safety requirements • 2 million consumers have taken up SPAR's Rewards Programme • Sponsorships and funding of public events to raise brand awareness associated with family values and healthy lifestyles
BEST RETAILERS		
Strategic imperatives • Retail relationships, leadership and support • Retailer profitability • Centre of community	• 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, supported by our financial benchmarking exercise • Steady reinvestment programme to ensure stores are regularly upgraded, assisted by the guilds and access to the SPAR development fund with 254 stores revamped during the year • Solid like-for-like store growth of 7.9% • Store quality audits against group standards – with 82% retail pass rate achieved on hygiene audits during the year • Five material health and safety incidents during the year (2015: 12) • Revised regional marketing strategy to attract new retailers. 117 new retailers in 2016 • Increased focus on E-learning (distance learning) through the SPAR academy to bolster skills development and improve retailer offering. The past year was the biggest training year on record
NEW BUSINESS GROWTH		
Strategic imperatives • New business opportunities	• Contributions from the Irish and Swiss businesses • New stores and trade agreements in Africa	• New business growth bolstered by the rapid expansion and successful rebranding of TOPS at SPAR stores. More than 70% of our stores now have a liquor offering • 117 (2015: 111) new stores launched during the year. Growth was inhibited by a lack of provision of bulk services and planning delays • A pipeline of stores to be launched over the next three to five years have been identified • Joint venture in Zambia shows strong market potential for new store growth and trade, especially considering geographic proximity • Joint venture in Sri Lanka to grow the SPAR brand in Asia • BWG acquisition continues to deliver growth and show potential for substantial gains • SPAR Switzerland provides a growth opportunity in a stable market • Major opportunities for further growth in Namibia and Botswana from a solid base • Distribution of SPAR products to a number of other countries with SPAR licences

OPERATIONAL OVERVIEW

SPAR OPERATES IN THREE DISTINCT GEOGRAPHICAL REGIONS.

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

DISTINCT OPERATING ENVIRONMENTS

DEVELOPING ECONOMY

PROJECTED GDP GROWTH OF 1.10% IN 2017

INFLATIONARY ENVIRONMENT

POPULATION OF 56.0 MILLION

WIDE DIVERSITY OF CUSTOMER PROFILES

2.8% LABOUR COSTS AS A PERCENTAGE OF TURNOVER

SPAR PREDOMINANTLY GROCERY RETAILING

SEVEN DISTRIBUTION CENTRES IN SOUTHERN AFRICA SERVICING DOMESTIC AND REGIONAL STORES

PREDOMINANTLY TRUCK-AND-TRAILER HAULING

RETAIL OFFERING CONSOLIDATED UNDER SPAR BRAND

DEVELOPED ECONOMY

PROJECTED GDP GROWTH OF 3.24% IN 2017

DEFLATIONARY ENVIRONMENT

POPULATION OF 4.7 MILLION

RELATIVE HOMOGENEITY OF CUSTOMER PROFILES

4.3% LABOUR COSTS AS A PERCENTAGE OF TURNOVER

BWG PREDOMINANTLY CONVENIENCE RETAILING

TWO DISTRIBUTION CENTRES – ONE IN IRELAND AND ONE IN SOUTH WEST ENGLAND

PREDOMINANTLY RIGIDS AND DOUBLE DECKER TRUCKS

SPAR BRAND ONE OF MULTIPLE RETAIL BRANDS

DEVELOPED ECONOMY

PROJECTED GDP GROWTH OF 1.7% IN 2017

DEFLATIONARY ENVIRONMENT

POPULATION OF 8.0 MILLION

RELATIVE HOMOGENEITY OF CUSTOMER PROFILES

12.1% LABOUR COSTS AS A PERCENTAGE OF TURNOVER

SPAR SWITZERLAND PREDOMINANTLY GROCERY RETAILING

ONE DISTRIBUTION CENTRE IN ST GALLEN

PREDOMINANTLY RIGIDS AND DRAW BAR COMBINATIONS

SPAR BRAND ONE OF MULTIPLE RETAIL BRANDS

COMMON STRATEGIC IMPERATIVES

SOUTHERN AFRICAN OPERATIONS	IRISH OPERATIONS	SWISS OPERATIONS
• 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

FOCUS ON SOUTHERN AFRICA

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

FINANCIAL OVERVIEW

SPAR remained competitive during the year and performed well despite continued pressure in the trading environment. Southern African operations grew by 9.5% to R61.7 billion (2015: R56.4 billion).

We maintained the positive trend in the sales mix, with a continued focus on Fresh, particularly in the higher-LSM markets. Across the retail network, Fresh and meat sales continue to gain traction with consumers.

Operating expenses increased by 11.9% (2015: 7.7%), and internal inflation has increased to 6.2% (2015: 5.2%), reaching double digits in certain categories. Our ability to squeeze costs remains robust, and we continue to leverage productivity and efficiency initiatives to increase cost-recovering opportunities and improve our margins in a low-growth environment.

Conversely, retailers are typically constrained by fixed costs that erode their bottom line. We therefore remain focused on balancing group margins relative to retailer margins to ensure mutual sustainability. A resilient performance at retail level saw retail turnover grow by 8.2% to R73.2 billion (2015: R67.9 billion), supporting an 8.9% increase in wholesale turnover to R49.6 billion (2015: R45.6 billion).

OPERATIONAL OVERVIEW

Intense competition and the aggressive struggle for retail space impact especially our smaller retail stores, which are typically less resilient owing to their size and scale. Increased focus on revamps and improving our retail offering across store formats therefore remains a top priority. During the year, 254 stores were upgraded. This brings the total to more than 681 stores that have been revamped by retailers in the last three years.

The group's focus on the uncompromising development of its house brands is paying dividends in the current environment, where cash-constrained consumers favour products that offer value for money. Sales of SPAR branded products increased by 12.3% to R7.3 billion, well ahead of growth in SPAR's other wholesale categories.

TOPS at SPAR continues to impress, with total retail sales increasing by 14.6% to R8.9 billion. During the year, TOPS at SPAR was rebranded, with 36% of stores revamped since the launch. Uptake of TOPS at SPAR continues unabated, and 77% of SPAR stores now have a TOPS at SPAR in close proximity. This ensures that SPAR leads the way in offering consumers a comprehensive shopping solution.

Despite trading pressure, Build it demonstrated growth. Accordingly, Build it reported 13.4% retail sales growth to R11.7 billion (2015: R10.4 billion), with solid same-store growth of 7.4%. Wholesale turnover grew by 11.6% to R6.9 billion (2015: R6.2 billion). Sales of Build it's house brand grew by 9.7%, with positive growth in the uptake of its cement house brand. This demonstrates strong consumer support, as new market entrants in the cement industry increased volumes, resulting in a price drop. The performance of the Southern African operations was mixed. Despite exiting its Botswanan operations, strong growth in neighbouring countries, particularly Namibia, Swaziland and Mozambique, boosted Build it's performance.

More information about Build it is available on page 58.

The SaveMor group of stores continues to offer a compelling value proposition. The sharp rise in inflation is more acutely felt in the lower-LSM target market, which is a concern for the group's SaveMor retailers. However, the SaveMor model aims to enhance profitability by supporting the establishment of cost-effective stores that require minimal capital investment. Retailers

are therefore able to provide lower-LSM consumers access to an affordable yet modern, sophisticated shopping experience. The group continues to explore ways to attract black entrepreneurs into the retail space through the SaveMor group of stores, as was its initial purpose. Over the last three years, the number of black retailers has increased from 228 to 277.

Pharmacy at SPAR has shown improved growth in sales and store footprint, as retailers steadily realise the benefits of offering consumers an end-to-end home shopping range. During the year, 17 new pharmacies were opened, and sales growth increased.

The group took ownership of 13 additional stores in 2016, bringing the number of company-owned stores to 25 (2015: 13).

These stores are strategically important sites that will be sold on to new retailers in due course. These stores offer the group a unique opportunity to experience similar challenges to our retailers, enhancing our ability to offer them practical, compelling value-add services.

Steady volumes of dry goods and perishables supported growth in warehouse sales to 56.3% of revenue (2015: 58.8%). The volumes handled by SPAR's distribution centres increased by 3.4%, with a total of 226.4 million cases (2015: 219 million cases) despatched during the year. SPAR continues to expand its distribution capacity in order to service its independent retailers' growing volume requirements. To this end, the budgeted capital expenditure for South Africa in 2017 is expected to be R751.8 million.

Southern African turnover grew by

9.5% to R61.7 billion

Retail turnover grew by

8.2% to R73.2 billion

Wholesale turnover grew by

8.9% to R49.6 billion

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

STORE FORMAT OVERVIEW

SUPERSPAR

- ≥ 1 300 m² selling area
- Large metropolitan focus
- 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 m² 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 m² 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 8.2% to R73.2 billion
- Existing store retail turnover growth of 7.9%
- Wholesale turnover increased by 8.9% to R49.6 billion
- Opened 19 new stores
- Closed 14 stores
- Upgraded 167 stores

NUMBER OF STORES

’12	868
’13	873
’14	875
’15	885
’16	890

tops!

- Average of 175 m^2 selling area
- Stand-alone liquor stores
- Full range of liquor products
- Located in close proximity to existing SPAR stores

NUMBER OF STORES

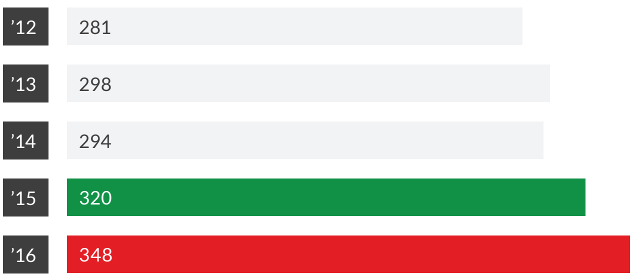
PERFORMANCE

- Retail turnover increased by 14.6% to R8.9 billion
- Existing store retail turnover growth of 10.7%
- Wholesale turnover increased by 12.0% to R5.2 billion
- Opened 45 new stores
- Closed 6 stores
- Upgraded 36 stores

Build it

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

NUMBER OF STORES



PERFORMANCE

- Retail turnover increased by 13.4% to R11.7 billion
- Existing store retail turnover growth of 7.4%
- Wholesale turnover increased by 11.6% to R6.9 billion
- Opened 32 new stores
- Closed 4 stores
- Upgraded 49 stores

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

Pharmacy at SPAR

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

NUMBER OF STORES

'12	21
'13	36
'14	45
'15	46
'16	62

PERFORMANCE

- Retail turnover of R415.3 million
- Opened 17 new stores
- Closed 1 store
- No stores were upgraded

SaveMor

- 400 – 1 000 m² selling area
- Value focus
- Neighbourhood and rural
- Essential groceries and general merchandise
- Fresh produce, baked goods, meat and ready-to-eat products

NUMBER OF STORES

'12	17
'13	28
'14	28
'15	32
'16	42

PERFORMANCE

- Retail turnover of R613.6 million
- Opened 4 new stores
- Closed 3 stores
- Upgraded 2 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 and baked goods
- Comprehensive offering of snacking, ready-to-eat and on-the-go products

NUMBER OF STORES

'15	3
'16	4

PERFORMANCE

- Retail turnover of R53.6 million

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

DISTRIBUTION CENTRES

The group 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 surface area	2015: 61 000 m²
60.5 million cases per annum	2015: 58.7 million
625 number of employees	

Number of stores serviced	2016	2015
SUPERSPAR	**91**	88
SPAR	**122**	127
KWIKSPAR	**35**	36
SaveMor	**2**	2
TOPS at SPAR	**166**	158
Build it	**70**	65
Pharmacy at SPAR	**13**	7
Total	**499**	483

NORTH RAND DISTRIBUTION CENTRE

29 581 m² surface area	2015: 29 581 m²
37.8 million cases per annum	2015: 37.7 million
512 number of employees	

Number of stores serviced	2016	2015
SUPERSPAR	**56**	56
SPAR	**80**	80
KWIKSPAR	**13**	13
SaveMor	**13**	8
TOPS at SPAR	**126**	124
Build it	**45**	38
Pharmacy at SPAR	**22**	19
Total	**355**	338

KWAZULU-NATAL DISTRIBUTION CENTRE

62 712 m² surface area	2015: 62 712 m²
52.3 million cases per annum	2015: 51.7 million
1 050 number of employees	

Number of stores serviced	2016	2015
SUPERSPAR	**84**	81
SPAR	**65**	64
KWIKSPAR	**25**	25
SaveMor	**8**	8
TOPS at SPAR	**141**	132
Build it	**82**	81
Pharmacy at SPAR	**15**	12
Total	**420**	403

WESTERN CAPE DISTRIBUTION CENTRE

40 405 m² surface area	2015: 33 550 m²
34.0 million cases per annum	2015: 31.8 million
467 number of employees	

Number of stores serviced	2016	2015
SUPERSPAR	**41**	43
SPAR	**85**	83
KWIKSPAR	**39**	39
SaveMor	**1**	–
TOPS at SPAR	**127**	123
Build it	**54**	51
Pharmacy at SPAR	**7**	4
Total	**354**	343

EASTERN CAPE DISTRIBUTION CENTRE

22 685 m² surface area	2015: 22 680 m²
29.1 million cases per annum	2015: 27.5 million
321 number of employees	

Number of stores serviced	2016	2015
SUPERSPAR	**45**	43
SPAR	**43**	42
KWIKSPAR	**17**	19
SaveMor	**7**	4
TOPS at SPAR	**101**	87
Build it	**43**	41
Pharmacy at SPAR	**1**	1
Total	**257**	237

LOWVELD DISTRIBUTION CENTRE

21 416 m² surface area	2015: 21 400 m²
12.5 million cases per annum	2015: 11.6 million
291 number of employees	

Number of stores serviced	2016	2015
SUPERSPAR	**18**	18
SPAR	**31**	28
KWIKSPAR	**–**	–
SaveMor	**11**	10
TOPS at SPAR	**30**	28
Build it	**54**	44
Pharmacy at SPAR	**4**	3
Total	**148**	131

IMPORTS WAREHOUSE

10 000 m² surface area	2015: 10 000 m²
1.7 million cases per annum	2015: 1.5 million
76 number of employees	

Number of stores serviced	2016	2015
Total	**348**	320

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

CASE STUDY:

BUILD IT – MAKING HOME BUILDING SIMPLE

Build it is a division of SPAR focused on offering retailers and consumers a complete home building and hardware solution. Build it is predominantly rural-based, with a growing urban product offering. The brand helps consumers build basic urban, 'township' and rural houses, and caters to all home improvements. TrenDIY stores are geared towards interior-decorating, and target middle-to upper LSM consumers. This new store brand was successfully launched in four stores across South Africa and is gaining traction with consumers.

Stores are serviced by six regional offices, a central office and a distribution centre that supplies a mix of imported and locally produced products and raw building materials to markets across Southern Africa through SPAR's system of voluntary trading.

By leveraging its buying power, Build it works strategically with suppliers to consolidate procurement, buy in volume and shorten the distribution channel. The position of retailers is strengthened through the growing supply of Build it branded products, offering world-class quality at reduced prices. This unlocks value for consumers, who enjoy value-for-money savings at retail level. This is a key component of the Build it strategy – driving synergy in buying to extract maximum value for all.

To improve its retailer offering, Build it is invested in enhancing its value-add. This includes offering consumers in-store specialist services, such as board cutting and paint mixing. Store layout has moved toward the 'big-box' retail format, with merchandise displayed according to functions to provide a real look-and-feel shopping experience.

Build it's product mix is responsive to the changing needs of consumers, with a growing supply of sustainable home-based, water and power supply solutions. The brand is one of biggest suppliers of water tanks in the country, and is committed to increasing its range of products to enhance water harvesting, quality and supply.

A move toward LED-lighting and solar powered technologies provides consumers with sustainable solutions.

Despite a growing urban footprint, the brand's focus is on upgrading and improving rural-based home building and uplifting rural communities. Similarly to SPAR's independent retailers, Build it encourages its retailers to give back to their local communities through socially responsible community projects. The brand contributes toward BBBEE through the development of local delivery services rather than making use of outsourced delivery, as well as by assisting local entrepreneurs to establish block and brick yards in rural areas. This contributes to local enterprise development.

Build it launched a local television programme called 'Sinawe: Together we build'. This programme educates viewers on home improvements and home repair with the goal of contributing meaningfully toward 'making home building simple'.

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 provided by the Group Risk and Sustainability 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.

SOUTHERN AFRICAN SOCIAL SUSTAINABILITY REPORT

SPAR embraces the responsibility that comes with operating on a large scale where the business activities have a far-reaching impact on a range of stakeholders. We are committed to ensuring that SPAR upholds 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 the group's CSI policy. This policy guides community engagement on a national, distribution centre and community level to ensure that we move beyond donation-making to partnering with communities to contribute toward sustainable projects.

SPAR's specific focus areas include food security and nutrition, health and well-being, and crime prevention. We believe in the power of education, and skills transfer and development are incorporated in our chosen community engagement initiatives. Our involvement in sports and sport-related initiatives is an area where we can promote SPAR as a brand associated with health and well-being, personal development and community wellness.

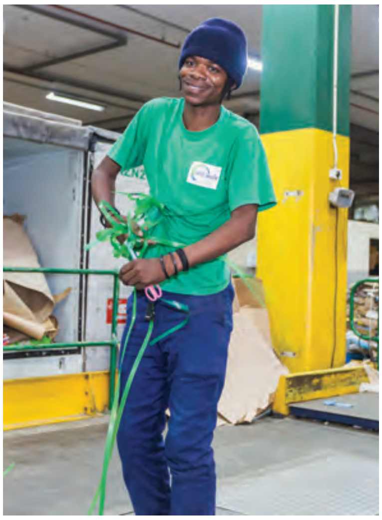
On a national level, SPAR's community projects address prevalent issues with a far-reaching impact. On a distribution and community level, projects respond to the specific needs of local communities to create meaningful change.

Our main focus areas are:

- Feeding schemes, food production through income-generating projects, and educational programmes aimed at minimising the impact of poverty on communities;
- Educating communities on health issues such as nutrition, cancer, and the impact of HIV/Aids; and
- Training unemployed youth and supporting community transformation initiatives that play a role in combating crime.

Community engagement is fully integrated into the daily operations of SPAR – at our corporate offices, distribution centres and warehouses. SPAR's independent retailers are also encouraged to implement community-based CSI initiatives. The majority of our retailers undertook community engagement projects during the year.

Read more about our key CSI activities online.



FOCUS ON SOUTHERN AFRICA

(CONTINUED)

OUR EMPLOYEES

One of the key enablers of SPAR's strategy is attracting and retaining competent, motivated employees. This is critical in mitigating skills shortages in key technical roles. We emphasise our internal development programmes to cultivate a pipeline of expertise and leadership. Building an employee base that reflects South Africa's demographic diversity is a crucial part of our social mandate, and contributes to the success of SPAR.

Employee demographics

Achieving greater transformation is a major aspect of our strategy, and our employee demographics are a core measurement of progress. We are committed to building a culture that embraces diversity and promotes equal opportunity, as these contribute to our strength as an organisation. We further rely on our ability to access a wide range of skills, talents and ideas. This is an ongoing challenge for SPAR, and we have allocated responsibility at executive level.

SPAR employs 3 881 people across our corporate offices, distribution centres and warehouses. The following table provides data regarding SPAR's employee demographics as a percentage of our total number of employees, as at 30 September 2016:

Occupational levels	SPAR categories	2016 %*	2015 %*	Male employees 2016 %	Female employees 2016 %
Board of directors	Executives and non-executives Paterson Grades EU and F	**40.0**	27.3	20.0	20.0
Senior management	Group Exco (excluding executive directors) divisional executives and specialised group functions E band	**16.7**	17.9	11.5	5.2
Professionally qualified and experienced specialists and mid-management	Middle management Paterson Grades DL and DU	**43.9**	43.3	35.8	8.1
Skilled technically and academically qualified workers, junior management, supervisors, foreman and superintendents	Supervisory and technical positions Paterson Grades CL and CU	**79.9**	75.4	41.1	38.8
Semi-skilled and discretionary decision-making	Operators and clerical staff	**95.9**	96.0	74.7	21.2
Unskilled and defined decision-making	Defined decision-making positions Paterson Grade 1	**100.0**	100.0	95.4	4.6
Total permanent black employees as a percentage of total employees		**85.0**	84.5	62.3	22.6

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

New employee hires and turnover rate

While we endeavour to retain our talented human capital, we recognise that an appropriate level of turnover is healthy and creates opportunities for growth. SPAR's ability to attract diverse, qualified employees further reflects the strength of our brand as an employer of choice.

The following table reflects new employee hires and employee turnover according to age group, gender and percentage of black employees.

	2016	2015	Male employees 2016 %	Female employees 2016 %	Black employees 2016 %
New employees	**366**	396	53.0	47.0	86.0
Employee exits	**146**	148	72.0	74.0	78.0
Group employee turnover rate	**3.7**	4.2	1.8	1.9	2.9

Broad-based black economic empowerment (BBBEE)

We measure our BBBEE score at central office and the seven distribution centres. Our rating in the respective elements of the new Codes is provided in the table below. According to the latest verification conducted in October 2016, the group is a level 6 contributor (2015: level 6 under the previous BBBEE Codes), with a 60% recognition level. As the Codes have been revised, a direct comparison with 2015 is impossible. While it may appear that we have maintained our 2015 performance, our 2016 score is an improvement as the revised codes are accepted as being more onerous.

Scorecard element	Weighting	2016
Ownership	25	**14.4**
Management control	19	**9.4**
Skills development	20	**20.0**
Enterprise and supplier development	40	**26.1**
Socio-economic development	5	**5**

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

Employee development

The group's internal employee development programmes, which are run through The SPAR Academy of Learning, are crucial to attracting, retaining and developing a diverse talent pool.

The following development programmes are in place:

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

During the year, training covering a range of other areas also took place. This includes, among others:

- First-aid and firefighting training
- Driver training
- My SPAR Picker Programme
- SPAR Values Programme
- Operating a lift truck and vehicle combinations
- Mentoring and coaching
- Adult Basic Education and Training (ABET)

The following table reflects the average number of hours of training received by SPAR's employees according to gender and employee category:

SPAR categories	2016	Male employees	Female employees
Executives and non-executives	**456**	232	224
Group divisional executives and specialised group functions	**1 656**	1 024	632
Middle management	**11 174**	8 590	2 584
Supervisory and technical positions	**26 900**	14 912	11 988
Operators and clerical staff	**175 910**	144 488	31 422
Defined decision-making positions	**1 344**	912	432

In line with the group's transformation imperative, our skills development programmes, such as ABET, SETA and management training, are focused primarily on upskilling previously disadvantaged candidates.

Freedom of association and collective bargaining

Strikes within our supply chain and at the distribution centres have the potential to materially disrupt our service to our retailers, causing stock shortages that ultimately impact customer perceptions of the brand. Beyond this, large-scale industrial action in labour-intensive sectors has a direct impact on SPAR, as it results in a further reduction in consumer spending power, particularly in the lower-LSM categories. We are pleased that no material incidents occurred during 2016.

Rising employee costs and increased union activism in South Africa are further challenges. We are committed to maintaining positive relationships with unions at the relevant distribution centres to agree on acceptable terms of employment of unionised members.

To further this relationship, we provide a minimum of eight weeks' notice prior to the implementation of any significant operational change that could substantively affect employees or their elected representatives. Appropriate notice periods have been determined through consultation with unions (where applicable) or affected employees because we believe in being transparent in our dealings and involving those affected in finding a solution.

Health and safety

A comprehensive risk management programme is in place to protect the health and safety of our employees. It 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, 568 employees received health and safety training (2015: 507 employees).

The bulk of our health and safety incidents occur at the distribution centres, where employees handle bulk goods and operate heavy machinery.

The table below indicated our health and safety performance for the year:

Incident	2016	2015
Disabling injuries	10	14
Non-disabling injuries	219	172
Deaths on duty	2	2
Number of employee visits to on-site clinic	11 377	10 899

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

CASE STUDY:

SPAR'S EMERGING FARMER DEVELOPMENT PROGRAMME

SPAR recognises the vital role played by emerging smallholder farmers in supporting job creation and food security through their participation in the rural food supply chain. This is similarly reflected in the goals set out in the National Development Plan, which states that agriculture – as the primary activity in rural areas – has the potential to create one million new jobs by 2030, with the majority in the smallholder farmer segment. To this end, the group initiated an emerging farmer development programme in 2014.

This programmes involves the launch of three rural hubs in South Africa, with each hub consisting of a Fresh Assembly Point (FAP). Each FAP works much like a mini distribution centre, to which local farmers bring their produce. This produce is then distributed to stores within a 200 km radius. SPAR has committed to funding the capital and operational expenditure as well as associated logistics infrastructure required for the development of the three initial FAPs.

As this model requires the support of a range of stakeholders, including farmers, communities, food manufacturers and wholesalers, retailers, financial institutions and funders, extensive planning and collaboration went into the assessment of the initial site.

The outcome was the successful launch of the first rural hub in Mopani, Limpopo, in June 2016. With the assistance of a non-profit organisation specialising in emerging farmer development, five emerging smallholder farmers were selected to participate in the initial planting of the first produce crops (butternut and cabbage) in March. This non-profit organisation has been selected as the technical services provider for the duration of the programme, and provides comprehensive, on-the-ground support to the smallholder farmers. Additionally, a commercial farmer mentor was appointed, providing a critical link between the rural and commercial supply chains.

In addition to over 130 hours of training on core agricultural practices, the five farmers received localg.a.p. training. Localg.a.p. is the stepping-stone to GlobalG.A.P., an internationally recognised standard for good agricultural practice (G.A.P.) and farm production that ensures safe and sustainable agriculture. By ensuring that the smallholder farmers are Localg.a.p accredited, SPAR provided them with essential upskilling that enables them to participate in the commercial food retail value chain. Training received by the emerging farmers included instructions on growing produce, fertilisation, as well as pest and disease management.

The first produce crops were successfully harvested in June, with the five emerging farmers supplying produce to four SPAR retailers and an additional local retailer. The excess produce was sold to a food processor. Total sales for the initial harvest amounted to R123 516.

While this was a milestone achievement in realising the potential of this programme, many challenges were faced by SPAR and the Mopani hub team. These included difficulties in selecting the correct product mix and in forecasting appropriate planting schedules to ensure off-take, as well as negotiating a suitable price that would entice retailers while guaranteeing the farmers a profit.

Originally a nurse and then a policeman, Edward Monyela has been farming since the beginning of 2015, and was one of the initial farmers selected to participate in the emerging farmer development programme. Edward has a five hectare farm and is localg.a.p. accredited. He employs ten permanent staff, which increases during times of harvest. He recently bought a tractor to enable him to grow his production and increase his yield. Looking ahead, Edward hopes to increase his farm to 15 hectares, boosted by his partnership with SPAR.

SPAR understands that the success of the rural hub model rests on the ability to make produce available to consumers at affordable prices, while offering smallholder farmers an economically sustainable fair value price. This requires keeping operational overheads to a minimum, as well as ensuring a favourable and stable price structure. To mitigate this risk going forward, SPAR has been working closely with the Mopani hub team to monitor local pricing trends and FAP overheads to determine areas of sensitivity. The group is also in the process of commissioning a study into the structure of the FAP value chain to enable price and cost comparisons, as well as identify opportunities for cost reduction.

To ensure that a level of turnover is achieved in the rural hub, the group has appointed a rural hub operations manager who is responsible for identifying retailers and working within the value chain to determine a positive pricing structure. This includes identifying new markets for Fresh produce beyond SPAR retailers.

Presently, the FAP is operating out of leased section of the commercial farmer mentor's packhouse. Plans to secure a dedicated facility have commenced, and it is envisioned that a permanent FAP will be operational by mid 2017. The ultimate goal is for farming communities to jointly own the FAPs, thereby taking ownership of the rural hub at the heart of their local food supply chain. 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.

Going forward, SPAR is committed to working with the emerging farmers and the Mopani hub team to realise the full potential of this programme. We are excited about the opportunity to grow smallholder farmers in South Africa, both in numbers and in scale to increase food productivity and alleviate poverty. Since the first planting in March, we have trained an additional 13 farmers in localg.a.p. The development of a dedicated and permanent FAP will also enable us to involve more community farmers and increase our volumes to retailers. This will strengthen our Fresh supply chain within Limpopo, while benefitting local communities.

Approximately 800 smallholder farmers are registered with our technical services provider and we will work together to assess and select farmers who meet our quality criteria, and who are able to meet the current FAP demand for produce. Those who do not yet qualify will continue to work alongside our technical services provider until they reach the appropriate level. This ability to access high numbers of emerging farmers is crucial in sustaining this programme, but also in increasing its impact on communities.

We have identified possible locations for the next two rural hubs. These sites have been identified due to having high numbers of emerging farmers, robust agricultural potential and close proximity to multiple SPAR stores.

This programme is also aimed at increasing food security, particularly in the lower LSM consumer groups, by improving their ability to access diverse, fresh and nutritious produce. To this end, the group is compiling a study to inform the development of a local nutrition campaign that will be led by SPAR.

Leydah Sekgobela was part of a community farming project for over ten years before joining SPAR's emerging farmer development programme. Through her partnership with SPAR, Leydah has gained invaluable knowledge and practical skills through localg.a.p. accreditation. She now has access to the formal market, and has increased the size of her farm from two to 15 hectares, turning her primarily subsistance-based income, into a commercially viable business. Leydah employs ten permanent staff, increasing to between 30 to 35 labourers during times of harvest.

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

OUR SUPPLY CHAIN

As a provider of food, SPAR recognises our responsibility to deliver quality products to our consumers through a sustainable network of first-choice suppliers. We are focused on developing local suppliers in South Africa. During the year, we continued to develop suppliers through our emerging farmer development programme and other local supplier initiatives. All SPAR stores are subject to hygiene and safety audits. The group has a SPAR-appointed central resource to ensure food safety, compliance and audits for all suppliers.

Sustainable sourcing and food safety

Suppliers must comply with SPAR's food safety standards. We provide retailers with leadership 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 localg.a.p. as an entry-level food safety standard towards full compliance with GlobalG.A.P. within two years. Large-scale commercial farmers are expected to comply fully with GlobalG.A.P. All suppliers are expected to comply with the Global Food Safety Initiative (GFSI).

Read more about our emerging farmer development programme on page 64.

CASE STUDY:

SPAR AND THE SOUTHERN AFRICAN SUSTAINABLE SEAFOOD INITIATIVE (SASSI)

SPAR offers an extensive private label and supplier brand seafood range. However, the Southern African seafood industry faces a number of sustainability issues that go beyond competition in the marketplace. These issues include illegal harvesting or poaching and the over-exploitation of marine resources. SPAR is committed to working collaboratively with SASSI to overcome these challenges and ensure the sustainability of seafood resources.

Notable achievements include the following:

- SPAR joined the WWF-SASSI Retailer/Supplier Participation Scheme in December 2010
- The group completed an assessment of the SPAR private label seafood range, with most products aligned to the group's commitments
- The group created internal awareness of the WWF-SASSI and SPAR commitments, and generated external awareness through the guilds
- We provided real-time access to seafood data by linking WWF-SASSI and suppliers to SPAR's online portals
- We established full traceability of SPAR branded seafood products by working closely with suppliers
- We introduced random DNA testing on SPAR branded seafood products to ensure correct identification and labelling

Future plans:

- Collect critical sustainability information from branded suppliers to determine the level of risk in procurement streams
- Influence independent retailers to align voluntarily with SPAR's supply initiatives
- Ensure the group's ability to fully trace and test the integrity of seafood products from external brands

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 by retailers. This number is provided on all SPAR branded products. All queries relating to non-SPAR branded products are directed to the relevant suppliers.

We deliver on our promise to provide consumers with product quality and traceability through strict adherence to product and packaging specifications. This includes providing information on sourcing, content ingredients. To ensure our products meet the highest health and safety standards, we contract with an external laboratory that conducts random monthly testing across our entire product range. This ensures that our products meet a strict set of composition specifications. These specifications are in line with best practice and comply with all relevant legislation. This includes meeting government's proposed reductions in sugar and salt concentration.

SPAR developed a nutritional strategy to support its commitment to house brand innovation 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 lower end of the market

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

SOUTHERN AFRICAN ENVIRONMENTAL SUSTAINABILITY REPORT

SPAR's fundamental environmental aim is to reduce its use of various natural resources. This extends to our supply chain, where emphasis is placed on 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 adjusted our business's technology strategy and specifications, particularly for large-scale infrastructure investments. This includes, for example, vehicles, buildings and equipment, as well as incorporating green technology wherever possible. By implementing socially and environmentally sustainable business practices, SPAR seeks to guarantee our long-term viability.

Our five-year environmental action plan sets out our 2017 reduction targets according to key indicators.

These are provided in the summary table at the end of this section on page 70.

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

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. We have identified the key risks and opportunities posed by climate change that could have a substantive impact on SPAR. These are classified according to regulatory, physical and other risks. Mitigation plans and the cost of mitigation has been determined in our latest CDP submission.

Our carbon footprint

We recognise the long-term risks associated with climate change, as discussed above. 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 2014 to 30 September 2015. To accelerate improvement in this area, energy reduction targets are incorporated in the remuneration incentive structures of certain executives.

The scope of the submission comprises the central office and the seven distribution centres with their associated distribution fleets. SPAR's commitment to reduce our carbon emissions, specifically around Scope 1 (Mobile Combustion, Stationary Combustion and Fugitive Emissions) and Scope 2 (Electricity). Scope 1 and Scope 2 were externally verified which resulted in our CDP Scoring of B (Management Level).

To achieve this, SPAR looks to set ambitious and meaningful GHG reduction targets through the setting of science-based targets. This is a joint initiative of CDP, the UN Global Compact, the World Resources Initiative and World Wide Fund for Nature (WWF) and is in line with the level of decarbonisation required to keep global temperatures' increase below 2 °C.

During the period of this report, SPAR's activities emitted a total of 79 947 tonnes of carbon dioxide equivalent (CO_2e) for Scope 1 and Scope 2 emissions (previous period: 78 206, which was externally verified). This increase is a result of an increase of productivity, as well as expansions at several of our distribution centres and additional electric forklifts purchased over this period. Scope 3 emissions continue to increase as more emission sources are monitored. In the Scope 3 category, there is a 35% positive increase of plastic recycling across the group.

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

Scope per GHG protocol	Base year	Submission 2014	Submission 2015	Submission 2016	Commentary
Total footprint Scope 1 and 2 (CO_2e)	2013	78 758	78 078	79 947	Minor expansions to office buildings and purchases of air cons have contributed to an increase.
Scope 1: direct GHG emissions from vehicles, warehouse cooling and air-conditioning facilities (CO_2e)	2013	37 644	37 269	37 274	As we start depleting the RF22 gas, which has very high yields of CO_2 emissions, we are replacing our air cons which are more environmentally friendly.
Scope 2: indirect GHG emissions from electricity consumed (CO_2e)	2013	41 114	40 809	42 673	KwaZulu-Natal Distribution Centre expanded their perishables facility by an additional 5 000 m^2. North Rand Distribution Centre increased their warehouse by 20 000 m^2. Eastern Cape purchased an additional electric forklift. These factors contributed to the increase of our energy consumption.
Scope 3: indirect GHG emissions from waste generated (%)	2013	11.12%	7.92%	7.38%	There has been a 2% increase in waste recycling and a negative 1% less sent to landfill from the previous year.

Electricity consumption contributes toward our Scope 1 and 2 emissions. We consumed a total of 45 397 MWh of electricity for the stated period. This is a 21% reduction against our 2017 target of 42 673 MWh (from a 2013 base year of 51 500 MWh). This was largely the result of our heating, ventilation and air conditioning (HVAC), refrigeration and machine replacement programme, which reduced consumption at our distribution centres and warehouses through the introduction of newer and more energy-efficient technologies. We also run behavioural change campaigns to raise employee awareness around the benefits of reducing electricity consumption. The group neither purchased nor consumed heat, steam or cooling energy during the stated period.

OUR SUPPLY CHAIN

Supply chain optimisation and innovative energy management are critical to achieving cost and carbon footprint reduction.

Joint business planning

SPAR engages directly with smallholder farmers in our value chain to encourage sustainable farming practices. Due to the large role that packaging materials play in SPAR branded products, we engage with packaging material suppliers to reduce our environmental impact and waste. SPAR engages with our independent retailers to assist them in reducing their carbon footprint. This is done by making recommendations on green building practices and assisting them with purchases of energy efficient technologies.

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. Fuel costs for SPAR's day-to-day operations were approximately R159.7 million for the year (2015: R156.0 million).

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

- Monitoring of fuel consumption, excessive idling, route determination and optimisation, route adherence, and speeding via an on-board computer system
- Fitting of aerokits on long-distance vehicles to reduce drag
- Increasing the use of 95:5 (diesel: biodiesel) fuel mix
- Driver training, with associated assessments and remuneration incentives, to improve fuel efficiency

Recycling and waste management

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

Recycling is targeted at SPAR branded 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) in our SPAR branded 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. Recycling includes the recycling of vehicle lubricants and refrigeration oils.

Organic waste is converted to compost, which is used by local community farmers. This initiative is currently being piloted at one of SPAR's distribution centres. We anticipate that other facilities will implement the process going forward. Glass and metal recycling is not in place at all distribution centres, but is anticipated to become more of a focus going forward.

SPAR's total waste to landfill decreased by -1%. There was a 35% increase in plastic recycling. Our North Rand Distribution Centre made a significant contribution to our recycling figures by investing R1.7 million on additional bailing machinery.

Water

The use of water is imperative in SPAR's stores and distribution centres in order to maintain a hygienic environment for the storage of food products. Access to a constant, good-quality water supply is also critical in terms of the group's agricultural activities, with limited availability posing a risk to the availability of food sources. Recycled water is used for activities such as washing trucks, ablution facilities and watering on-site.

In accordance with the group's sustainability strategy, water risks are identified and evaluated by analysing and prioritising those relevant to SPAR's operations. SPAR participated in the CDP's water programme for the first time this year.

In terms of our target of a 30% reduction in the use of municipal water we have achieved a 17% reduction.

To ensure that the groups retailers, suppliers, consumers and communities are protected against water risks the group undertakes enhanced due diligence in its procurement process. Water risks and opportunities are assessed as part of the due diligence process. This includes investment in new opportunities, expanding to new retailers and engagement with potential suppliers.

Two distribution centres have water recycling systems installed, and water recycling/collection schemes are being explored on additional existing sites, as well as in the development of new sites and expansions.

Water targets and goals (along with energy, waste and fuel) have been included as part of the group's aim to improve its sustainability performance.

FOCUS ON SOUTHERN AFRICA

(CONTINUED)

ENVIRONMENTAL SUSTAINABILITY SUMMARY

The following is a summary of the environmental sustainability commitments made by SPAR in 2014, along with the relevant focus areas and our performance during the year.

2014 COMMITMENTS	FOCUS AREAS	PROGRESS DURING 2016
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	• 442 605 litres of biodiesel used in 2015 (2015: 324 800) • 34 green trailers in use (2015: 24) • Due to expansions to two of our distribution centres our tonnes of CO_2e increased from 40 800 in 2015 to 42 673. • 46% increase in electricity used (2015: 1%) • 11 593 metric tonnes of cardboard recycled (2015: 12 349 metric tonnes) • 1 749 metric tonnes of plastic recycled (2015: 1 295 metric tonnes) • 30% of SPAR stores are involved in the cardboard recycling initiative (2015: 27.1%) and 30% in the plastic (2014: 28%) • 17% water use reduction achieved, based on distribution centre and central office use (2015: 9%) • 0.3% reduction in fuel emissions (2015: 2%)
Innovation in our house brands	• House brand packaging review • SASSI implementation • Sustainability product criteria	• Extensive work in partnership with packaging third-party service provider to use recycled cardboard for packaging house brands • 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
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 17 of our top suppliers (2015: 13) • Screening of suppliers using environmental criteria. This is an ongoing item for the joint business planning discussions • 58% of the farmers (2015: 58%) in the *Freshline* supply chain have been trained in biological farming methods • 25 emerging farmers (2015: 15) have been trained in Localg.a.p sustainable agricultural practices

FOCUS AREAS FOR 2016

The following table reflects our performance against our 2016 focus areas as stated in our previous report:

PROGRESS IN 2016	
Finalising land rezoning in the Lanseria area to develop an eighth regional distribution centre	The planned facility in the Lanseria area was frustrated by administrative delays and further plans were halted. The group instead commenced negotiations on an alternative site.
Completing the inland slow-moving facility	The implementation of the slow moving goods warehouse at the South Rand distribution was delayed for six months due to IT-related issues. This facility is now operational.
Beginning construction of an extension to the perishables facility in the Western Cape	This was completed in October 2016.
Rolling out TrenDIY stores as part of the Build it expansion strategy	Four stores were successfully launched during the year. This store concept continues to gain traction with consumers. More information about TrenDIY and Build it can be found on page 58.
Africa expansion	More information about our African expansion can be found on page 21.
Further entrenching our values	We launched a SPAR Values Committee, comprising various management and employee levels. This committee meets monthly to discuss initiatives that can better integrate our values into our daily operations.
Driving the opening of new stores	117 new stores were opened in 2016.
Driving further opportunities in BWG	A new chilled product facility that was constructed at Kilcarbery.

FOCUS AREAS FOR 2017

- Organic growth and continued revamps throughout SPAR network
- Leverage TOPS at SPAR success in marketing and promotional campaigns
- Investments to expand warehousing and distribution in South Africa
- Conclude Zambia investment
- Positive Sri Lanka joint venture opportunity

FOCUS ON

IRELAND

THE DEVELOPMENT OF A NEW HEALTH AND WELL-BEING FOOD CONCEPT, NAMELY SPAR'S BETTER CHOICES CAMPAIGN, ENCOURAGES CONSUMERS TO MAKE HEALTHY SHOPPING CHOICES.

FINANCIAL OVERVIEW

BWG performed well, achieving sales growth across all retail brands. Turnover increased by 36.8% to R23.1 billion (2015: R16.9 billion), representing 25.5% of overall group turnover. Consumer spend has shown a positive increase in comparison to 2015. However, disparity in economic growth across the country affected performance. While consumer activity in urban areas indicates continued recovery from the global economic recession, rural areas remain a challenge.

Intense competition in the Irish grocery retail sector further compounded tough trading conditions, limiting opportunities for cost recovery and the scope of retail investment. Ireland continues to experience a deflationary trend, with competition for market share resulting in businesses throughout the supply chain absorbing increased import prices while lowering retail prices. Against this backdrop, food and non-alcoholic drinks deflation of more than -1.1% and alcohol deflation of -3,7% was recorded.

BWG's gross margin increased to 10.8% (2015: 10.5%). Operating profit amounted to R433.4 million (2015: R306.4 million), representing 16.8% of the group's operating profit.

OPERATIONAL OVERVIEW

BWG operates a multi-brand retail strategy, which includes SPAR, MACE, XL and Londis, and is the market leader in convenience retail in Ireland, with approximately 40.0% market share.

There are three main offerings within the SPAR brand. SPAR provides neighbourhood shopping, with central locations and extended shopping hours to maximise convenience. SPAR Express targets on-the-go, forecourt shoppers, and EUROSPAR provides supermarket shopping.

SPAR and SPAR Express showed pleasing growth and remain the brand of choice for many independent retailers – demonstrated by the opening of 22 new stores during the year. The SPAR house brand delivered growth of 3.5% in 2016. The new premium house brand, SPAR Select, which was introduced in 2016, has been well received, with good distribution among the larger-format stores. SPAR Select was also the winner of two product quality awards, and the brand is anticipated to deliver solid returns in the coming year.

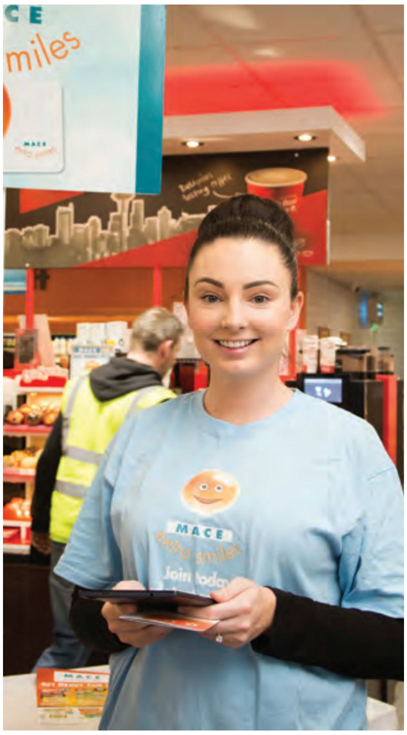
The development of a new health and well-being food concept, namely SPAR's Better Choices Campaign, encourages consumers to make healthy shopping choices. This campaign is aligned with the development of the Fresh Choice brand for fruit and vegetables, available to all BWG retail brands. The Fresh Choice brand delivered growth of 81% in 2016, with an annual turnover of R129.7 million. The introduction of four new ranges within the Fresh Choice brand, accounted for over R32.9 million in incremental retail sales.

A new consumer strategy was developed for EUROSPAR and launched during the year. This strategy focuses on delivering value against EUROSPAR's strategic objective to be 'Famous for Fresh'. Following the launch of the first, new-look EUROSPAR concept store in June 2015, seven new stores have been involved in the investment programme. This programme introduces bakeries and fresh food ranges in-store, supported by a strong focus on refurbishments. The investments showed positive gains, with each of the seven stores delivering average retail sales growth of 10%.

MACE is the longest-established convenience shopping brand in Ireland. The MACE network includes community stores, as well as forecourt shopping, with a total of 226 stores around the country. MACE is particularly strong in the forecourt sector, with 152 forecourt stores.

The XL brand is concentrated on a rural spread of smaller, independent stores that are serviced by the Value Centre Cash and Carry network. Retailers also have access to the BWG Group central billing supply network of direct store delivery, and the BWG chilled product distribution centre.

Londis has been fully integrated into the BWG Group. The Londis chilled product and produce supply chain was successfully migrated to the new Kilcarbery facility in Dublin. This has boosted the profitability of both Londis and BWG, as enhanced efficiency and productivity has been realised through consolidated deliveries and product moving through a single facility. Londis's core business functions have been fully absorbed into the BWG Group, and the benefits of logistical and commercial synergies between the two businesses have been realised. This resulted in positive sales growth for Londis for the first time in eight years.



A new Londis store image was launched, with a strong focus on fresh food and produce. This formed part of a significant capital expenditure programme to address underspend in previous years. BWG's premium coffee offering was introduced at 58 Londis locations, along with a new deli concept. It is anticipated that these offerings, supported by the new-look stores, will enhance sales and retailer margins.

BWG operates a successful wholesale business through its Value Centre Cash and Carry branch network. It delivered 7.3% growth, ahead of competitors, contributing approximately 25.4% (2015: 27.0%) of total turnover. 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. Two Value Centre Cash and Carry depots were consolidated during the year and moved to a new location, as the existing branches were unsuited for development.

BWG runs a world-class operating model from the national distribution centre in Kilcarbery, which services SPAR, SPAR Express, EUROSPAR, MACE and Value Centres for perishables, dry and liquor products. The transition of volumes from Londis and integration of the chilled product distribution facility has enabled BWG to offer retailers a greater multi-temperature product range with a combined multi-temperature delivery service. This has reduced delivery traffic and realised improved distribution efficiencies through better vehicle payload, reduction in kilometres travelled, and greater economies of scale. Appleby Westward services 309 SPAR stores (2015: 292) in South West England. The increase in stores is owed to the acquisition in June 2016 of Gilletts, a family-owned business operating 63 SPAR stores in South West England.

Capital expenditure of R17.3 million was invested in the roll-out of 128 ATMs across BWG's company-owned SPAR stores. This is the first venture by SPAR Ireland into financial services. BWG has seen an increase in store footfall, with the initial investment delivering strong payback.

BWG introduced loyalty schemes for SPAR, EUROSPAR and MACE. This provides retailers with critical sales support, as consumers are encouraged to become increasingly loyal with a higher average spend per store visit. Retailers also benefit from an extensive marketing programme that is linked to print media, television, radio and digital advertising.

The relaunch of the *Glenmor* brand for fresh meat and poultry aims to deliver enhanced value for shoppers by providing 'farm-to-fork' traceability on red meat and poultry. The relaunch includes innovations in packaging to enhance presentation and shelf-life, as well as focus on maintaining quality standards and provenance of source, to improve retailer margins.

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 (51 708 m^2 total selling area) and SPAR forecourt stores (26 889 m^2 total selling area)
- Neighbourhood and forecourt convenience
- Groceries, fresh produce, baked goods, coffee and liquor
- Comprehensive offering of snacking, ready-to-eat and on-the-go products

NUMBER OF STORES

'12	353
'13	361
'14	370
'15	385
'16	389

PERFORMANCE

- Opened 20 new stores
- Closed 17 stores
- Upgraded 53 stores

EUROSPAR

- 34 863 m^2 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

'12	57
'13	56
'14	51
'15	48
'16	48

PERFORMANCE

- Opened 1 new store
- Closed 1 store
- Upgraded 10 stores

MACE

- Founded in 1960
- 31 047 m^2 total selling area
- Neighbourhood and forecourt convenience
- Groceries, fresh produce, baked goods, coffee and liquor
- Comprehensive offering of snacking, ready-to-eat and on-the-go products

NUMBER OF STORES

'12	231
'13	231
'14	232
'15	230
'16	226

PERFORMANCE

- Opened 13 new stores
- Closed 20 stores
- Upgraded 29 stores

XL

- Established in 1997, supplied primarily by Value Centre Cash and Carry
- 22 250 m^2 total selling area
- Smaller-scale convenience and neighbourhood store
- Comprehensive offering of snacking, ready-to-eat and on-the-go products

NUMBER OF STORES

'12	206
'13	220
'14	232
'15	238
'16	240

PERFORMANCE

- Opened 21 new stores
- Closed 16 stores
- Upgraded 12 stores

FOCUS ON IRELAND

(CONTINUED)

Londis

- Established in 1954, acquired by BWG in 2015
- 29 085 m² total selling area
- Range of formats according to selling area and range:
  - Londis Plus
  - Supermarket
  - Food market
  - Convenience

NUMBER OF STORES

PERFORMANCE

- Opened 2 new stores
- Closed 12 stores
- Upgraded 25 stores, with 22 deli refits
- Roll-out of premium coffee offer complete in 58 stores

VALUE CENTRE

- 1 115 – 4 645 m² selling area, varying according to location
- Direct wholesale and cash and carry
- Product listing of over 15 000 lines across liquor, 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 of XL stores
- 22 branches supplying over 5 000 customers

DISTRIBUTION CENTRES

The national distribution centre services BWG's retail and wholesale operations in Ireland, while the Appleby Westward facility services a chain of SPAR stores in England.

BWG GROUP

24 000 m² surface area	2015: 24 000 m²
21.8 million cases per annum	
161 agency employees **101 permanent employees**	

Number of stores serviced	2016	2015
SPAR	**389**	385
Londis	**128**	139
EUROSPAR	**48**	48
MACE	**226**	230
XL	**240**	238
Out of Appleby Westward	**309**	292
Total	**1 340**	1 332

APPLEBY WESTWARD LOGISTICS

Saltash ambient distribution centre

7 800 m^2 surface area	2015: 7 209 m^2
10.0 million cases per annum	2015: 6.0 million

APPLEBY WESTWARD LOGISTICS

Cullompton fresh produce distribution centre

2 760 m^2 surface area	2015: 2 616 m^2
4.5 million cases per annum	2015: 4.5 million

TOP FIVE RISKS

RISK	MITIGATING ACTIONS
Competition in the grocery industry	• Ongoing competition from established multinational and domestic brands that have size and scale places pressure on margins at retail and wholesale level. This requires 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 a technologically advanced chilled product facility at national distribution centre • Identifying further opportunities to improve our logistics operations • Continued focus on attaining the lowest cost to operate with an ongoing focus on delivering reductions in supply chain costs
Cost pressure (increasing labour and supply chain costs)	• Capturing and delivering synergistic benefits from the Londis acquisition • Continued focus on overhead reductions and reducing the cost to serve • Introduction of a new retailing standards programme that is aligned with and supports the six pillars of the EUROSPAR strategy
Legislative changes affecting key categories – tobacco and liquor packaging and labelling requirements	• Lobbying through industry groups to minimise the potential impact of any changes on BWG's wholesale and retail business • Membership of Responsible Retailing of Alcohol in Ireland (RRAI), a body charged with the implementation of a code of practice to govern responsible liquor retailing in mixed-trade outlets in Ireland
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 on outreach and fundraising campaigns in support of the hospital. Examples of BWG's other major CSI initiatives include the recent partnership with the Bia Food Initiative. This partnership, involving the BWG Foods Trade Show, BWG Foodservice and the national distribution centre, aims to reduce food wastage in Ireland. In 2016, a total of 10 985 kg of food was redistributed to charities. This is the equivalent of 24 067 meals, with 35.1 tCO_2e saved. BWG also continued our partnerships with 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*, a 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

In a growth economy, the greatest people risk relates to recruitment and retention, which is exacerbated by wage inflation prevailing across most sectors. Ongoing pressure and lobbying to increase the minimum wage is impacting stable labour relations. 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 2016.

Health and safety

The health and safety of employees on-site is a highly regulated aspect of the business. We introduced a confidential employee assistance programme and developed a stress management policy to bolster employee wellbeing. The national distribution centre has on-site security 24 hours a day, with remote monitoring in place for burglar and fire-alarm activation. No material incidents were reported during the year.

Employee development

BWG is committed to employee learning and development, and continues to train all employees to ensure that they are adequately equipped to carry out tasks efficiently, safely and according to required standards.

Food safety

As a food retailer, BWG implements the highest practices to ensure the safety and quality of all 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 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 include:

- Upgrading transport technology, including newer fleets to improve fuel utilisation
- Introducing drawbar trailers to improve vehicle payload and cube utilisation, as well as to reduce kilometres travelled
- Consolidating distribution with multi-temperature deliveries on one vehicle to retailers

To reduce the environmental impact of packaging waste generated by our daily operations, BWG supports the following initiatives:

- The national distribution centre recycles the equivalent of 10.33 tonnes of dry mix cardboard and plastic.
- BWG is a member of Repak, a business-led compliance scheme licensed by the Irish government to fund collectively the recovery and recycling of packaging on behalf of Irish producers. This is in line with the European Union Packaging Regulations, which require that suppliers and producers of packaging and packaged products fund the recovery of any used packaging. By joining Repak, BWG is fully compliant with legislation, and is not required to take back packaging for recycling.

FOCUS AREAS FOR 2016

The following table reflects our performance against our 2016 focus areas as stated in our previous report:

PROGRESS IN 2016	
Bedding down the new chilled product warehousing facility at the national distribution centre	• Significant increase in year-on-year volumes were absorbed seamlessly into the national distribution centre • Significant reductions achieved in cost per case distribution, particularly on chilled product volumes • Delivery standards to retail consumers are now world-class
Integrating the Londis retail business, including transfer of supply chain and logistics to the national distribution centre	• Project was complete on budget and ahead of schedule. Volumes are not yet fully integrated into the national distribution centre
Returning to like-for-like top-line growth in the retail business	• All retail brands experienced year-on-year growth in 2016, with the economy returning to a growth cycle
Continuing support of retailers to achieve profitability growth	• Retailer profitability remains a key focus area. In 2016, BWG introduced a number of initiatives to improve retailer profitability, including: – Improved retailer rebates – Increased focus of retailers on the retailer benefit programme – Cost of goods reductions based on exchange rate variance – Relaunch of the *Glenmor* brand will deliver significant value for retailers and retail customers through lower cost of goods, improved rate of sale and enhanced traceability
Leveraging increased focus on house brands	• Increased focus delivered across all house brands. For example: – SPAR and MACE brands continue ahead of the competitor set – Relaunch of the *Glenmor* brand – Development and roll-out of new ranges under *Fresh Choice*, delivering new and incremental sales

FOCUS AREAS FOR 2017

BWG's priorities for 2017 include:

- Investigating potential acquisition opportunities
- Monitoring and mitigating the risk of Brexit
- Continuing like-for-like, top-line growth in the retail business
- Continuing to support retailers to achieve top-line and profitability growth
- Ongoing capital investment across the entire retail estate, with a focus on IT security infrastructure
- Opening of the new consolidated cash-and-carry depot
- Continuing growth of BWG Foodservices by successfully winning new supply contracts

FOCUS ON

SWITZERLAND

THERE ARE TWO MAIN OFFERINGS UNDER THE SPAR BRAND, NAMELY SPAR, FOCUSED ON NEIGHBOURHOOD SHOPPING, AND SPAR EXPRESS, FOR FORECOURT CONVENIENCE SHOPPING.

FINANCIAL OVERVIEW

SPAR Switzerland made a positive contribution to the group's overall performance, despite only being included for 6 months. The Swiss operations contributed turnover for the period April to September of R5.9 billion, representing 6.5% of overall group turnover.

While the Swiss operating environment is stable, the retail sector has been challenged in recent years by sustained deflationary pressure, with internally measured food deflation averaging 1.2% for the first 9 months of 2016. This has resulted in a drop in consumer prices of –1.1% at the average annual inflation rate up to September 2016. This decline was felt across the retail industry, increasing competition and discounting. The high valuation of the Swiss franc and widespread cross-border shopping further challenged retailers.

The food and retail market in Switzerland is concentrated, consisting of 2 major players who dominate the market through large supermarket . While SPAR Switzerland has a small market share of 2.2% in comparison to competitors, the strength of the voluntary trading model and the positioning of SPAR Switzerland in the mind of consumers as a modern, neighbourhood store with competitive prices and a wide assortment of branded and private label products has ensured continued, year-on-year growth. On average, SPAR neighbourhood stores are priced 1% more than the 2 competitors, which is accepted by consumers.

In a challenging market environment, SPAR Switzerland is focused on minimising unprofitable stores and consolidating processes to improve efficiency. During the year, six SPAR stores were closed and five were opened. The delivery of Fresh is critical, with Fresh turnover accounting for 43% of total turnover during the 9 months. This is a strong value proposition and competitive advantage for SPAR Switzerland in neighbourhood retailing.

OPERATIONAL OVERVIEW

SPAR Switzerland comprises 49 corporate (47 neighbourhood stores and 2 SPAR express) and 133 independent retailer stores under the SPAR banner in German-speaking Switzerland, and has a multi-brand retail strategy, which includes SPAR and TopCC. Altogether, the SPAR, 11 TopCC and 4 c-stores comprise 64 corporate stores.

There are two main offerings under the SPAR brand, namely SPAR, focused on neighbourhood shopping, and SPAR Express, for forecourt convenience and high frequency (train stations) shopping.

SPAR neighbourhood stores offer a range of between 4 000 and 6 000 products, depending on the size of the store. The category assortment for Fresh generally constitutes 43% of the product range. SPAR Express stocks between 1 500 and 2 000 products. The ability to import SPAR branded products at competitive prices from neighbouring countries (in particular Austria, Italy and the Netherlands) strengthens SPAR Switzerland's product base, while offering consumers added value through variety and increased choice. Furthermore, SPAR Switzerland increased our focus on sourcing local suppliers of meat and dairy products to differentiate our offering from mainstream supermarket brands and enhance store provenance.

The development of SPAR Switzerland's discount product range has also been expanded, and now comprises over 200 products that offer consumers quality at discount prices. Sales of the discount product range have increased by 5%.

Marketing and promotional activities to increase sales growth remain aggressive and comparable to our competitors. In both formats, the focus is on delivering value through Fresh, which is supported by revamps at store level to accommodate on-the-go convenience. During the year, a total of four stores were revamped. In addition, we assist our retailers to reduce input costs by managing their electricity bills and changing existing telephone and data lines to digital systems to increase efficiency.

SPAR Switzerland is the number two player in the Swiss cash-and-carry market through the TopCC brand. A total of 11 TopCC cash-and-carry outlets are located in German-speaking Switzerland, with a product range of 18 000 items. TopCC sales declined by 1.5% (April to September 2016) against last year, with average deflation across the product assortment of –1.2%. Promotional activities are anticipated to contribute positively to retail sales growth. A gold card has been launched, offering customers with sales higher than CHF60 000 per year an attractive rebate scheme. Over 3 500 employees from large and medium-sized companies have registered for a TopCC card, and we expect sales of CHF3.5 million to this target group.

SPAR Switzerland's national distribution centre, located in St. Gallen, services 110 independent MAXI retailers and 80 no-name retailers. In addition, self-collectors, the 191 SPAR and 11 TopCC stores bring the total number of stores serviced to 392. Due to the weakened sales performance of our SPAR retailers, the deflationary environment and the reduction in the amount of customers, delivery from the distribution centre declined by 4.5% compared to last year (April to September 2016). Despite constrained growth, 15.46 million cases were despatched, and the service level for St. Gallen averages 99.5% across store formats. Continuous investment in world-class facilities further ensures that the national distribution centre is geared for possible growth in volumes of up to 20%.

During the year, the fruit and vegetable section in the TopCC of St. Gallen was revamped. This is now a chilled product facility to better service the cash and carry customers of Fresh. We are also finalising an omni-channel strategy for TopCC, the benefits of which include an integrated ordering and delivering system through our TopCC internet shop. Based on the new HANA System of SAP together with SAP Hybris, the internet shop is fully integrated in the SAP IT environment. The result is that customers have many new features to help them order quickly and conveniently. Delivery will take place directly through our own truck fleet and in addition the concept of click and collect is in consideration.

FOCUS ON SWITZERLAND

(CONTINUED)

STORE FORMAT OVERVIEW

SPAR Switzerland comprises local neighbourhood stores with a wide product range, including on-the-go convenience. TopCC provides a direct general wholesale supply service to the wider, independent, cullinary-focused retail grocery market. Through the national distribution centre, SPAR Switzerland also services a range of independent retailers operating under the MAXI brand, as well as a number of no-name retailers.

SPAR

- 68 588 m² total selling area
- 162 neighbourhood stores
- A broad product range with a focus on Fresh, and providing a wide selection of quality meats and wines

SPAR express

- 2 533 m² total selling area
- 20 forecourt convenience stores
- Comprehensive offering of snacking, ready-to-eat and on-the-go products

TopCC

- 45 500 m² total selling area
- 11 branches supplying 16 000 cullinary-focused retail clients and many other business customers
- 325 – 464 m² selling area, varying according to location
- Direct wholesale and cash and carry
- Product listing of over 18 000 lines across liquor, confectionary, health and beauty, fresh, frozen, general merchandise and catering products and non-foods

NUMBER OF STORES

'15	385
'16	392

PERFORMANCE

- Opened 5 new stores
- Closed 6 stores
- Upgraded 12 stores

DISTRIBUTION CENTRES

St. Gallen

33 000 m² surface area	**1 500 chilled product SKUs**
32 million cases per annum	**350 fruit and vegetables**
562 employees	**392 stores serviced**
6 900 ambient product SKUs	

2017 TARGETS

- Boost warehouse sales to independent MAXI retailers by 3%

TOP FIVE RISKS

RISK	MITIGATING ACTIONS
Fire at the national distribution centre or one of SPAR Switzerland's larger-format corporate stores	• Ongoing training with fire brigades and insurance companies to ensure appropriate actions are understood • Every second year a review of action plans to ensure they are in line with best practice
Failure of SPAR Switzerland's internal control system	• Internal control system is inspected and reviewed by auditors • Workflow is monitored to ensure effectiveness, supported by employee training
Security (of employees)	• Ongoing training
Information technology	• Security is checked (firewalls, ease of hacking, etc.) and passwords are enhanced to boost the strength of SPAR Switzerland's IT systems
Crisis management	• Ongoing training to ensure continuous improvement

SOCIAL SUSTAINABILITY REPORT

SPAR Switzerland has been involved in the Swiss retail landscape for almost 30 years. Ongoing initiatives to strengthen the brand and enhance the reputation of SPAR Switzerland in the minds of stakeholders are critical to our success.

COMMUNITY INVESTMENT

SPAR Switzerland has been supporting the Swiss Children Cancer Association for 15 years. We also work closely with retailers and encourage them to support local charities. SPAR Switzerland sponsors a number of sporting and recreational events to encourage active, health lifestyles.

OUR EMPLOYEES

We strive to provide our employees with a safe working environment that nurtures career growth and development. We conduct biannual employee surveys to monitor and manage employee concerns and expectations. These surveys further enable us to develop our employee value proposition to ensure we are able to attract, retain and develop our talent pool.

Employee development

During the year, SPAR Switzerland offered our employees 144 different courses across a range of topics.

We also offer a range of apprenticeships. During the year, 100 new apprentices took up positions with SPAR Switzerland at different positions across our operations. Further, 121 apprentices, who began their apprenticeships with SPAR Switzerland in 2013 and 2014, finished successfully. Of these 121 apprentices, 40 have remained with SPAR Switzerland and now occupy

FOCUS ON SWITZERLAND

(CONTINUED)

positions as employees at the corporate office, or at store level with our independent retailers.

Health and safety

The health and safety of SPAR Switzerland's employees is an important aspect of our business. To ensure employee health and wellness, SPAR Switzerland subsidises employees' annual medical check-ups. This initiative is particularly important for more senior employees, who are critical in providing leadership and expertise.

Food safety

SPAR Switzerland has a dedicated quality control department to monitor food safety. Inspections are done in collaboration with local food inspectors, who are employees of the Swiss government. This enables us to ensure our independent retailers and consumers that the highest standards of food safety are maintained. In addition, we provide our employees with courses and training on food safety, as necessary.

ENVIRONMENTAL SUSTAINABILITY REPORT

Environmental initiatives include enhancements to our fleet, as well as a number of energy and waste-reduction programmes to make our distribution operations more environmentally friendly. These include:

- All our trucks are equipped with Euro 6 engines, which require less diesel and produce lower emissions.
- We replaced the cooling system at the national distribution centre with one that is environmentally friendly and uses a natural cooling agent. Phase two will consist of replacing the second cooling system.
- Through a number of energy-saving initiatives, we achieved an 11.9% year-on-year reduction in our GHG emissions. This was largely attributed to the replacement of cooling systems at store level and the introduction of energy-efficient lighting at store level.
- SPAR Switzerland recycled the equivalent of 2 424 tonnes of packaging waste, with a minor contribution made by electronic waste.

FOCUS AREAS FOR 2017

- Achieve like-for-like sales and store growth
- Access untapped markets and delivery to a wider customer base by entering new geographies
- Focus on revamping existing stores to better service our focus on Fresh
- Enhance retail offering and in-store standards
- Upgrade to TopCC


SPAR
SPAR


SPAR

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

MICHAEL JOHN HANKINSON (67)
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.

MZIWAKHE PHINDA MADI (52)
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 Nampak Ltd, and the Automobile Association of South Africa (AA). A founding member and commissioner of South Africa's Black Economic Empowerment Commission. Author of four business books and newly appointed Professor of Management Practices, University of Johannesburg, school of management.

MARANG MASHOLOGU (40)
BCom, CFA Charter

Independent non-executive director
Member of the Audit Committee

Appointed to the board: December 2015

A director and shareholder at Sphere Holdings (Pty) Ltd. Independent non-executive director and audit committee Chairperson of Chubb Insurance South Africa Ltd, the South African subsidiary of Chubb Ltd. Member of the board of trustees of the African Leadership Network. Fellow of the inaugural class of the Finance Leaders Fellowship Program and a member of the Aspen Global Leadership Network.

HARISH KANTILAL MEHTA (66)
BSc (USA), MBA (USA)

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

Appointed to the board: October 2004

Chairman of Times Media Group Ltd, non-executive director of Tiso Black Star Group and non-executive Chairman of Averda SA (Pty) Ltd, member of the Provincial Board of FNB, non-executive director of Redefine Properties.

PHUMLA MNGANGA (48)
BA, BEd, MBL, PhD

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

Appointed to the board: January 2006

Managing director of Lehumo Women's Investment Holdings, Chairperson of the Tolcon Group of companies and Gold Circle Horseracing and Betting. Non-executive director of Crookes Brothers Ltd.

CHRISTOPHER FRANK WELLS (67)
BCom, CA(SA)

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

Appointed to the board: April 2011

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

EXECUTIVE DIRECTORS

GRAHAM OWEN O'CONNOR (60)
BCom, CA(SA)

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

Appointed to the board: February 2014

Joined the group in 1986

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

MARK WAYNE GODFREY (51)
BCom, CA(SA)

Group Financial Director
Member of the Risk Committee

Appointed to the board: October 2010

Joined the group in 1996

Served in financial management positions in various group operations and was appointed Group Financial Director in 2010.

WAYNE ALLAN HOOK (60)
BCom, CA(SA)

New Business and Support Services Director
Member of the The SPAR Guild of Southern Africa
Member of 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
Member of the 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. Assumed the position of New Business and Support Services Director in 2014.

ROELF VENTER (59)
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 2007.

COMPANY SECRETARY

MANDY JANE HOGAN (44)
GradICSA

Appointed company secretary: June 2016

Joined the group in 2013

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

BOARD OF DIRECTORS

(CONTINUED)

EXECUTIVE MANAGEMENT

SOUTH AFRICA

GRAHAM OWEN O'CONNOR (60)
BCom, CA(SA)

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

Joined the group in 1986.

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

MARK WAYNE GODFREY (51)
BCom, CA(SA)

Group Financial Director
Member of the Risk Committee

Joined the group in 1996

Served in financial management positions in various group operations and was appointed Group Financial Director in 2010.

DESMOND CRAIG BORRAGEIRO (42)

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. Appointed Managing Director of SPAR North Rand in 2012.

BRETT WALKER BOTTEN (52)
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. Appointed Managing Director of SPAR South Rand in 2010.

TREVOR DUNCAN CURRIE (61)

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. Appointed Group Logistics Executive in 1999.

ROBERT DE VOS (55)

Managing Director Retail Division

Joined the group in 1988

Rob served in various retail operations positions before being appointed divisional Retail Operations Director at SPAR North Rand division and Managing Director at SPAR Lowveld in 2007. Appointed Managing Director of the Retail Division in 2015.

WAYNE ALLAN HOOK (60)
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

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. Assumed the position of New Business and Support Services Director in 2014.

CONRAD LUKE ISAAC (55)

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 and was appointed Managing Director of SPAR Eastern Cape in 2006.

KEVIN JAMES O'BRIEN (54)
BA, LLB, BSocSc (Hons), Mst

Risk and Sustainability 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. Kevin served as the Group Company Secretary from 2006 to 2016 and assumed the position of Risk and Sustainability Executive full time in 2016.

ROBERT GRANT PHILIPSON (48)

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. Appointed Managing Director of SPAR KwaZulu-Natal in 2006.

MIKE GRANT PRENTICE (48)
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. Appointed Group Marketing Executive in 2007.

MARIO MENEZES SANTANA (43)

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. Appointed Managing Director of SPAR Western Cape in 2012.

ENNO PAUL STELMA (55)
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. Appointed Group IT Executive in 1999.

THULISILE TABUDI (48)
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.

Appointed Human Resource Executive in 2007.

ROELF VENTER (59)
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

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 in 2007.

RAYMOND EDWARD WHITMORE (61)
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. Appointed Managing Director of Build it in 1999.

ALISON ZWEERS (46)
BA (Hons)

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

Joined the group in 2005

Alison held the position of HR Director in the Lowveld Division for seven years prior to being appointed to the dual portfolio of HR Director for South Rand and Lowveld Divisions. She was appointed Managing Director of SPAR Lowveld in 2016.

SPAR IRELAND

LEO CRAWFORD (57)
Group Chief Executive

Leo Crawford, Chairman, SPAR Ireland and Group Chief Executive, BWG Group. Leo joined BWG Foods in 1996 as Managing Director and was appointed Chief Executive of BWG Group in 1999.

Leo was appointed to the SPAR International Board in 2001 and was elected President of SPAR International in 2005; the first ever Irish person to be elected President of SPAR International.

From June 2010 to June 2011 Leo served as President of IBEC (Irish Business and Employers Confederation).

JOHN CLOHISEY (64)
Group Property Director

John Clohisey is Group Property Director of the BWG Group and Managing Director of Triode Newhill Management Services, which operates over one hundred company owned stores. John is a member of the InterSPAR Executive Committee of SPAR International.

John, an accountant, has been in the retail trade for over 30 years.

JOHN O'DONNELL (62)
Group Finance Director

John O'Donnell joined BWG as Group Finance Director on 2nd September 2002.

Previously John worked for Larry Goodman's meat processing business for 19 years. He was initially involved with acquisitions in Ireland, the UK and overseas and was closely involved with the formation of Food Industries Plc. which was floated on the Irish Stock Exchange in 1998. John was appointed Group Finance Director to Irish Food Processors Ltd, a position he had held since 1991.

SPAR SWITZERLAND

STEFAN LEUTHOLD (57)
CEO SPAR Group Switzerland

Served in various positions in SPAR Holding since 1987, before being appointed president of the board and CEO of the SPAR Group Switzerland in 2000.

CORPORATE GOVERNANCE

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.

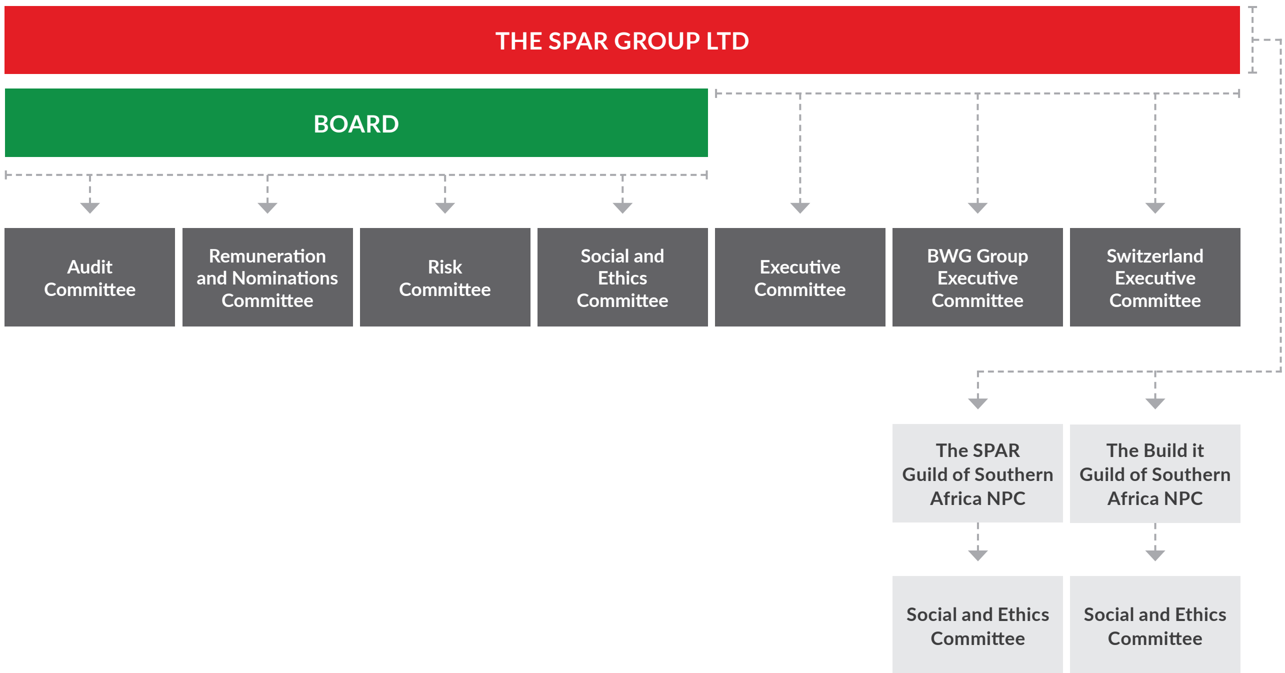
The board confirms its commitment to transparency and accountability by considering both financial and non-financial information, and are of the opinion that all significant governance principles have been applied.

The company adopted the recommendations of King III and uses the Institute of Directors of 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 and the board are satisfied with the manner in which the company applies the recommended code. The governance landscape in South Africa has further been enhanced with the publication of the King IV report on Corporate Governance for South Africa 2016, which was implemented on 1 November 2016 and is effective in respect of financial years commencing on or after 1 April 2017. The board will accordingly implement the recommendations of King IV immediately and report on its progress in the 2017 Integrated Annual Report.

The governance register is available online.

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 and The Build It Guild of Southern Africa, both of which are non-profit companies.



THE BOARD

COMPOSITION

The board comprises six diverse and independent non-executive directors and four executive directors. The policy for board appointments is implemented by the Nominations Committee, who ensures that there is an appropriate balance of diversity, skills and experience within its ranks to fulfil its mandate and covers both financial and sustainability roles and responsibilities.

The roles of the chairman and chief executive officer are separate and clearly defined, ensuring that no director has unrestricted decision making powers. The Chairman, Mike Hankinson, leads the board and the Chief Executive Officer, Graham O'Connor, is responsible for the executive management of the group.

All six of the non-executive directors are classified as being independent in terms of King III and this was confirmed by the Board and Nominations Committee annual internal evaluation of the performance and independence on the non-executive directors, which included a rigorous assessment of Mrs Mnganga, Prof Madi and Messrs Hankinson and Mehta, who all have served on the board for 10 years and over.

The chairman is appointed annually by the board, on the recommendation of the Nominations Committee and the chairman and chief executive officer's individual performance is evaluated by the Nominations Committee against criteria set out in formalised documents.

Details, qualifications and experience of individual directors are provided on page 86.

BOARD POWERS AND MANAGEMENT AND OVERSIGHT

The company 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 chief executive officer is accountable to the board for the daily management of the company and co-ordinates the implementation of board policy and strategy through the Executive Committee, which he chairs. The chief executive officer's responsibilities include, among other things, ensuring that the company conducts its affairs within the law and abides by the company's Code of Ethics, keeping the board informed of all its major business proposals and developments by way of specific reports, within limits set by the board.

The general powers of the board are conferred in the company's Memorandum of Incorporation (MoI) and board charter. 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 and the board were satisfied that it complied with all its responsibilities for the financial year ending 30 September 2016.

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

TRAINING AND DEVELOPMENT

There is an appropriate induction programme in place 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.

The directors are primarily responsible for acquiring the skills necessary for the effective discharge of their duties, although the group does share in this responsibility and to this end, relevant briefings/presentations, including industry and socio-economic updates, are facilitated.

The board is also apprised of any changes to relevant legislation by the Company Secretary, who presents changes at board and/or committee meetings.

ROLE AND RESPONSIBILITIES

The role of the board as the focal point of governance is vital to the success of the company. During the year the board reviewed it progress towards the group's strategy, its operational performance, capital expenditure, risk management, internal controls, stakeholder communication and other material aspects pertaining to the group's business.

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

CORPORATE GOVERNANCE

(CONTINUED)

MEETINGS

The board meets formally four times a year. 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. The meeting held on 2 August 2016 was held at the Western Cape distribution centre.

Member	Status	Attendance			
		10 Nov 2015	**9 Feb 2016**	**17 May 2016**	**2 Aug 2016**
MJ Hankinson (Chairman)	Independent non-executive	✓	✓	✓	✓
GO O'Connor	Chief Executive Officer	✓	✓	✓	✓
MW Godfrey	Group Financial Director	✓	✓	✓	✓
WA Hook	New Business and Support Services Director	✓	✓	✓	✓
PK Hughes[R]	Independent non-executive	✓	n/a	n/a	n/a
RJ Hutchison[R]	Independent non-executive	✓	n/a	n/a	n/a
MP Madi	Independent non-executive	✓	✓	✓	✓
M Mashologu[A]	Independent non-executive	n/a	✓	✓	✓
P Mnganga	Independent non-executive	✓	✓	✓	✓
HK Mehta	Independent non-executive	✓	✓	✓	✓
R Venter	Group Retail Operations Director	✓	✓	✓	✓
CF Wells	Independent non-executive	✓	✓	✓	✓

[R] *Retired 9 February 2016*
[A] *Appointed 1 December 2015*

THE COMPANY SECRETARY

During the year, Mr Kevin O'Brien resigned as the company secretary, which he had competently held for 10 years to concentrate more fully on his position as Risk, Sustainability and Corporate Governance Executive. Ms Mandy Hogan, who has been with the company for three years, and who under the mentorship of Mr O'Brien, held the position of Assistant Company Secretary for those three years, was appointed Company Secretary on 9 June 2016. In compliance with the recommendations of King III, the board believe that Ms Hogan is a competent, suitably qualified and experienced Company Secretary who is able to provide the board with the requisite support for its efficient functioning and discharge of its duties.

The board are further satisfied that both Mr O'Brien and Ms Hogan maintained an arm's length relationship with the board during the year under review.

BOARD OVERSIGHT

Certain governance functions are delegated to committees to assist the board in meeting its oversight responsibility. All board committees established conform to the Companies Act and King III requirements and are chaired by independent non-executive directors. The committees are as follows:

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

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

EVALUATIONS

The board and its committees conduct an annual self-evaluation process to measure its respective performances and the chair of the board and committees present to the board the results of those self-assessments. No concerns were raised with the efficiently and competence of the directors and members during the year under review.

The board also conducted a comprehensive evaluation of the performance of individual directors and the Chairman with no significant problems identified.

OTHER COMMITTEES

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 among other things, the group's top 20 risks, strategy action plans and transformation plan.

Details, qualifications and experience of executive committee members are provided on page 88.

BWG GROUP EXECUTIVE COMMITTEE

The BWG Group Executive Committee is responsible for implementing its strategy and managing its operational activities. The committee holds at least 12 meetings annually and is chaired by the Chief Executive Officer, Mr Leo Crawford.

SPAR SWITZERLAND EXECUTIVE COMMITTEE

The SPAR Switzerland Executive Committee is responsible for the implementation of the company's strategy in Switzerland and managing the operational activities. The committee holds at least four meetings annually and is chaired by the Chief Executive Officer, Mr Stefan Leuthold.

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 Roelf 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.

THE SPAR GUILD 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 Ray 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.

THE BUILD IS 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.

ETHICS AND VALUES

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

CORPORATE GOVERNANCE

(CONTINUED)

The company's Code of Ethics, which was adopted in 2014 was translated into Afrikaans, Zulu, Sotho and Xhosa. The policy requires employees to adhere to ethical business practices in their relationships with each other and all other stakeholders and contains set standards relating to amongst others, the acceptance of gifts from third parties, work ethic, conflicts of interest, media statements, use of company assets, bribery, corruption and unethical behaviour and the reporting of breaches in terms of the Code of Ethics.

Following the ethics survey conducted by the Ethics Institute of South Africa (EthicsSA) during the 2015 financial year, an action plan to address the shortcomings identified was discussed with Deloitte & Touche and the board, and a relaunch of the Code of Ethics and Whistleblowing hotline will take place in 2017.

The company's Code of Ethics is available online.

WHISTLE-BLOWING HOTLINE

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

REGULATORY COMPLIANCE

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)

One Capital are the company's Sponsor and advises the board, through the Company Secretary on compliance with the JSE Listings Requirements.

The company subscribes to LexisNexis's online legal library and engaged with LexisNexis to provide their Lexis Assure programme, which is a notification service that informs SPAR of any regulation changes and allows SPAR to view all the relevant Acts pertaining to its business, as well as the level of associated compliance risk for each Act.

The company engaged with EOH Legal Services to provided the company with a POPI Compliance Gap Analysis report, and management are in the process of implementing various recommendations contained in the report.

POLICY

The company secretariat department is the custodian of the group's governing policies, and during the year under review the following policies were reviewed and/or implemented and approved:

- Corporate Social and Investment Policy
- Group Fraud and Corruption Prevention Policy

ACCESS TO INFORMATION

The Company has complied with the requirements of the Promotion of Access to Information Act, 2 of 2000. No request for access to records or other information were received during the year under review.

The Access to Information Manual is available online.

NOMINATIONS COMMITTEE REPORT

This is the report of the Nominations Committee of The SPAR Group Ltd. The Nominations Committee is constituted as a committee of the board.

MEMBERSHIP

Members of the committee and its chairman are appointed by the board. Mrs P Mnganga was appointed to the committee on 9 February 2016 in place of Mr RJ Hutchison, who retired at the 2016 AGM.

The committee comprises three independent non-executive directors, all of whom are suitably skilled, competent and experienced. The members of the committee are Mr MJ Hankinson (Chairman), Mrs P Mnganga and Mr HK Mehta. The chairman of the board is the chairman of the committee.

ROLE AND RESPONSIBILITIES

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 considers the composition of the board and its committees, including training and succession planning.

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

- reviewed the composition of the board and its committees and are considering the appointment of an additional non-executive director;
- considered the independence of non-executive directors and believe that the independence of character and judgement of the independent non-executive directors with tenure of more than nine years were not in any way affected or impaired by their length of service;
- reviewed the succession plan; and
- reviewed the company's transformation plan and what was required to ensure that the company remained compliant in terms of the new codes. Refer to page 61 of the integrated annual report.

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. In anticipation of King IV, no changes were made to the terms of reference.

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

MEETINGS

The committee meets formally three times a year. The CEO attends meetings by standing invitation to make proposals and to provide such information as the committee may require.

EVALUATION

The committee conducted an annual self-evaluation process to measure its performance. No concerns were raised with the proficiency and competence of the members.

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

MJ Hankinson
Chairman

15 November 2016

		Attendance		
Member	**Status**	**10 Nov 2015**	**9 Feb 2016**	**2 Aug 2016**
MJ Hankinson (Chairman)	Independent non-executive	✓	✓	✓
HK Mehta	Independent non-executive	✓	✓	✓
RJ Hutchison[R]	Independent non-executive	✓	n/a	n/a
P Mnganga[A]	Independent non-executive	n/a	✓	✓

[R] *Retired 9 February 2016*
[A] *Appointed 9 February 2016*

REMUNERATION COMMITTEE REPORT

This is the report of the Remuneration 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. Mrs P Mnganga was appointed to the committee on 9 February 2016 in place of Mr RJ Hutchison, who retired at the 2016 AGM.

The committee comprises three independent non-executive directors, all of whom are suitably skilled, competent and experienced. The members of the committee are Mr HK Mehta (Chairman), Mr MJ Hankinson and Mrs P Mnganga.

ROLE AND RESPONSIBILITIES

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.

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, which will be put to a non-binding vote by shareholders at the 2017 AGM;
- reviewed and approved the remuneration of the executive directors 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.

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. In anticipation of King IV, no changes were made to the terms of reference.

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

MEETINGS

The committee meets formally three times a year. The CEO and Group Financial Director attend meetings as required.

At its meeting held on 14 November 2016, the committee recommended the remuneration report to the board for approval and publication.

		Attendance		
Member	**Status**	**10 Nov 2015**	**9 Feb 2016**	**2 Aug 2016**
HK Mehta (Chairman)	Independent non-executive	✓	✓	✓
MJ Hankinson	Independent non-executive	✓	✓	✓
RJ Hutchison[R]	Independent non-executive	✓	n/a	n/a
P Mnganga[A]	Independent non-executive	n/a	✓	✓

[R] *Retired 9 February 2016*
[A] *Appointed 9 February 2016*

2016 REMUNERATION POLICY

PHILOSOPHY

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

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

Apart from fixed remuneration, an element of variable remuneration that is aligned to value creation in the form of short and longer-term incentive schemes is also catered for and linked to the achievement and performance of specified targets and objectives, with payment being made out of increased returns. This also assists in attracting and retaining key employees.

SPAR strives to ensure that remuneration is free of 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.

PROCESS TO DETERMINE REMUNERATION

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.

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

REMUNERATION STRUCTURE

SPAR's remuneration structure consists of both guaranteed and variable remuneration.

The Paterson grading methodology works as follows:

F	Chief executive officer
EL and EU	Executives
DU	High-level specialists/middle to high management
D	Management
C	High-level skilled/clerical/ supervisory
B	Clerical
A	Low-level skilled

Guaranteed remuneration and benefits

Non-management (A to C band) and management employees (D band and above) remuneration

Salary and subsidised benefits (retirement and medical) form the guaranteed component of employees' remuneration. 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.
- From date of engagement, permanent employees at all levels become members of one of the available retirement funds, namely The Old Mutual SuperFund Provident Fund (Staff Provident Fund), The Old Mutual SuperFund Provident Fund (Management Provident Fund), The Old Mutual SuperFund Pension Fund (DC Pension Fund) and The Old Mutual SuperFund DB Pension Fund.
- 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.
- Other variable remuneration, such as allowances, is paid, where applicable, and in accordance with the legislation and collective agreements entered into with the union(s), or workers' committees.

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

REMUNERATION COMMITTEE REPORT

(CONTINUED)

period of two months and more comprehensive confidentiality undertaking.

Executive directors' receive a monthly salary and benefits based on the role of each executive and his or her performance and contribution to the group's overall performance, including other pensionable remuneration applicable to band EU and up, such as car allowance, vehicle insurance and fuel, which is paid by the company.

The executive directors' remuneration and incentives allocations are available on page 162 of the annual financial statements.

Non-executive directors' remuneration

Non-executive directors' remuneration consists of a guaranteed basic fee and is not linked to the financial performance of the group, nor do they receive share options or bonuses.

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. Non-executive remuneration increases are implemented on 1 March each year and their proposed fees for the period 1 March 2017 to 28 February 2018 is available on page 180 of the Notice of Annual General Meeting.

Variable pay

Short-term incentives

The short-term incentive scheme is solely at the discretion of the company and can be changed or withdrawn at any time.

The main purpose of this incentive scheme is to support a performance culture and to reward employees for achieving good annual financial results when compared with predetermined targets. Performance bonuses are based on the achievement of financial, individual and transformation objectives approved by the committee.

Short-term incentives are only paid to individuals who are in the employ of the company at the end of the financial year.

Non-management employees (A to C band)

Non-management employees are entitled to a performance bonus of up to 50% of a month's salary or part thereof, based on the achievement of set targets. The targets are based on key issues in the business plan and are mainly financial measures.

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 incentive 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 (PAT) 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. The attainment of these targets contributes towards the achievement of the company's strategic objectives, which are aligned to the delivery of sustained shareholder value. The principle of paying for performance is a key underpin to the short-term incentive and any variable payments are directly aligned to performance outcomes. 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 averaged payout for the year under review, were as follows:

	Bonus cap (% of annual salary)	Executive directors' performance average achievement %
Group financial results	75	100.0
Transformation targets	10	79.4
Key performance objectives	15	90.0
Total	100	96.4

Long-term incentives

Share option plan (SOP) (2004)

The last options were allocated on 7 February 2014 and remaining participants have 10 years from date of issue to exercise their option rights. No further share option allocations can be made in this scheme. There are no performance criteria in this scheme and as the scheme is now closed, none can be introduced.

Detail of options previously granted to executive directors, options exercised during the year under review and unexercised options as at 30 September 2016 are provided on page 164.

The total number of unexercised options under the 2004 SOP at 30 September 2016 were 3 776 234.

Conditional share plan (CSP)

The CSP is a long-term incentive plan which provides a mechanism that enables the company 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.

The CSP is differentiated from the SOP in that it has performance conditions governing the vesting of awards. In addition, whereas the SOP is generally settled by the issue of shares, the CSP is intended to be settled by a market purchase of shares and will, therefore, not cause dilution to shareholders.

Salient features of the CSP are as follows:

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.
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)

The performance conditions applicable to an award of shares are set annually by the committee, in broad 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 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 the 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 on-target performance.
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.

PERFORMANCE CONDITION TARGETS, INFORMATION AND ALLOCATIONS:

- The performance target set for RONA for the awards to the end of September 2016 is 55%.
- While the growth in HEPS over the three year measurement period is set at 30%.
- The measure of TSR will be the TSR of SPAR relative to the weighted average TSR of the selected peer group.

The interim measures against the targets for the unvested awards are as follows:

	2014 grant %	2015 grant %
RONA vesting percentage	**91.4**	**82.5**
HEPS vesting percentage	**100.0**	**82.5**

In February 2016, the committee awarded 326 100 shares (2015 grant) to executive directors and senior managers. The vesting date of this award is 9 February 2019. The number of awards for the 2014 grant reduced by 7 466 due to two resignations.

Options held by executive directors at 30 September 2016 are provided on page 163.

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

HK Mehta
Chairman

15 November 2016

RISK COMMITTEE REPORT

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

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

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 Mehta, S Naidoo, KJ O'Brien, GO O'Connor and EP Stelma.

ROLE AND RESPONSIBILITIES

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.

The committee performed the following duties and responsibilities during the year, according to its terms of 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;
- considered the company's insurance cover; and
- considered the work done on developing an integrated assurance framework for the company. This framework will be finalised in 2017.

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. In anticipation of King IV, no changes were made to the terms of reference.

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

MEETINGS

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

Member	Status	Attendance 8 Feb 2016	Attendance 19 Sep 2016
CF Wells (Chairman)	Independent non-executive	✓	✓
MP Madi	Independent non-executive	✓	A
HK Mehta	Independent non-executive	✓	✓
TD Currie	Group Logistics Executive	✓	✓
MW Godfrey	Group Financial Director	✓	✓
S Naidoo	Internal Auditor Manager	✓	✓
KJ O'Brien	Risk, Sustainability and Corporate Governance Executive	✓	✓
GO O'Connor	Group Chief Executive	✓	✓
EP Stelma	Group IT Executive	✓	✓

A Apology

EVALUATION OF COMMITTEE

The committee conducted an annual self-evaluation process to measure its performance and no concerns were raised with the functioning of the committee nor with the efficiency and competence of the members.

RISK MANAGEMENT

The company has implemented a risk management policy framework, including a risk register, designed to ensure that the company's material business risks are identified, analysed, evaluated and that controls are adequate, in place and functioning effectively. The risk register is reviewed bi annually by each distribution centre and then group risks are reviewed by the executive committee. The Risk Committee considers the top 20 strategic risks, action plans and key risk indicators. These action plans and key risk indicators form the basis of the annual risk based audits undertaken by the internal audit department.

An integrated risk assurance framework has been developed and will be implemented in 2017.

The board is satisfied that risk is being managed in a competent manner by the company and is also satisfied with the manner in which the committee has conducted its business in terms of it terms of reference and work plan.

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.

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 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.

Thanks go to the members of the committee for their dedicated and constructive contributions during the year.

CF Wells
Chairman

15 November 2016

SOCIAL AND ETHICS COMMITTEE REPORT

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

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.

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 of the committee are Mrs P Mnganga (Chairperson), Mr WA Hook, Mr KJ O'Brien, Ms SAT Tabudi and Mr CF Wells.

ROLE AND RESPONSIBILITIES

The committee functions independently, but is accountable to both the board and shareholders. The committee 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.

During the year, the committee performed the following duties, according to its 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;
- 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; and
- considered stakeholder engagement and the sustainability framework.

A more comprehensive social report is provided on page 59 of the integrated annual report.

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. In anticipation of King IV, no changes were made to the terms of reference.

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

MEETINGS

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

Member	Status	Attendance 9 Nov 2015	Attendance 16 May 2016
P Mnganga (Chairperson)	Independent non-executive	✓	✓
WA Hook	New Business and Support Services Director	✓	✓
KJ O'Brien	Risk, Sustainability and Corporate Governance Executive	✓	✓
CF Wells	Independent non-executive	✓	✓
SAT Tabudi	Human Resources Executive	✓	✓

EVALUATION OF COMMITTEE

The committee conducted an annual self-evaluation process to measure its performance and no concerns were raised with the efficiency and competence of the members.

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

P Mnganga

P Mnganga
Chairperson

15 November 2016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PREPARER OF THE ANNUAL FINANCIAL STATEMENTS

In compliance with the disclosure requirement of the Companies Act, 71 of 2008, as amended, 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 2016 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 15 November 2016 and are signed on its behalf by:

MJ Hankinson
Chairman

15 November 2016

GO O'Connor
Chief Executive Officer

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 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 2016, 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.

MJ Hogan
Company Secretary

15 November 2016

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

We have audited the consolidated and separate financial statements of The SPAR Group Ltd, set out on pages 114 to 175 which comprise the statements of financial position as at 30 September 2016, and the statements of profit or loss and other 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 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2016, we have read the Directors' statutory report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of The SPAR Group Ltd for 49 years.

Deloitte & Touche
Registered Auditors
Per Gavin Kruger CA(SA), RA
Partner

15 November 2016

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 multiple other branded group retail outlets in Southern Africa, Switzerland, Ireland and South West England. The group operates 10 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 2016 amounted to R1 815.0 million (2015: R1 420.9 million). This translates into headline earnings per share of 1 020.0 cents (2015: 835.5 cents) and normalised headline earnings per share of 1 033.0 cents (2015: 940.0 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 25.

In April 2016, R2.1 billion was raised through the issue of 11 891 892 new ordinary shares through an accelerated bookbuild offering. R725.0 million (CHF44.5 million) of the proceeds were used to settle the purchase of 60% of SPAR Switzerland. Details of the SPAR Switzerland acquisition are included in note 33.

During the current financial year 55 450 (2015: 57 000) redeemable convertible preference shares converted into 33 558 (2015: 30 613) ordinary shares. These related to the death participants in both BBBEE trusts.

TREASURY SHARES

During the year, The SPAR Group Ltd Employee Share Trust (2004) purchased 1 154 969 (2015: 1 324 600) shares in The SPAR Group Ltd for R227.3 million (2015: R228.9 million). A total of 1 203 500 (2015: 1 551 242) shares were reissued to option holders who exercised their option rights. At year-end, 94 421 (2015: 142 952) shares in the company were held by the trust. At the 2016 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 393.0 cents in respect of 2015 was declared on 10 November 2015 and paid on 7 December 2015. An interim dividend of 255.0 cents per share was declared on 17 May 2016 and paid on 13 June 2016. A final dividend of 410.0 cents per share was declared on 15 November 2016, payable on 12 December 2016. The salient dates for the payment of the final dividend are:

Last day to trade *cum*-dividend	Tuesday, 6 December 2016
Shares to commence trading *ex*-dividend	Wednesday, 7 December 2016
Record date	Friday, 9 December 2016
Payment of dividend	Monday, 12 December 2016

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 7 December 2016 and Friday, 9 December 2016, both days inclusive.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on 9 February 2016:

- special resolution number 1 – amendment of Memorandum of Incorporation (removal of preference shares from authorised share capital);
- special resolution number 2 – financial assistance to related or inter-related companies; and
- special resolution number 3 – non-executive directors' fees.

DIRECTORS' STATUTORY REPORT (CONTINUED)

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed on pages 86 to 87. 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, Messrs MJ Hankinson, RJ Hutchison and PK Hughes retired at the AGM held on 9 February 2016 and Mr MJ Hankinson offered himself for re-appointment and Messrs RJ Hutchison and PK Hughes did not offer themselves for re-election. At 30 September 2016, the directors beneficially held 17 600 (2015: 90 700) shares in the company and unexercised options to acquire a total of 812 000 (2015: 1 031 800) ordinary shares in the company (refer notes 36 and 37).

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 20 major strategic risks and the numerous operational 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 after taxation of subsidiaries was R369.0 million (2015: R191.7 million). Details of the company's principal subsidiaries are set out in note 14.

Material subsidiaries acquired by the group during 2016:

- SPAR Holding AG ('SPAR Switzerland'). An effective 60% interest is held in this convenience retail company.
- GCL 2016 Ltd ('Gilletts'). An effective 100% interest is held in this convenience retail company.

COMPETITION TRIBUNAL

The Competition Commission commenced its enquiry into the grocery retail sector in July 2016. The company filed its submissions in response to the Commissions Terms of Reference in August 2016. The investigation is ongoing and the company continues to co-operate fully with the Commission. The company along with other food retailers is defending an application filed in the Competition Tribunal. The outcome of this application will in all likelihood be made known in the latter part of 2017.

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

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

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.

MEMBERSHIP

Members of the committee and its chairman are appointed by shareholders, on the recommendation of the Nominations Committee. Ms M Mashologu was appointed to the committee by shareholders on 9 February 2016 in place of Mr PK Hughes, who retired at the 2016 AGM.

Shareholders will again be requested to approve the appointment of the committee for the 2017 financial year at the AGM to be held on 7 February 2017. The Nominations Committee have nominated for re-election at the 2017 AGM, Mr CF Wells (Chairman), Ms M Mashologu and Mr HK Mehta as members of the committee.

The committee comprises three independent non-executive directors, who have been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities in a robust and independent manner.

ROLE AND RESPONSIBILITIES

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's role is to monitor and review the group's financial reporting arrangements, the effectiveness of its internal controls, the internal and external audit processes and the group's whistleblowing procedures.

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

INTEGRATED REPORTING

The committee considered:

- the interim report for the period ended 31 March 2016, including all summarised information;
- the integrated report for the period ended 30 September 2016, 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.

The committee assessed the completeness, clarity and transparency of the financial statements and related disclosures.

At its meeting held on 14 November 2016, 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 and shared regularly with that committee.

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, taxation 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 has primary responsibility for overseeing the relationship with, and the performance of, the external auditor, Deloitte & Touche ('Deloitte'). This includes making recommendations on their reappointment and assessing their independence, as set out in section 94(8) of the Companies Act. Requisite assurance was sought and provided by Deloitte 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 and in consultation with executive management, agreed to the terms of the engagement letter, audit plan and budgeted audit fees for the 2016 financial year.

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

The committee is satisfied with the quality and effectiveness of Deloitte's audit process and that Deloitte and the designated audit partner, Mr G Kruger are accredited as such on the JSE list of auditors and their advisors.

Accordingly, it recommends and has nominated, for election at the AGM, Deloitte & Touche as the external audit firm, and Mr G Kruger as the designated audit partner responsible for performing the functions of auditor for the 2017 financial year. Deloitte are required to rotate the designated audit partner every five years and, as a result, the current lead audit partner, Mr G Kruger, replaced outgoing partner Mr B Botes, in the current year and he in turn will be required to change in 2021.

The committee provided the JSE with comment on the announcement by the Independent Regulatory Board for Auditors on the mandatory rotation of audit firms and await the outcome thereof.

TERMS OF REFERENCE

The committee operates in accordance with its formal terms of reference and annual work plan that complies 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. In anticipation of King IV, no changes were made to the terms of reference.

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

MEETINGS

The committee meets formally three times a year. The Chief Executive Officer (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.

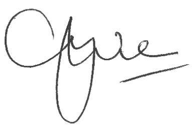
		Attendance		
Member	**Status**	**9 Nov 2015**	**16 May 2016**	**1 Aug 2016**
CF Wells (Chairman)	Independent non-executive	✓	✓	✓
PK Hughes[r]	Independent non-executive	✓	n/a	n/a
M Mashologu[a]	Independent non-executive	n/a	✓	✓
HK Mehta	Independent non-executive	A	✓	✓

[r] *Retired 9 February 2016*
[a] *Appointed 9 February 2016*
A *Apology*

EVALUATION OF COMMITTEE

The committee conducted an annual self-evaluation process to measure its performance and no concerns were raised with the effectiveness of the meetings and efficiency and competence of the members.

Thanks go to the members of the committee, internal audit and external auditors for their dedicated, professional and constructive contributions to the functioning of the committee.



CF Wells
Chairman

15 November 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		GROUP		COMPANY	
Rmillion	Notes	2016	2015	2016	2015
Revenue	2	**92 227.3**	74 060.0	**60 394.7**	55 211.2
Turnover	2	**90 688.5**	73 258.8	**59 837.6**	54 663.3
Cost of sales		**(82 281.5)**	(66 892.2)	**(54 910.9)**	(50 239.2)
Gross profit		**8 407.0**	6 366.6	**4 926.7**	4 424.1
Other income	2	**1 538.8**	801.2	**557.1**	547.9
Net operating expenses	3	**(7 347.6)**	(4 860.2)	**(3 380.5)**	(3 006.8)
Warehousing and distribution expenses		**(2 693.4)**	(2 315.3)	**(1 535.2)**	(1 389.8)
Marketing and selling expenses		**(2 895.7)**	(1 296.1)	**(1 006.8)**	(817.0)
Administration and information technology expenses		**(1 758.5)**	(1 248.8)	**(838.5)**	(800.0)
Trading profit		**2 598.2**	2 307.6	**2 103.3**	1 965.2
BBBEE transactions	4	**(20.9)**	(13.4)	**(20.9)**	(13.4)
Operating profit		**2 577.3**	2 294.2	**2 082.4**	1 951.8
Other non-operating items	5	**(24.5)**	(131.4)	**(2.4)**	(93.8)
Interest income	6	**98.4**	29.2	**83.3**	22.6
Interest expense	6	**(110.4)**	(121.6)	**(42.0)**	(37.5)
Finance costs including foreign exchange gains and losses	6	**(106.5)**	(108.1)	**(94.6)**	(108.1)
Share of equity accounted associate income/(losses)	15	**4.9**	(4.1)		
Profit before taxation		**2 439.2**	1 958.2	**2 026.7**	1 735.0
Income tax expense	7	**(624.2)**	(537.3)	**(557.5)**	(497.5)
Profit for the year attributable to ordinary shareholders		**1 815.0**	1 420.9	**1 469.2**	1 237.5
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss on post-retirement medical aid	27.2	**(7.9)**	(4.2)	**(7.9)**	(4.2)
Deferred tax relating to actuarial loss on post-retirement medical aid		**2.2**	1.1	**2.2**	1.1
Actuarial loss on retirement funds	27.1	**(220.1)**	(13.3)		
Deferred tax relating to actuarial loss on retirement funds		**30.7**	1.7		
Items that may be reclassified subsequently to profit or loss:					
Loss on cash flow hedge		**(39.2)**		**(39.2)**	
Tax relating to loss on cash flow hedge		**11.0**		**11.0**	
Exchange differences from translation of foreign operations		**(29.4)**	20.7		
Total comprehensive income		**1 562.3**	1 426.9	**1 435.3**	1 234.4
Earnings per share (cents)	8				
Basic		**1 010.0**	820.8		
Diluted		**999.5**	756.1		

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

		GROUP		COMPANY	
Rmillion	Notes	2016	2015	2016	2015
ASSETS					
Non-current assets		**10 610.4**	6 771.1	**4 398.5**	3 465.7
Property, plant and equipment	12	**6 160.3**	3 221.3	**2 007.6**	1 849.8
Goodwill and intangible assets	13	**4 008.3**	3 281.5	**421.5**	388.7
Investment in subsidiaries	14			**1 682.5**	997.0
Investment in associates	15	**38.4**	32.4	**32.4**	22.8
Other investments	16	**54.2**	2.3	**1.6**	2.3
Operating lease receivables	17	**100.5**	96.6	**87.0**	111.1
Loans	18	**217.8**	103.0	**148.6**	71.2
Deferred taxation asset	19	**30.9**	34.0	**17.3**	22.8
Current assets		**16 584.7**	12 364.6	**9 839.6**	8 285.2
Inventories	20	**3 810.9**	2 430.4	**1 776.8**	1 606.8
Trade and other receivables	21	**10 544.0**	9 309.2	**7 313.0**	6 561.1
Prepayments		**75.4**	64.0	**38.9**	30.2
Operating lease receivables	17	**63.4**	47.7	**63.4**	47.7
Loans	18	**46.8**	27.9	**51.9**	39.2
Income tax recoverable	22	**4.2**	4.1		0.2
Cash and cash equivalents – SPAR	23	**1 611.8**	399.9	**595.6**	
Cash and cash equivalents – Guilds and trusts	23	**428.2**	81.4		
Assets held for sale	24	**160.7**	194.6	**7.2**	
Total assets		**27 355.8**	19 330.3	**14 245.3**	11 750.9
EQUITY AND LIABILITIES					
Capital and reserves		**5 642.9**	3 328.4	**5 531.6**	3 185.0
Stated capital	25	**2 231.5**	67.6	**2 231.5**	67.6
Treasury shares	26	**(18.7)**	(26.9)		
Currency translation reserve		**7.9**	37.3		
Share-based payment reserve		**261.1**	425.1	**261.1**	425.1
Equity reserve		**(713.0)**	(545.7)	**(545.7)**	(545.7)
Hedging reserve		**(28.2)**		**(28.2)**	
Retained earnings		**3 902.3**	3 371.0	**3 612.9**	3 238.0
Non-current liabilities		**7 590.1**	3 868.2	**1 069.8**	979.3
Deferred taxation liability	19	**290.7**	215.1		
Post-employment benefit obligations	27	**1 392.2**	446.7	**156.4**	140.8
Financial liabilities	28	**1 568.0**	729.8	**824.4**	729.8
Long-term borrowings	29	**4 164.3**	2 367.9		
Operating lease payables	17	**116.0**	108.7	**89.0**	108.7
Long-term provisions	31	**58.9**			
Current liabilities		**14 122.8**	12 132.6	**7 643.9**	7 586.6
Trade and other payables	30	**13 162.5**	11 349.2	**7 546.8**	6 919.1
Current portion of long-term borrowings	29	**265.9**	87.2		
Operating lease payables	17	**65.6**	53.7	**65.6**	53.7
Provisions	31	**38.0**	110.3	**3.0**	3.7
Income tax liability	22	**83.7**	13.1	**28.5**	
Bank overdrafts	23	**507.1**	519.1		610.1
Liabilities directly associated with assets held for sale	24		1.1		
Total equity and liabilities		**27 355.8**	19 330.3	**14 245.3**	11 750.9

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Rmillion	Notes	Stated Capital	Treasury shares
GROUP			
Capital and reserves at 30 September 2014		67.6	(48.2)
Total comprehensive income for the year			
Actuarial loss on post retirement medical aid	27		
Actuarial loss on retirement funds	27		
Recognition of share-based payments			
Take-up of share options	26		250.2
Transfer arising from take-up of share options			
Share repurchases	26		(228.9)
Dividends paid	10		
Recognition of BBBEE transaction	4		
Capital and reserves at 30 September 2015		67.6	(26.9)
Total comprehensive income for the year			
Actuarial loss on post retirement medical aid	27		
Actuarial loss on retirement funds	27		
Recognition of share-based payments	3		
Take-up of share options	26		235.5
Transfer arising from take-up of share options			
Transfer arising from closure of BBBEE transaction			
Share repurchases	26		(227.3)
Dividends paid	10		
Issue of shares	25	2 163.9	
Recognition of BBBEE transaction	4		
Non-controlling interest arising on business acquisition	33		
Purchase obligation of non-controlling interest	39		
Exchange rate translation			
Capital and reserves at 30 September 2016		2 231.5	(18.7)
COMPANY			
Capital and reserves at 30 September 2014		67.6	–
Total comprehensive income for the year			
Actuarial loss on post-retirement medical aid	27		
Recognition of share-based payments			
Contribution to Employee Share Trust			
Transfer arising from take-up of share options			
Dividends paid	10		
Recognition of BBBEE transaction	4		
Capital and reserves at 30 September 2015		67.6	–
Total comprehensive income for the year			
Actuarial loss on post-retirement medical aid	27		
Recognition of share-based payments	3		
Contribution to Employee Share Trust			
Transfer arising from take-up of share options			
Transfer arising from closure of BBBEE transaction			
Dividends paid	10		
Issue of shares	25	2 163.9	
Recognition of BBBEE transaction	4		
Capital and reserves at 30 September 2016		2 231.5	–

Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
16.6	387.7	3 148.5	(545.7)	–	–	3 026.5
20.7		1 420.9				1 441.6
		(3.1)				(3.1)
		(11.6)				(11.6)
	25.0					25.0
	(172.2)					78.0
	172.2	(172.2)				–
						(228.9)
		(1 011.5)				(1 011.5)
	12.4					12.4
37.3	425.1	3 371.0	(545.7)	–	–	3 328.4
(29.4)		1 815.0		(28.2)		1 757.4
		(5.7)				(5.7)
		(189.4)				(189.4)
	41.8					41.8
	(152.5)					83.0
	152.5	(152.5)				–
	(216.5)	216.5				–
						(227.3)
		(1 152.6)				(1 152.6)
						2 163.9
	10.7					10.7
					384.8	384.8
			(180.3)		(384.8)	(565.1)
			13.0			13.0
7.9	261.1	3 902.3	(713.0)	(28.2)	–	5 642.9
–	387.7	3 187.3	(545.7)	–	–	3 096.9
		1 237.5				1 237.5
		(3.1)				(3.1)
	25.0					25.0
	(172.2)					(172.2)
	172.2	(172.2)				–
		(1 011.5)				(1 011.5)
	12.4					12.4
–	425.1	3 238.0	(545.7)	–	–	3 185.0
		1 469.2		(28.2)		1 441.0
		(5.7)				(5.7)
	41.8					41.8
	(152.5)					(152.5)
	152.5	(152.5)				–
	(216.5)	216.5				–
		(1 152.6)				(1 152.6)
						2 163.9
	10.7					10.7
–	261.1	3 612.9	(545.7)	(28.2)	–	5 531.6

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		GROUP		COMPANY	
Rmillion	Notes	2016	2015	2016	2015
CASHFLOWS FROM OPERATING ACTIVITIES		1 547.3	1 269.3	384.2	804.9
Cash generated from operations	32	3 250.2	2 954.6	2 011.5	2 366.4
Interest received		89.0	26.7	77.4	20.0
Interest paid		(110.0)	(145.0)	(42.0)	(37.5)
Taxation paid	22	(529.3)	(555.5)	(510.1)	(532.5)
Dividends paid	10	(1 152.6)	(1 011.5)	(1 152.6)	(1 011.5)
CASHFLOWS FROM INVESTING ACTIVITIES		(1 613.5)	(978.5)	(1 342.4)	(565.3)
Acquisition of businesses/subsidiaries	33.2	(757.5)	(452.0)	(786.5)	(135.0)
Proceeds from disposal of businesses	33.3	10.0	10.4	10.0	5.0
Proceeds on disposal of assets held for sale		43.6	18.6		
Investment to expand operations		(441.9)	(422.1)	(229.8)	(206.0)
Investment to maintain operations		(346.8)	(103.4)	(94.3)	(89.7)
– Replacement of property, plant and equipment		(372.6)	(111.8)	(100.6)	(94.0)
– Proceeds on disposal of property, plant and equipment		25.8	8.4	6.3	4.3
Net movement in loans and investments	32.1	(120.9)	(30.0)	(241.8)	(139.6)
CASHFLOWS FROM FINANCING ACTIVITIES		1 666.6	162.3	2 163.9	–
Proceeds from issue of shares		2 163.9		2 163.9	
Proceeds from exercise of share options		83.0	78.0		
(Repayments)/proceeds from borrowings		(353.0)	313.2		
Share repurchases	26	(227.3)	(228.9)		
Net movement in cash and cash equivalents		1 600.4	453.1	1 205.7	239.6
Net overdraft at beginning of year		(37.8)	(543.4)	(610.1)	(849.7)
Exchange rate translation		(29.7)	52.5		
Net cash balances/(overdrafts) at end of year	23	1 532.9	(37.8)	595.6	(610.1)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

1.1 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 2016, and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 71 of 2008, as amended.

1.2 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 obligations. 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. These amendments had no material impact 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
IFRS 16	Leases	1 January 2019
Amendments to existing standards		
IAS 1	Amendments arising under the disclosure initiative	1 January 2016
IAS 7	Amendments arising under the disclosure initiative	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 27	Equity Method in Separate Financial Statements	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Various (IAS 19, IAS 34, IFRS 1, IFRS 5 and IFRS 7)	Annual Improvements 2012–2014 cycle	1 January 2016

1.3 BASIS OF CONSOLIDATION

The group 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.

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.

1. ACCOUNTING POLICIES (continued)

1.3 BASIS OF CONSOLIDATION (continued)

1.3.1 Business combinations

The acquisition of business 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 the following:

i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee Benefits respectively;

ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

iii) and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill arising on acquisition is initially recognised at cost. 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.

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the purchase consideration in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments, Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities that are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that if known, would have affected the amounts recognised at that date.

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. The effect of translating the closing balance of financial liabilities to the reporting currency is reported in other comprehensive income. In such cases, The SPAR Group Ltd consolidates 100% of the subsidiary's results.

The company's investments in ordinary shares of its subsidiaries are carried at cost less accumulated impairment and if denominated in foreign currencies, are translated at historical rates.

1.3.2 Investment in associates and joint arrangements

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of all parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 – Non-current Assets held for Sale. Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the group's consolidated financial statements only to the extent of interests in associates or joint ventures that are not related to the group.

The company's investments in ordinary shares of its associates and joint arrangements are carried at cost less accumulated impairment.

1.4 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.

The group's policy for goodwill arising on the acquisition of an associate and a joint venture is described in note 1.3 above.

1. ACCOUNTING POLICIES (continued)

1.5 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. All resulting translational differences are recognised in other comprehensive income and presented as a separate component of equity in the currency translation reserve.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

1.6 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 not depreciated as it has an unlimited useful life.

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.

Improvements to leasehold properties are shown at cost and written off over the remaining period of the lease and the item's useful life.

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.

1.7 OTHER INTANGIBLE ASSETS

Other intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are recognised at cost less accumulated amortisation and any recognised impairment losses, on the same basis as intangible assets that are acquired separately.

Acquired brands are considered to have an indefinite useful life and are not amortised but are tested at least annually for impairment and carried at cost less any recognised impairment.

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.

1.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS OTHER THAN 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.

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.

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.

1.9 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, and after eliminating sales within the group.

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

Marketing and service revenue consists of contributions 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.

1.10 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.

1. ACCOUNTING POLICIES (continued)

1.11 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.

1.12 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.

The group recognises a provision for onerous lease contracts when the expected benefits to be derived from non-cancellable operating lease contracts are lower than the unavoidable costs of meeting the contract obligations. The unavoidable contract costs are applied over the remaining periods of the relevant lease agreements.

1.13 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.

Where the group is the lessee

Leases of assets under which a significant portion of risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Certain premises and other assets are leased. Payments made in respect of operating leases with a fixed escalation clause are charged to the statement of comprehensive income on a straight line basis over the lease term. All other lease payments are expensed as they become due. Minimum rentals due after year-end are reflected under commitments.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense and any unamortised portion of the fixed escalation lease accrual is recognised in the statement of comprehensive income in the period in which termination takes place.

Where the group is the lessor

Portions of owner-occupied properties and leased properties are leased or subleased out under operating leases. The owner-occupied properties are included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term.

1.14 CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS

Cash and cash equivalents and bank overdrafts are carried at cost and, if denominated in foreign currencies, are translated at closing rates. Cash comprises cash on hand and cash at banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Bank overdrafts are disclosed separately on the face of the statement of financial position.

1.15 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

The purchase by the group of its own equity instruments and held in trust, results in the recognition of these shares repurchased as treasury shares. The consideration paid is deducted from equity. Where shares repurchased are subsequently sold, the consideration received is included in equity attributable to owners of The SPAR Group Ltd, net of any directly attributable incremental transaction cost and the related tax effects.

1.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in 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 or loss. Subsequent to initial recognition, the instruments are measured as set out below:

Investments

Other equity investments are classified as financial assets at fair value through profit or loss, and are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined as described in note 39.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents) are measured at their nominal value less any impairment.

Financial liabilities at fair value through profit or loss

The financial liabilities as described in note 28 are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. A corresponding equity reserve is recognised at the fair value of the liability on initial recognition, after being set-off against the non-controlling interest.

Other financial liabilities

Other financial liabilities comprise borrowings and trade and other payables. Trade and other payables are stated at nominal value and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The group uses derivative financial instruments, principally forward exchange contracts to reduce its exposure to foreign exchange risk.

The group does not hold or issue derivatives for speculative purposes. Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the statement of financial position date. Changes in their fair values are recognised in profit or loss.

The group does not generally apply hedge accounting to it 'transactional' foreign currency hedging relationships such as hedges of forecast or committed transactions. It does, however, apply hedge accounting to its 'translational' foreign currency hedging relationships where it is permissible to do so under IAS 39. When hedge accounting is used, the relevant hedging relationships are classified as a fair value hedge, a cash flow hedge, or in the case of a hedge of the group's net investment in a foreign operation, a net investment hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

1. ACCOUNTING POLICIES (continued)

1.16 FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Derivative financial instruments are classed as current assets or liabilities unless they are in a designated hedging relationship and the hedged item is classified as a non-current asset or liability.

Put arrangements over non-controlling interests

Written put options on the shares of a subsidiary held by non-controlling interests give rise to a financial liability for the present value of the redemption amount. The liability payable under the arrangement is initially recognised at fair value with a corresponding entry directly in equity. Subsequent changes to the fair value of the liability are recognised in profit or 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.

1.17 EMPLOYEE BENEFITS

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.

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.

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. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) are 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. Remeasurements recognised in other comprehensive income are 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.

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.

Share-based payments

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 or 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.

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 or loss. The fair value of options granted to SPAR employees is recognised to profit or 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.

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.

1.18 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 are 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.

1. ACCOUNTING POLICIES (continued)

1.19 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 by continuing use through the business. 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. An extension of the period required to complete the sale does not preclude the asset from being classified as held for sale, provided the delay was for reasons beyond the group's control and management remains committed to its plan to sell the asset.

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.

1.20 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 intrasegment transactions are eliminated on consolidation.

1.21 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.

Estimation is also required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where there are deductible temporary differences, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits.

Intangible assets

Intangible assets represent acquired brands. The acquired brands are established trademarks in the retail environment in Ireland and the UK. 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.

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 13.

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 note 27.

Financial liabilities

This liability arises when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the group at an agreed price. In arriving at the liability to the non-controlling interest of TIL JV Ltd the future earnings need to be assessed and discounted back to calculate the present value. This requires a high level of judgement. Management's expectation of the future profit performance of TIL JV Ltd (holding company of the BWG Group) forms the basis in determining the fair value of the purchase obligation of the non-controlling interest. The liability to the non-controlling shareholders of SPAR Holding AG is calculated at the present value of the agreed future purchase price. Details of assumptions can be found in notes 28 and 39.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2016

		GROUP		COMPANY	
	Rmillion	2016	2015	2016	2015
2.	REVENUE				
	Turnover	**90 688.5**	73 258.8	**59 837.6**	54 663.3
	Other income	**1 538.8**	801.2	**557.1**	547.9
	Marketing and service revenues	**1 531.5**	788.9	**524.1**	502.9
	Other receipts	**7.3**	12.3	**7.3**	12.3
	Dividends received – subsidiaries and associates			**25.7**	32.7
	Total revenue	**92 227.3**	74 060.0	**60 394.7**	55 211.2

		GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
3.	NET OPERATING EXPENSES				
	Net operating expenses include the following:				
	Operating lease charges:				
	Plant, equipment and vehicles	**71.5**	28.9	**8.3**	3.9
	Immovable property	**471.6**	261.1	**75.0**	54.4
	Lease rentals payable	**1 233.6**	903.6	**800.7**	715.5
	Sub-lease recoveries	**(762.0)**	(642.5)	**(725.7)**	(661.1)
	Employee benefits expense:				
	Post-employment benefits (refer to note 27)	**194.1**	135.7	**119.6**	107.1
	Post retirement medical aid	**14.6**	13.7*	**14.6**	13.7*
	Defined contribution plans	**117.8**	103.0	**105.0**	93.4
	Defined benefit plans	**61.7**	19.0*		
	Share-based payments (refer to note 38)	**41.8**	25.0	**41.8**	25.0
	Other employee benefits	**3 186.0**	2 003.8	**1 490.4**	1 408.5
	Total employment benefits expense	**3 421.9**	2 164.5	**1 651.8**	1 540.6

* *Revised to be consistent with the current year classification*

4. BBBEE TRANSACTION

BBBEE participation transaction background

In 2009, The SPAR Group Ltd entered into a broad-based black economic empowerment (BBBEE) participation transaction.

In terms of the transaction 18 911 349 redeemable convertible preference shares were issued to The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust.

The shares issued to the two trusts are subject to restrictions on transferability for a period of seven years from the issue date. Thereafter the trusts were required to settle their notional loans by way of surrendering such number of redeemable convertible preference shares at the redemption date market value as required to settle the loan liability. The remaining convertible preference shares held by the trusts were 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.

BBBEE participation transaction vesting in 2016

The costs relating to the BBBEE transaction have been measured and recognised from the grant date in 2009 to the transaction's vesting date in 2016.

The vesting of the redeemable convertible preference shares resulted in the issuance of 7 415 243 ordinary shares by The SPAR Group Ltd in August 2016. The impact of the ordinary share issue is reflected in the weighted average number of shares disclosed in the current year.

The majority of participants elected to sell their SPAR shares and The SPAR Group Ltd facilitated the share sale through an accelerated bookbuild offering done on 23 August 2016 which generated R1 455.9 million of cash for distribution to participants.

The cost of the BBBEE scheme for the current year including transaction costs, amounted to R20.9 million (2015: R13.4 million). This includes the share-based payment charge relating to employees which has been recognised in profit and loss over the duration of the scheme.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
4. BBBEE TRANSACTION (continued)				
The SPAR BBBEE Employee Trust share-based payment charge	**10.7**	12.4	**10.7**	12.4
Legal and other costs	**10.2**	1.0	**10.2**	1.0
	20.9	13.4	**20.9**	13.4

In compliance with IFRS, the two BBBEE trusts are consolidated by The SPAR Group Ltd. To the extent that participants have not been paid out at year-end, The SPAR Group Ltd has consolidated the balance owing to the participants and the corresponding cash resources still on hand.

Rmillion	The SPAR BBBEE Retailer Employee Trust	The SPAR BBBEE Employee Trust	Total
Included in trade and other payables			
Amounts due to BBBEE participants	(216.3)	(91.0)	(307.3)
Included in cash and cash equivalents – Guilds and trusts			
BBBEE cash resources	216.3	91.0	307.3
	–	–	–

The trusts are currently in the process of paying over the participants their cash entitlements. At year-end these participants had not yet been settled for various reasons.

Scheme conclusion statistics	The SPAR BBBEE Retailer Employee Trust	The SPAR BBBEE Employee Trust	Total
Number of participants	13 746	2 032	15 778
Number of ordinary shares issued for participants			
Total shares issued by The SPAR Group Ltd	3 425 982	3 989 261	7 415 243
Number of ordinary shares issued and sold on behalf of participants	3 399 940	3 967 325	7 367 265
Number of ordinary shares issued to participants	26 042	21 936	47 978
Rmillion			
Value creation at BBBEE transaction conclusion	677.1	788.4	1 465.5
Pre-tax proceeds (net of costs) from sale of shares	671.9	784.0	1 455.9
Value of shares retained by participants	5.2	4.4	9.6

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
5. OTHER NON-OPERATING ITEMS				
Remeasurement of financial instruments	(1.0)	72.8	0.2	72.8
Fair value adjustment to financial liability		72.8		72.8
Fair value adjustment to investment in GRH	0.2		0.2	
Fair value adjustment to investments in shares and bonds	(1.2)			
Capital items	25.5	58.6	2.2	21.0
Impairment of goodwill	4.9	11.6	4.9	0.1
Impairment of investments		1.7		22.5
Loss/(profit) on disposal of associate interests	0.7	(0.7)	(7.8)	(1.6)
Profit on disposal of business	(1.1)		(1.1)	
Business acquisition costs (refer to note 33)	21.0	46.0	6.2	
Total other non-operating items	24.5	131.4	2.4	93.8
6. NET INTEREST				
Interest income				
Bank deposits	53.7	4.0	51.5	2.8
Loans	2.0	1.0	1.7	0.9
Overdue debtors	37.4	23.3	29.8	18.0
Other	5.3	0.9	0.3	0.9
Total interest income	98.4	29.2	83.3	22.6
Interest expense				
Security deposits	(4.9)	(2.9)	(4.9)	(2.9)
Loans	(68.8)	(73.4)	(0.8)	
Bank overdraft	(32.2)	(33.8)	(31.7)	(33.4)
Other	(4.5)	(11.5)	(4.6)	(1.2)
Total interest expense	(110.4)	(121.6)	(42.0)	(37.5)
Finance costs including foreign exchange gains and losses				
Finance costs of financial liabilities	(104.0)	(45.9)	(96.3)	(45.9)
Foreign exchange (losses)/gains on financial liabilities	(2.5)	(62.2)	1.7	(62.2)
Total finance costs	(106.5)	(108.1)	(94.6)	(108.1)
Net interest expense	(118.5)	(200.5)	(53.3)	(123.0)

Rmillion		GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
7. INCOME TAX EXPENSE					
Current taxation					
– current year		**605.8**	518.2	**549.2**	486.2
– prior year		**0.4**	2.2	**0.1**	2.2
Deferred taxation					
– current year		**11.0**	16.3	**11.1**	8.9
– prior year		**6.2**	(0.5)	**(3.4)**	(0.3)
Withholding income tax		**0.8**	1.1	**0.5**	0.5
Foreign tax		**0.3**	0.6		
Foreign withholding tax		**0.5**	0.5	**0.5**	0.5
Total income tax expense		**624.2**	537.3	**557.5**	497.5
Reconciliation of effective taxation rate					
South African current income tax rate at 28% (2015: 28%)	(%)	**28.0**	28.0	**28.0**	28.0
Dividend income	(%)			**(0.3)**	(0.5)
Other exempt income and non-deductible expenses	(%)	**1.0**	0.4		1.0
Income tax allowances	(%)	**(0.1)**		**(0.1)**	
Prior year income tax under/(over) provision	(%)	**0.3**	0.1	**(0.1)**	0.1
Capital gains tax	(%)		0.3		
Effect of foreign income tax rates	(%)	**(3.4)**	(1.5)		
Assessed losses utilised	(%)	**(0.3)**	(0.2)		
Effective rate of taxation	(%)	**25.5**	27.1	**27.5**	28.6

8. 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 179 703 184 (2015: 173 116 357). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 181 592 889 (2015: 187 922 638).

The calculation of the basic and diluted earnings per share attributable to ordinary shareholders is based on the following data:

		GROUP	
Rmillion		**2016**	2015
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders).		**1 815.0**	1 420.9
Earnings per share:			
Basic	(cents)	**1 010.0**	820.8
Diluted	(cents)	**999.5**	756.1
Number of shares			
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	**179 703**	173 116
Effect of diluted potential ordinary shares:			
Share options and BBBEE shares	('000)	**1 890**	14 807
Weighted average number of ordinary shares (net of treasury shares) for the purposes of diluted earnings per share	('000)	**181 593**	187 923

9. HEADLINE EARNINGS

		GROUP	
Rmillion		**2016**	2015
Profit for the year attributable to ordinary shareholders		**1 815.0**	1 420.9
Adjusted for:			
Loss on sale of property, plant and equipment		**15.0**	12.1
– Gross		**17.9**	15.0
– Tax effect		**(2.9)**	(2.9)
(Profit)/loss on sale of assets held for sale		**(3.0)**	0.7
Fair value adjustment to assets held for sale		**1.4**	
Impairment of goodwill		**4.9**	11.6
Impairment of investments			1.7
Loss/(profit) on disposal of associate interests		**0.7**	(0.7)
Profit on disposal of business		**(1.1)**	
Headline earnings		**1 832.9**	1 446.3
Adjusted for exceptional items:			
Fair value adjustment to financial liabilities			72.8
Business acquisition costs		**21.0**	46.0
Foreign exchange losses on financial liabilities		**2.5**	62.2
Normalised headline earnings		**1 856.4**	1 627.3
Headline earnings per share:			
Basic	(cents)	**1 020.0**	835.5
Diluted	(cents)	**1 009.4**	769.6
Normalised headline earnings per share	(cents)	**1 033.0**	940.0

Normalised headline earnings is calculated as an additional performance indicator to take into account the effect of business – defined exceptional items that have affected headline earnings during the year.

Rmillion		GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
10. DIVIDENDS PAID					
2015 Final dividend declared 10 November 2015					
– paid 7 December 2015		**680.8**	597.6	**680.8**	597.6
2016 Interim dividend declared 17 May 2016					
– paid 13 June 2016		**471.8**	413.9	**471.8**	413.9
Total dividends		**1 152.6**	1 011.5	**1 152.6**	1 011.5
2015 Final dividend per share declared 10 November 2015					
– paid 7 December 2015	(cents)	**393.0**	345.0	**393.0**	345.0
2016 Interim dividend per share declared 17 May 2016					
– paid 13 June 2016	(cents)	**255.0**	239.0	**255.0**	239.0
Total dividends per share	(cents)	**648.0**	584.0	**648.0**	584.0

The final dividend for the year ended 30 September 2016 of 410 cents per share declared on 15 November 2016 and payable on 12 December 2016 has not been accrued.

11. SEGMENT REPORTING

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

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

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 and Switzerland operations are not considered to be similar to those within Southern Africa or each other.

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

11. SEGMENT REPORTING (continued)

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	IAS 19 adjustment	Consolidated Total
2016					
Total revenue	62 232.3	23 471.5	6 523.5		92 227.3
Operating profit	2 057.3	487.8	45.0	(12.8)	2 577.3
Profit before tax	2 001.2	431.7	19.1	(12.8)	2 439.2
Other Information					
Interest income	86.8	10.1	1.5		98.4
Interest expense	42.3	51.4	16.7		110.4
Depreciation	174.3	213.9	143.2		531.4
Statement of financial position					
Total assets	13 521.2	8 741.5	5 093.1		27 355.8
Total liabilities	9 582.4	7 468.4	4 045.9	616.2	21 712.9
2015					
Total revenue	56 883.6	17 176.4			74 060.0
Operating profit	1 975.6*	318.6*			2 294.2
Profit before tax	1 763.9*	194.3*			1 958.2
Other Information					
Interest income	23.7	5.5			29.2
Interest expense	37.8	83.8			121.6
Depreciation	158.3	173.2			331.5
Statement of financial position					
Total assets	11 283.3*	8 047.0*			19 330.3
Total liabilities	9 038.8	6 963.1			16 001.9

* *Revised to be consistent with the current year classification.*

Rmillion	GROUP Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
12. PROPERTY, PLANT AND EQUIPMENT				
Carrying value at 30 September 2014	1 411.4	41.9	1 424.9	2 878.2
Cost	1 505.9	44.6	2 274.3	3 824.8
Accumulated depreciation	(94.5)	(2.7)	(849.4)	(946.6)
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 business			(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
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)
Additions	**104.7**	**2.5**	**730.0**	**837.2**
Expansions	**103.1**	**1.9**	**354.4**	**459.4**
Replacements	**1.6**	**0.6**	**375.6**	**377.8**
Additions through business acquisitions	**1 704.8**	**7.6**	**1 189.7**	**2 902.1**
Disposals at net book value	**(9.7)**		**(34.0)**	**(43.7)**
Disposal through sale of business			**(8.9)**	**(8.9)**
Depreciation	**(1.9)**	**(0.8)**	**(528.7)**	**(531.4)**
Effect of foreign currency exchange differences	**(117.0)**	**(0.9)**	**(95.5)**	**(213.4)**
Reclassified as assets held for sale			**(2.9)**	**(2.9)**
Carrying value at 30 September 2016	**3 236.8**	**55.1**	**2 868.4**	**6 160.3**
Analysed as follows:				
Cost	**3 333.0**	**59.1**	**4 434.3**	**7 826.4**
Accumulated depreciation	**(96.2)**	**(4.0)**	**(1 565.9)**	**(1 666.1)**

Rmillion	COMPANY Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles	Total
12. PROPERTY, PLANT AND EQUIPMENT (continued)				
Carrying value at 30 September 2014	931.2	8.6	753.3	1 693.1
Cost	1 014.7	11.2	1 545.6	2 571.5
Accumulated depreciation	(83.5)	(2.6)	(792.3)	(878.4)
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)
Additions	**74.3**	**1.3**	**254.8**	**330.4**
Expansions	**74.3**	**1.3**	**154.2**	**229.8**
Replacements			**100.6**	**100.6**
Additions through business acquisitions			**13.7**	**13.7**
Disposals at net book value			**(8.2)**	**(8.2)**
Disposal through sale of businesses			**(8.9)**	**(8.9)**
Reclassified as assets held for sale			**(2.9)**	**(2.9)**
Depreciation		**(0.1)**	**(166.2)**	**(166.3)**
Carrying value at 30 September 2016	**1 127.4**	**9.7**	**870.5**	**2 007.6**
Analysed as follows:				
Cost	**1 210.9**	**12.7**	**1 877.4**	**3 101.0**
Accumulated depreciation	**(83.5)**	**(3.0)**	**(1 006.9)**	**(1 093.4)**

The directors' valuation of freehold land and buildings at 30 September 2016 is R4 615.1 million (2015: R2 723.8 million). The valuation is based on net yields of 5.7%–10.0% (2015: 10.0%), country dependent. The carrying value of fixed property encumbered as security for borrowings, as set out in note 29, is R1 547.0 million (2015: R470.5 million).

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
13. GOODWILL AND INTANGIBLE ASSETS				
Goodwill				
Balance at beginning of year	**1 594.7**	1 270.9	**388.7**	274.2
Impairment	**(4.9)**	(11.6)	**(4.9)**	(0.1)
Goodwill derecognised on disposal of business		(9.2)		(2.7)
Reclassified as held for sale	**(4.3)**	(16.9)	**(4.3)**	
Business combination	**737.7**	333.6	**42.0**	117.3
Foreign exchange translation	**(8.1)**	27.9		
Balance at end of year	**2 315.1**	1 594.7	**421.5**	388.7
Analysed as follows:				
Cost	**2 330.0**	1 604.7	**426.4**	388.7
Accumulated impairment	**(14.9)**	(10.0)	**(4.9)**	
Analysis by CGU:				
SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
TIL JV Ltd	**944.4**	878.7		
ADM Londis plc	**245.1**	244.2		
GCL 2016 Ltd	**312.5**			
SPAR Holding AG	**308.5**			
SA Retail Stores	**259.0**	226.2	**175.9**	143.1
Balance of goodwill	**2 315.1**	1 594.7	**421.5**	388.7
Intangible assets				
Balance at beginning of year	**1 686.8**	1 455.1		
Business combination		98.1		
Foreign exchange translation	**6.4**	133.6		
Balance at end of year	**1 693.2**	1 686.8		
Analysed as follows:				
Cost	**1 693.2**	1 686.8		
Total goodwill and intangible assets	**4 008.3**	3 281.5	**421.5**	388.7
Analysed as follows:				
Cost	**4 023.2**	3 291.5	**426.4**	388.7
Accumulated impairment	**(14.9)**	(10.0)	**(4.9)**	

Goodwill and indefinite useful life intangible assets are not amortised but tested for impairment annually. The initial accounting for the acquisition of SPAR Switzerland is provisional for the value of intangible assets acquired as the valuation of these assets has not yet been completed. Once this valuation is finalised the values of intangible assets acquired, deferred tax, and goodwill are expected to change.

Refer to note 33 for details on business combinations during the year.

13. GOODWILL AND INTANGIBLE ASSETS (continued)

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:

13.1 Goodwill impairment testing

Goodwill is allocated to the group's cash-generating units. 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 of the Southern African entities:

	2016 %	2015 %
Discount rate	**11.8**	10.2
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 of the goodwill for Irish and UK entities:		
Discount rate	**10.0**	10.0
Sales growth rate		
Terminal value growth rate	**2.0**	2.0

13.2 Intangible assets impairment testing

Intangible assets represent acquired brands. The acquired brands are established trademarks in the retail environment in Ireland and the UK. 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.

The carrying value of brands relating to the BWG CGU amount to R1 582.0 million (2015: R1 576.0 million).

The recoverable amount of the BWG CGU has been determined based on an excess earnings calculation.

The key assumptions below have been applied to calculate the recoverable amount of the BWG CGU:

	2016 %	2015 %
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 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 R111.2 million (2015: R110.8 million).

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:

	2016 %	2015 %
Discount rate	**20.0**	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.

The terminal growth rate of zero percent is used as it is expected that customers will migrate to other BWG brands.

	Principal place of business	Issued share capital 2016 Rmillion	Issued share capital 2015 Rmillion	Effective holding 2016 %	Effective holding 2015 %	Cost of investment 2016 Rmillion	Cost of investment 2015 Rmillion
14. INVESTMENT IN SUBSIDIARIES							
Subsidiary*							
SAH Ltd[4] (registered in the Isle of Man)	Switzerland	**685.4**		**100**		**685.4**	
TIL JV Ltd[4] (registered in the Isle of Man)	Ireland	**0.1**	0.1	**80**	80	**798.6**	798.6
SPAR South Africa (Pty) Ltd[2]	South Africa			**100**	100		
SPAR Namibia (Pty) Ltd[1] (registered in Namibia)**	Namibia			**100**	100		
The SPAR Group (Botswana) (Pty) Ltd[1] (registered in Botswana)**	Botswana			**100**	100		
SPAR Mozambique Limitada[1] (registered in Mozambique)**	Mozambique			**100**	100		
Sun Village Supermarket (Pty) Ltd[2]	South Africa			**90**			
SPAR P.E. Property (Pty) Ltd[3]	South Africa	**11.5**	11.5	**100**	100	**2.3**	2.3
SaveMor Products (Pty) Ltd[2]	South Africa			**100**	100		
SPAR Academy of Learning (Pty) Ltd[2]	South Africa			**100**	100		
Nelspruit Wholesalers (Pty) Ltd[2]	South Africa			**100**	100		
SPAR Retail Stores (Pty) Ltd[1]	South Africa			**100**	100	**181.2**	181.1
Kaplian Trading (Pty) Ltd[1]	South Africa			**100**	100	**15.0**	15.0
Rubean Trading (Pty) Ltd[2]	South Africa			**100**	100		
Power Build (Pty) Ltd[2]	South Africa			**100**	100		
Annison 45 (Pty) Ltd[2]	South Africa			**60**	60		
Ozran 46 (Pty) Ltd[2]	South Africa			**100**	100		
Clusten 45 (Pty) Ltd[2]	South Africa			**100**	100		
Wespin 52 (Pty) Ltd[2]	South Africa			**100**	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						**1 682.5**	997.0
Directors' valuation						**1 682.5**	997.0

* *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 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*
(4) *Holding company*

	GROUP		COMPANY	
Rmillion	2016	2015	2016	2015
15. INVESTMENT IN ASSOCIATES				
Balance at beginning of year	32.4	45.9	22.8	46.5
Share of profit for the year	4.9	(4.1)		
Impairment of investments		(1.7)		(17.5)
Disposal of investments	(8.5)	(6.7)		(5.9)
Loans advanced during the year	13.4	2.5	13.4	2.5
Repayment of loans during the year	(3.8)	(2.8)	(3.8)	(2.8)
Payment of dividends		(0.7)		
Balance at end of year	38.4	32.4	32.4	22.8
Summarised financial statements of the group's share of associates:				
Total assets	29.5	105.0		
Total liabilities	(22.5)	(84.1)		
Net assets	7.0	20.9		
Revenue	73.6	365.5		
Profit/(loss) for the year attributable to ordinary shareholders	4.9	(4.1)		

The associates have share capital consisting solely of ordinary shares, which are held directly by the group. These are private companies and no quoted market prices are available for their shares.

Details of the group's shareholding and carrying value by associate

	Shareholding in associates		GROUP		COMPANY	
	2016 %	2015 %	2016	2015	2016	2015
SPAR Harare (Pvt) Ltd	35	35				
Fig leaf (Pty) Ltd		30		9.0		3.8
Gezaro Retailers (Pty) Ltd	40	40	17.7	6.6	22.7	9.3
Monteagle Merchandising Services (Pty) Ltd	50	50	20.7	16.8	9.7	9.7
			38.4	32.4	32.4	22.8

The group has a 35% shareholding in SPAR Harare (Pvt) Ltd, which is no longer operational. The entire investment in this associate has been written down and no share of profits recognised in the current year. An accrual for closure costs has been raised to the value of R19.3 million.

During the 2016 financial year the group sold its entire 30% shareholding in Fig Leaf (Pty) Ltd, which owns and operates the Gateway SUPERSPAR in Hermanus for R7.8 million. The loan to this associate of R3.8 million was also settled at the same time.

The group has a 40% shareholding in Gezaro Retailers (Pty) Ltd, which owns and operates the Zevenwacht SUPERSPAR in Kuils River. A loan of R13.4 million was advanced to this associate during the 2016 financial year.

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

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
16. OTHER INVESTMENTS				
Balance at beginning of year	**2.3**	2.9	**2.3**	2.9
Additions through business combinations	**55.2**			
Fair value adjustments	**1.0**		**(0.2)**	
Disposals	**(0.5)**	(0.6)	**(0.5)**	(0.6)
Foreign exchange differences	**(3.8)**			
Balance at end of year	**54.2**	2.3	**1.6**	2.3
Analysed as follows:				
Group Risk Holdings (Pty) Ltd	**1.6**	2.3	**1.6**	2.3
Hypo Vorarlberg bank security deposit	**52.6**			

Group Risk Holdings (GRH) is a South African based holding company which wholly owns an offshore captive insurance company, being Group Risk Mutual (GRM) in the Isle of Man.

As at the 2016 financial year-end, The SPAR Group Ltd has a 5.31% (2015: 7.08%) shareholding in Group Risk Holdings (Pty) Ltd.

Please see financial instruments accounting policy note.

Other investments acquired through business combinations relate to an investment acquired with the acquisition of SPAR Switzerland. This consists of a rental security deposit held at Hypo Vorarlberg bank. This is a portfolio of shares and bonds which is periodically fair valued.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
17. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	**163.9**	144.3	**150.4**	158.8
Less current portion	**(63.4)**	(47.7)	**(63.4)**	(47.7)
Non-current operating lease receivables	**100.5**	96.6	**87.0**	111.1
Operating lease payables	**181.6**	162.4	**154.6**	162.4
Less current portion	**(65.6)**	(53.7)	**(65.6)**	(53.7)
Non-current operating lease payables	**116.0**	108.7	**89.0**	108.7

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 35.

The above lease receivables and payables are attributable to operating leases with fixed escalation charges which are recognised in profit and loss on the straight-line basis, which is consistent with the prior year.

	GROUP		COMPANY	
Rmillion	2016	2015	2016	2015
18. LOANS				
Retailer loans	**264.3**	130.5	**181.5**	83.2
Advance to The SPAR Group Ltd Employee Share Trust (2004)			**18.7**	26.8
Loan to Group Risk Holdings (Pty) Ltd	**0.3**	0.4	**0.3**	0.4
	264.6	130.9	**200.5**	110.4
Less current portion	**(46.8)**	(27.9)	**(51.9)**	(39.2)
Non-current loans	**217.8**	103.0	**148.6**	71.2

18.1 Retailer loans are both secured and unsecured, bear interest at variable floating rates and have set repayment terms.

18.2 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 to note 25). 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.

	GROUP		COMPANY	
Rmillion	2016	2015	2016	2015
19. DEFERRED TAXATION				
Asset				
Deferred taxation asset analysed by major category:				
Property, plant and equipment	**(165.2)**	(145.4)	**(168.0)**	(145.8)
Provisions, claims and prepayments	**196.1**	179.4	**185.3**	168.6
Balance at end of year	**30.9**	34.0	**17.3**	22.8
Reconciliation of deferred taxation asset:				
Opening balance	**34.0**	41.1	**22.8**	30.2
Profit or loss effect	**(5.3)**	(8.3)	**(7.7)**	(8.6)
Other comprehensive income effect	**2.2**	1.2	**2.2**	1.2
Balance at end of year	**30.9**	34.0	**17.3**	22.8
Liability				
Deferred taxation liability analysed by major category:				
Property, plant and equipment and intangible assets	**(448.9)**	(201.1)		
Defined benefit obligations	**200.1**			
Provisions and other	**(41.9)**	(14.0)		
Balance at end of year	**(290.7)**	(215.1)	**–**	–
Reconciliation of deferred taxation liability:				
Balance at beginning of year	**(215.1)**	(178.5)	**–**	–
Business acquisition	**(147.0)**	(13.3)		
Business combination on intangible asset		(12.3)		
Profit or loss effect	**(11.7)**	(7.5)		
Exchange rate translation	**8.7**	(5.2)		
Retirement benefit fund prior year gross-up (refer to note 27)	**43.7**			
Other comprehensive income effect	**30.7**	1.7		
Balance at end of year	**(290.7)**	(215.1)	**–**	–
Total net (liability)/asset	**(259.8)**	(181.1)	**17.3**	22.8

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
20. INVENTORIES				
Merchandise	**3 878.0**	2 481.2	**1 802.8**	1 631.1
Less provision for obsolescence	**(67.1)**	(50.8)	**(26.0)**	(24.3)
Total inventories	**3 810.9**	2 430.4	**1 776.8**	1 606.8
Shrinkages and damages written off	**99.9**	41.5	**36.3**	31.4
21. TRADE AND OTHER RECEIVABLES				
Trade receivables	**9 819.3**	8 748.7	**6 716.2**	6 040.1
Allowance for doubtful debts	**(654.9)**	(582.3)	**(161.8)**	(153.7)
Net trade receivables	**9 164.4**	8 166.4	**6 554.4**	5 886.4
Other receivables	**1 379.6**	1 142.8	**758.6**	674.7
Total trade and other receivables	**10 544.0**	9 309.2	**7 313.0**	6 561.1
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:				
Balance at beginning of year	**(582.3)**	(528.3)	**(153.7)**	(127.7)
Allowance raised during the year	**(246.8)**	(177.1)	**(69.9)**	(75.0)
Allowance reversed during the year	**196.1**	169.2	**61.8**	49.0
Business acquisition	**(25.7)**	(10.9)		
Exchange rate translation	**3.8**	(35.2)		
Balance at end of year	**(654.9)**	(582.3)	**(161.8)**	(153.7)
Irrecoverable debts written off net of recoveries	**139.2**	132.7	**65.0**	43.4

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 R512.1 million (2015: R590.3 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 2016

	GROUP		COMPANY	
Rmillion	**2016**	2015	**2016**	2015
22. TAXATION PAID				
Payable/(receivable) at beginning of year	**9.0**	47.6	**(0.2)**	43.4
Business acquisition (refer to note 33)	**5.9**	(6.1)		
Exchange rate translation	**(2.1)**	1.5		
Charge to profit or loss	**607.0**	521.5	**549.8**	488.9
Other comprehensive income effect	**(11.0)**		**(11.0)**	
(Payable)/receivable at end of year	**(79.5)**	(9.0)	**(28.5)**	0.2
Total taxation paid	**529.3**	555.5	**510.1**	532.5

23. CASH AND CASH EQUIVALENTS/OVERDRAFTS

For the purpose of the statement of cash flow, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The group separately discloses bank balances between SPAR, Guild and trust bank balances. Guild balances comprise 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. Deposits received by The SPAR Guild of Southern Africa from the SPAR retail members are included in other payables. Trust balances comprise cash on hand at year-end held by the BBBEE trusts pending payment to beneficiaries (refer to note 4). The liability to the beneficiaries is included in trade and other payables. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow can be reconciled to the related items in the statement of financial position as follows:

	GROUP		COMPANY	
Rmillion	**2016**	2015	**2016**	2015
Bank balances – Guilds	**121.0**	81.4		
Bank balances –Trusts	**307.2**			
Bank balances – Guilds and trusts	**428.2**	81.4	**–**	–
Bank balances – SPAR	**1 611.8**	399.9	**595.6**	
Bank overdrafts – SPAR	**(507.1)**	(519.1)		(610.1)
Net cash balances/(overdrafts)	**1 532.9**	(37.8)	**595.6**	(610.1)
24 ASSETS HELD FOR SALE				
Freehold properties held for sale (24.1)	**32.7**	32.8		
Assets acquired with ADM Londis for disposal (24.2)	**120.8**	144.2		
Assets related to retail stores (24.3)	**7.2**	17.6	**7.2**	
Assets held for sale	**160.7**	194.6	**7.2**	–
Liabilities associated with assets held for sale		(1.1)		
Net assets classified as held for sale	**160.7**	193.5	**7.2**	–

24 ASSETS HELD FOR SALE (continued)

24.1 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 at 30 September 2016 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 net proceeds of R3.2m.

	GROUP		COMPANY	
Rmillion	**2016**	2015	**2016**	2015
Reconciliation of freehold properties held for sale				
Balance at beginning of year	**32.8**	15.0	**–**	–
Transfers from assets		16.8		
Disposals	**(0.2)**	(2.3)		
Exchange rate translation	**0.1**	3.3		
Balance at end of year	**32.7**	32.8	**–**	–

24.2 The group acquired a number of freehold properties and legacy debtors, as a part of the ADM Londis business combination in 2015 (refer to note 33). 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 remaining two-year period. Disposals during the current year pertain to debtors which were disposed of for proceeds of R9.3 million and freehold properties which were disposed of for proceeds of R14.6 million.

	GROUP		COMPANY	
Rmillion	**2016**	2015	**2016**	2015
Reconciliation of assets acquired with ADM Londis plc				
Balance at beginning of year	**144.2**	–	**–**	–
Fair value adjustment	**(1.4)**			
Disposals	**(23.9)**	(17.0)		
Additions acquired in business combination		144.7		
Exchange rate translation	**1.9**	16.5		
Balance at end of year	**120.8**	144.2	**–**	–

24.3 The Tsakane store which was held for sale at the end of the 2015 financial year was sold during the current financial year for proceeds of R16.5 million. As at 30 September 2016 the group intended to dispose of the Kragga Kamma Kwikspar and TOPS stores, and the Crazy J's Vincent group of five liquor stores. These stores were purchased and immediately reclassified as held for sale, as agreements are in place to sell these stores within the next year. The fair value less costs to sell of the Crazy J's Vincent group of stores were lower than the carrying value of the related assets and liabilities by R0.5 million, therefore an impairment loss was recognised on the goodwill on reclassification of the assets as held for sale. The major classes of assets of the stores at the end of the reporting period are as follows:

	GROUP		COMPANY	
Rmillion	**2016**	2015	**2016**	2015
Assets of stores classified as held for sale	**7.2**	17.6	**7.2**	–
Goodwill	**4.3**	16.9	**4.3**	
Property, plant and equipment	**2.9**	0.7	**2.9**	
Liabilities of stores classified as held for sale	**–**	(1.1)	**–**	–
Operating lease liability		(1.1)		
Net assets of retail stores classified as held for sale	**7.2**	16.5	**7.2**	–

	GROUP		COMPANY	
Rmillion	2016	2015	2016	2015
25. STATED CAPITAL				
25.1 Authorised				
250 000 000 (2015: 250 000 000) ordinary shares				
Nil (2015: 30 000 000) redeemable convertible preference shares				
Issued and fully paid				
192 602 355 (2015: 173 261 662) ordinary shares	**2 231.5**	67.6	**2 231.5**	67.6
Nil (2015: 18 702 349) redeemable convertible preference shares				
	2 231.5	67.6	**2 231.5**	67.6
Number of shares				
Ordinary shares				
Outstanding at beginning of year	**173 261 662**	173 231 049	**173 261 662**	173 231 049
Issue of shares through accelerated bookbuild offering	**11 891 892**			
Converted from redeemable convertible preference shares during the year	**33 558**	30 613		30 613
Converted from redeemable convertible preference shares at vesting	**7 415 243**			
Outstanding at end of year	**192 602 355**	173 261 662	**173 261 662**	173 261 662
Redeemable convertible preference shares				
Outstanding at beginning of year	**18 702 349**	18 759 349	**18 702 349**	18 759 349
Converted into ordinary shares during the year	**(55 450)**	(57 000)	**(10 379 134)**	(57 000)
Converted into ordinary shares at vesting	**(10 323 684)**			
Redeemed at par value	**(8 323 215)**		**(8 323 215)**	
Outstanding at end of year	**–**	18 702 349	**–**	18 702 349

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

In April 2016, R2 163.9 million was raised through the issue of 11 891 892 new ordinary shares through an accelerated bookbuild offering. This bookbuild was offered to institutional investors. The shares were over-subscribed and placed at a price of R185 per share. R725.0 million (CHF44.5 million) of the proceeds were used toward the purchase of 60% of SPAR Switzerland. Details of the SPAR Switzerland acquisition are included in note 33.

During the current financial year 55 450 (2015: 57 000) redeemable convertible preference shares converted into 33 558 (2015: 30 613) ordinary shares. These related to the death participants in both BBBEE trusts.

In August 2016, the balance of the redeemable convertible preference shares vested resulting in the conversion of 10 323 684 shares into 7 415 243 ordinary shares. The unallocated renewable redeemable convertible preference shares totalling 8 323 215 shares were redeemed at par. Further details of the transaction vesting are included in note 4.

25. STATED CAPITAL (continued)

25.2 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 2016	2015
R29.00	13 November 2015		92 100
R30.36	10 January 2016		36 800
R46.22	8 March 2017	**284 434**	450 834
R58.10	3 December 2017	**176 800**	300 400
R50.23	11 November 2018	**258 200**	451 400
R66.42	10 November 2019	**337 800**	456 200
R95.11	16 November 2020	**335 600**	493 700
R99.91	8 December 2020	**98 200**	116 800
R96.46	8 November 2021	**670 000**	838 700
R122.81	13 November 2022	**751 200**	839 000
R126.43	12 November 2023	**814 000**	820 000
R124.22	7 February 2024	**50 000**	50 000
		3 776 234	4 945 934

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.

26. TREASURY SHARES

During the year The SPAR Group Ltd Employee Share Trust (2004) purchased 1 154 969 (2015: 1 324 600) shares in the company at an average purchase price per share of R196.79 (2015: R172.77). 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 2016	2015
Cost of shares		
Balance at beginning of year	**26.9**	48.2
Share repurchases	**227.3**	228.9
Shares sold to option holders on exercise of share option rights	**(235.5)**	(250.2)
Balance at end of year	**18.7**	26.9

	Number of shares held 2016	2015
Shares held in trust		
Balance at beginning of year	**142 952**	369 594
Share repurchases	**1 154 969**	1 324 600
Shares sold to option holders on exercise of share option rights	**(1 203 500)**	(1 551 242)
Balance at end of year	**94 421**	142 952

	The SPAR Group Ltd Defined Benefit Pension Fund		The BWG Group Retirement Funds		The SPAR Holding AG Retirement Funds		Total	
Rmillion	2016	2015	2016	2015	2016	2015	2016	2015
27 POST-EMPLOYMENT BENEFIT OBLIGATIONS								
27.1 Retirement benefit funds								
Fair value of fund assets								
Balance at beginning of year	21.1	21.4	681.1	586.6	–	–	702.2	608.0
Grossed up for deferred tax liability			97.3				97.3	–
Business combination					1 558.8		1 558.8	–
Expected return on fund assets	1.8	2.4					1.8	2.4
Interest income on plan assets			19.2	17.0	3.1		22.3	17.0
Remeasurement - return on plan assets (excluding interest income)			81.1		47.7		128.8	–
Plan changes		(5.8)					–	(5.8)
Contributions	0.3	0.7	51.0	38.2	48.5		99.8	38.9
Benefits paid	(1.5)		(26.7)	(22.3)	(31.8)		(60.0)	(22.3)
Actuarial (loss)/gain	(0.1)	2.4		9.7			(0.1)	12.1
Exchange rate translation			(3.6)	51.9	(107.2)		(110.8)	51.9
Balance at end of year	21.6	21.1	899.4	681.1	1 519.1	–	2 440.1	702.2
Present value of defined benefit obligation								
Balance at beginning of year	(13.9)	(19.0)	(987.0)	(872.7)	–	–	(1 000.9)	(891.7)
Grossed up for deferred tax asset			(141.0)				(141.0)	–
Business combination					(2 291.3)		(2 291.3)	–
Interest cost	(1.1)	(2.0)	(27.1)	(24.7)	(4.4)		(32.6)	(26.7)
Remeasurement (effect of changes in financial assumptions)					(105.6)		(105.6)	–
Current service cost	(0.4)	(0.5)	(17.9)	(11.4)	(35.8)		(54.1)	(11.9)
Benefits paid/accrued to be paid	1.5		26.8	22.2	31.9		60.2	22.2
Plan participants contributions			(5.0)		(24.4)		(29.4)	–
Plan changes		5.8	1.2				1.2	5.8
Actuarial gain/(loss)	1.5	1.8	(243.3)	(23.0)			(241.8)	(21.2)
Exchange rate translation			9.6	(77.4)	159.0		168.6	(77.4)
Balance at end of year	(12.4)	(13.9)	(1 383.7)	(987.0)	(2 270.6)	–	(3 666.7)	(1 000.9)

The net surplus relating to The SPAR Group Ltd 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.

The BWG Group net defined benefit obligation was previously reported net of deferred tax. A deferred tax adjustment has been included in the current year to reflect this obligation at its gross value.

Rmillion		The SPAR Group Ltd Defined Benefit Pension Fund 2016	2015	The BWG Group Retirement Funds 2016	2015	The SPAR Holding AG Retirement Funds 2016	2015	Total 2016	2015
27 POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)									
27.1 Retirement benefit funds (continued)									
Amounts recognised in the statement of financial position									
Present value of fund obligations				(1 383.7)	(987.0)	(2 270.6)		(3 654.3)	(987.0)
Fair value of plan assets				899.4	681.1	1 519.1		2 418.5	681.1
Net liability recognised in the statement of financial position		–	–	(484.3)	(305.9)	(751.5)	–	(1 235.8)	(305.9)
Amounts recognised in the statement of profit or loss and other comprehensive income									
Statement of profit or loss		–	–	(24.6)	(19.0)	(37.1)	–	(61.7)	(19.0)
Current service cost				(16.7)	(11.4)	(35.8)		(52.5)	(11.4)
Net interest on obligation				(7.9)	(7.6)	(1.3)		(9.2)	(7.6)
Other comprehensive income		–	–	(162.2)	(13.3)	(57.9)	–	(220.1)	(13.3)
Remeasurement- return on plan assets (excluding interest income)				81.1		47.7		128.8	
Remeasurement- defined benefit obligation (changes in assumptions)						(105.6)		(105.6)	
Net actuarial losses recognised in the current year				(243.3)	(13.3)			(243.3)	(13.3)
The fair value of plan assets at end of period for each category are as follows:									
Cash and cash equivalents	(%)			6.0	3.8	5.3			
Equities	(%)	94.0	94.0	44.0	45.5	21.7			
Property	(%)	6.0	6.0	7.0	7.1	12.5			
Fixed interest bonds	(%)			43.0	43.6	60.5			
	(%)	100.0	100.0	100.0	100.0	100.0	–		
Sensitivity of pension cost trend rates									
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	(0.4)	(0.4)	(138.4)	(106.0)	(208.1)			
Defined benefit obligation	(0.5)	0.4	0.4	166.0	117.3	68.8			
The key actuarial assumptions applied in the determination of fair values include:									
Inflation rate	(%)	7.0	6.9	1.2	1.5	0.6			
Salary escalation rate	(%)	8.0	7.9	1.2	1.5	1.0			
Discount rate	(%)	9.7	8.7	1.3	2.3	0.2			
Expected rate of return on plan assets	(%)	9.7	8.7	2.3	2.6	2.3			

The defined benefit plans typically expose the group to actuarial risk such as investment risk, interest rate risk, longevity risk and salary risk. Changes in these variables will result in a change to the defined benefit plan liability.

27 POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

27.1 Retirement benefit funds (continued)

The SPAR Group Ltd Retirement Funds (Southern Africa)

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 24 of 1956. The funds are managed by appointed administrators and investment managers, and their assets remain independent of the company.

The SPAR Group Ltd Contribution Funds

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 R107.0 million (2015: R95.6 million) and R105.0 million (2015: R93.4 million) were expensed for the group and company respectively during the year.

The SPAR Group Ltd Defined Benefit Pension Fund

The SPAR Group Ltd Defined Benefit Pension Fund was valued as at 30 September 2016, 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 2017.

The BWG Group Retirement Funds (Ireland)

The BWG Group contributes towards retirement benefits for approximately 1060 (2015: 1050) 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. All schemes are governed by the Irish Pensions Act 25 of 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.

The BWG Group Defined Benefit Funds

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. Current service costs, past service cost or credit and net expense or income are recognised to the income statement. The defined benefit pension schemes obligations were valued at R1 383.5.0 million (2015: R987.0 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 65.0% (2015: 69.0%) of the plan liabilities.

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

The BWG Group Contribution Funds

The BWG Group operates a number of defined contribution pension schemes. Contributions of R10.8 million (2015: R7.4 million) were expensed during the year.

The SPAR Holding AG Retirement Funds (Switzerland)

The pension plan of SPAR Holding AG and the undertakings economically linked to it is a contribution based plan which guarantees a minimum interest credit and fixed conversion rates at retirement. Disability and death benefits are defined as a percentage of the insured salary. The plan for additional risk benefits provides disability and death benefits defined as a percentage of the additional risk salary. IAS 19.139 (a) (ii) provides benefits over the LPP/BVG law, which stipulates the minimum requirement of the mandatory employer's sponsored pension plan in Switzerland. The pension plan is set up as a separate legal entity. The foundation is responsible for the governance of the plan, the board is composed of an equal number of representatives from the employer and the employees. The plan must be fully funded under LPP/BVG law on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both. The foundation has set up investment guidelines, defining in particular the strategic allocation with margins.

SPAR Switzerland retirement funds contribute towards retirement benefits for approximately 1 445 current and former employees.

The next actuarial valuation of the defined benefit schemes will take place on 31 March or 30 September 2017.

These schemes are closed to further membership.

Rmillion		GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
27 POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)					
27.2 Post-retirement medical aid provision					
Balance – actuarial valuation at beginning of year		**(140.8)**	(129.1)	**(140.8)**	(129.1)
Recognised as an expense during the current year		**(14.6)**	(13.7)	**(14.6)**	(13.7)
Interest cost		**(11.5)**	(10.6)	**(11.5)**	(10.6)
Current service cost		**(3.1)**	(3.1)	**(3.1)**	(3.1)
Employer contributions		**6.9**	6.2	**6.9**	6.2
Actuarial loss		**(7.9)**	(4.2)	**(7.9)**	(4.2)
Balance at end of year		**(156.4)**	(140.8)	**(156.4)**	(140.8)
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate – in service members	(%)	**9.7**	9.0	**9.7**	9.0
Discount rate – continuation members	(%)	**9.2**	8.4	**9.2**	8.4
Medical inflation – in service members	(%)	**8.7**	7.6	**8.7**	7.6
Medical inflation – continuation members	(%)	**8.3**	7.3	**8.3**	7.3
Average retirement age	(years)	**63/65**	63/65	**63/65**	63/65

The obligation of the group to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997. There are 267 (2015: 278) pensioners and current employees who remain entitled to this benefit. The expected payments to retired employees for the next financial year is R7.7 million (2015: R6.9 million).

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

Rmillion	Sensitivity %	Discount rate 2016	Discount rate 2015	Medical inflation 2016	Medical inflation 2015
Defined benefit obligation	1.0	**(15.7)**	(15.8)	**22.1**	19.3
Defined benefit obligation	(1.0)	**23.6**	20.0	**(15.3)**	(15.6)

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 2016 and the next valuation is expected to be performed during the 2017 financial year.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
28. FINANCIAL LIABILITIES				
Present value				
TIL JV Ltd	**824.4**	729.8	**824.4**	729.8
SPAR Holding AG	**743.6**			
	1 568.0	729.8	**824.4**	729.8
Undiscounted value				
TIL JV Ltd	**1 094.2**	1 087.3	**1 094.2**	1087.3
SPAR Holding AG	**803.6**			
	1 897.8	1 087.3	**1 094.2**	1087.3

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 purchase value and discounted from the expected exercise dates to the reporting date. As at 30 September 2016, the financial liability was valued at R824.4 million (2015: R729.8 million) based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

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

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs. The estimated future purchase price is fair valued at each reporting date and any changes in the value of the liability as a result of changes in the assumptions used to estimate the future purchase price are recorded in profit or loss. In 2016 there were no changes to these assumptions and therefore no fair value adjustment, in 2015, changes in these assumptions resulted in a fair value adjustment of R72.8 million.

The SPAR Group Ltd acquired a controlling shareholding of 60% in SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 April 2016. Part of the purchase price of this 60% shareholding is a deferred consideration of CHF16.0 million, which will be paid between December 2020 and February 2021 with the purchase of the remaining 40% of SPAR Holding AG. The purchase of the remaining 40% shareholding is at a set price of CHF40.3 million. The total obligation of CHF56.3 million was accounted for as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding. On initial recognition of the financial liability to purchase the non-controlling interest, the contra-entry was set-off against the non-controlling interest recognised on acquisition of SPAR Holding AG, and the remaining debit recognised as an equity reserve.

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

Refer to note 39 – movements in level 3 financial instruments carried at fair value for a reconciliation of the opening and closing balance of the financial liabilities discussed above.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
29. BORROWINGS				
Foreign				
Loans secured by mortgage bonds over fixed property	3 352.0	2 455.1		
Syndicated bank term loans	1 078.2			
Total borrowings at amortised cost	4 430.2	2 455.1	–	–
Less: short-term portion of borrowings	(265.9)	(87.2)		
Long-term portion of borrowings	4 164.3	2 367.9	–	–
Schedule of repayment of borrowings				
Year to September 2016		87.2		
Year to September 2017	265.9	183.1		
Year to September 2018	263.2	185.6		
Year to September 2019	269.2	194.1		
Year to September 2020	1 886.3	1 805.1		
Year to September 2021 onwards	1 745.6			
	4 430.2	2 455.1	–	–

TIL JV Ltd has undrawn committed facilities of R400.4 million (2015 : R933.3 million) as at 30 September 2016. SPAR Holding AG has undrawn banking facilities of R462.9 million as at 30 September 2016.

Terms and debt repayment schedule	**Currency**	Year-end nominal interest rate 2016 %	Year-end nominal interest rate 2015 %	Year of maturity 2016	Year of maturity 2015	Carrying value 2016 Rmillion	Carrying value 2015 Rmillion
Secured borrowings	EUR	1.8	1.8	2020	2016–2020	2 378.3	2 455.1
Secured borrowings	CHF	0.8 – 3.0		2017–2023		973.7	
Unsecured borrowings	CHF	0.5 – 2.0		2017–2021		1 078.2	

The loans are secured by certain fixed and current assets held by The BWG Group and SPAR Holding AG. The expected maturity dates are not expected to differ from the contractual maturity dates.

Refer to note 39 for further disclosure.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
30. TRADE AND OTHER PAYABLES				
Trade payables	9 769.6	8 655.3	5 932.1	5 419.5
Other payables	3 392.9	2 693.9	1 614.7	1 499.6
Trade and other payables	13 162.5	11 349.2	7 546.8	6 919.1

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

31. PROVISIONS

Rmillion	Supplier claims	Termination of leases	Onerous lease provisions	Total
GROUP				
Balance at beginning of year	5.2	84.9	20.2	110.3
Provisions reversed			(2.6)	(2.6)
Provisions utilised	(2.2)	(4.5)	(3.8)	(10.5)
Exchange rate translation		0.5	(0.8)	(0.3)
Balance at end of year	3.0	80.9	13.0	96.9
Analysed as follows:				
Non-current provisions		49.4	9.5	58.9
Current provisions	3.0	31.5	3.5	38.0
COMPANY				
Balance at beginning of year	3.7	–	–	3.7
Provisions utilised	(0.7)			(0.7)
Balance at end of year	3.0	–	–	3.0
Analysed as follows:				
Current provisions	3.0			3.0

The provisions for supplier claims, termination of leases and onerous leases represents management's best estimate of the group's liability. The supplier claim 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.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
32. CASH GENERATED FROM OPERATIONS				
Operating profit	**2 577.3**	2 294.2	**2 082.4**	1 951.8
Depreciation	**531.4**	331.5	**166.3**	148.2
Net loss on disposal of property, plant and equipment	**17.9**	15.0	**1.9**	6.2
Net (profit)/ loss on assets held for sale	**(3.0)**	0.7		
Post-retirement medical aid provision	**7.7**	7.5	**7.7**	7.5
Retirement benefit fund provision	**(8.7)**	(26.8)		
BBBEE transaction	**10.7**	12.4	**10.7**	12.4
Share-based payments	**41.8**	25.0	**41.8**	25.0
Provision against loans and trade receivables	**50.7**	18.9	**8.1**	26.0
Amortisation of prepaid cost	**12.1**			
Lease smoothing adjustment	**(2.9)**	(0.2)	**0.7**	3.5
Exchange rate translation	**(2.7)**	(1.6)		(1.6)
Cash generated from operations before:	**3 232.3**	2 676.6	**2 319.6**	2 179.0
Net working capital changes	**17.9**	278.0	**(308.1)**	187.4
Increase in inventories	**(133.6)**	(114.8)	**(170.0)**	(86.4)
Increase in trade and other receivables	**(722.2)**	(387.7)	**(765.0)**	(207.4)
Increase in trade payables and provisions	**873.7**	780.5	**626.9**	481.2
Cash generated from operations	**3 250.2**	2 954.6	**2 011.5**	2 366.4
32.1 Net movement in loans and investments	**(120.9)**	(30.0)	**(241.8)**	(139.6)
Proceeds from disposal of associate	**7.8**	7.4	**7.8**	7.4
Proceeds from disposal of other investments	**0.6**	0.6	**0.6**	0.6
Dividends from associates		0.6		
Net movement on retailer and subsidiary loans	**(119.7)**	(39.0)	**(96.3)**	2.9
Loan to The SPAR Group Ltd Employee Share Trust (2004)			**(144.3)**	(150.9)
Repayments of loans to related parties	**3.8**	2.9	**3.8**	2.9
Loan to associate	**(13.4)**	(2.5)	**(13.4)**	(2.5)

33. BUSINESS COMBINATIONS

33.1 Subsidiaries acquired

SPAR Holding AG ('SPAR Switzerland')

The SPAR Group Ltd acquired a controlling shareholding of 60% in SPAR Switzerland, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd for a total consideration of R909.7 million. This acquisition was effective from 1 April 2016. SPAR Switzerland is the operator and holder of the SPAR licence in Switzerland and a member of SPAR International since 1989. SPAR Switzerland supplies a wide range of food and beverage products to consumers through company-owned and independent retailer stores trading under the SPAR, SPAR Express and MAXI brands. It also owns 11 corporate cash-and-carry outlets trading under the brand TopCC, rated the second largest business in the Swiss cash-and-carry market in 2014. SPAR Switzerland operates a world-class logistics network based at the group-owned centralised warehouse in St Gallen. The transaction is an attractive opportunity for SPAR to invest in an established business in a stable market with growth potential. The company believes that synergies will result from the opportunity to share knowledge, technologies, products and best practice across groups. The goodwill recognised on acquisition reflects this, as well as the brands that have been built by SPAR Switzerland.

The cash portion of the purchase price was settled from part of the proceeds of the equity capital raised through the April 2016 bookbuild offering. SPAR has an option to buy the remaining 40% of the ordinary shares in SPAR Switzerland from the existing shareholders after five years for CHF40.3 million. This has been recognised as a financial liability, refer to note 28. The non-controlling interest has been recognised at the proportionate share of the net assets of the business.

The initial accounting for the acquisition of SPAR Switzerland is provisional for the value of intangible assets acquired as the valuation of these assets has not yet been completed. Once this valuation is finalised the values of intangible assets acquired, deferred tax and goodwill are expected to change.

Business acquisition costs of R6.2 million relating to the acquisition of SPAR Switzerland have been recognised as other non-operating items in the statement of profit or loss.

GCL 2016 Ltd ('Gilletts')

The BWG Group, which is held by TIL JV Ltd, a subsidiary of The SPAR Group Ltd, acquired the entire issued share capital of Gilletts for a total consideration of R295.4 million. This acquisition was effective from 14 July 2016. The principal business activity of Gilletts is that of retail of consumer goods in the South West of England. The 63 convenience retail stores trade under the SPAR banner and are customers of Appleby Westward Ltd, a subsidiary of TIL JV Ltd. The goodwill recognised on acquisition of this group is reflective of the expected benefit of these stores continuing to trade as SPARs.

Details of contingent consideration

The contingent consideration is an amount payable which is dependent on the outcome of a completion account process for the working capital, and a valuation performed by a property expert on the quantum of repairs required to properties as part of the business combination. The initial accounting for the acquisition of Gilletts is provisional for the value of the repairs as a result of the dilapidation valuation, the consideration, inventories, trade and other receivables, and trade and other payables. 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. As this process has not yet been formally concluded this may result in a change in the fair value of working capital acquired. The maximum amount payable for the contingent consideration is expected to be R35.9m and the minimum amount payable is estimated to be R17.1m. Business acquisition costs of R14.8 million relating to the acquisition of Gilletts have been recognised as other non-operating items in the statement of profit or loss.

Acquisition costs

Total acquisition costs for business acquisitions concluded during the 2016 financial year amounted to R21.0 million (2015: R46m) and have been recognised as an expense in profit or loss in 'other non-operating items'.

33.2 SA Retail Stores

During the course of the financial year The SPAR Group Ltd acquired the assets of 13 retail stores (2015: 12). These acquisitions were funded from available cash resources. The principal activity of these acquisitions is that of retail trade and all its aspects. Some of these stores are TOPS stores, acquired to add value to the business of related corporate SPAR stores, while other stores were acquired in order to protect strategic sites. This added value and expected turnover from the acquired stores are reflected in the goodwill recognised on acquisition.

33. BUSINESS COMBINATIONS (continued)

33.3 Assets acquired and liabilities assumed at date of acquisition

	GROUP							COMPANY	
	2016				2015			2016	2015
Rmillion	SPAR Holding AG	GCL 2016 Ltd	SA Retail Stores	Total	ADM Londis plc	SA Retail Stores	Total		
Assets	**5 157.5**	**143.7**	**13.7**	**5 314.9**	574.9	17.7	592.6	**13.7**	17.7
Property, plant and equipment	**2 873.8**	**14.6**	**13.7**	**2 902.1**	4.6	17.7	22.3	**13.7**	17.7
Intangible assets				**–**	98.1		98.1		
Other investments	**55.2**			**55.2**			–		
Assets held for sale				**–**	144.7		144.7		
Loans	**9.9**			**9.9**			–		
Inventories	**1 303.1**	**56.9**		**1 360.0**	37.1		37.1		
Trade and other receivables	**686.0**	**20.6**		**706.6**	239.0		239.0		
Provision for doubtful debts	**(25.7)**			**(25.7)**			–		
Income taxation recoverable				**–**	6.1		6.1		
Cash and cash equivalents	**255.2**	**51.6**		**306.8**	45.3		45.3		
Liabilities	**(4 195.5)**	**(211.5)**	**–**	**(4 407.0)**	(304.3)	–	(304.3)	**–**	–
Post-employment benefit obligations	**(732.5)**			**(732.5)**			–		
Long-term borrowings	**(2 327.2)**	**(126.3)**		**(2 453.5)**	(2.0)		(2.0)		
Trade and other payables	**(990.1)**	**(78.0)**		**(1 068.1)**	(289.0)		(289.0)		
Income tax liability	**(3.3)**	**(2.6)**		**(5.9)**			–		
Deferred taxation liability	**(142.4)**	**(4.6)**		**(147.0)**	(13.3)		(13.3)		
Total identifiable net assets at fair value	**962.0**	**(67.8)**	**13.7**	**907.9**	270.6	17.7	288.3	**13.7**	17.7
Goodwill arising from acquisition	**332.5**	**363.2**	**42.0**	**737.7**	216.3	117.3	333.6	**42.0**	117.3
Non-controlling interest	**(384.8)**			**(384.8)**			–		
Investment in subsidiary				**–**			–	**685.4**	
Purchase consideration	**909.7**	**295.4**	**55.7**	**1 260.8**	486.9	135.0	621.9	**741.1**	135.0
Paid in cash	**685.4**	**263.0**	**55.7**	**1 004.1**	316.3	135.0	451.3	**741.1**	135.0
Deferred consideration	**224.3**			**224.3**			–		
Contingent consideration		**32.4**		**32.4**	170.6		170.6		
Cash and cash equivalents acquired	**(255.2)**	**(51.6)**		**(306.8)**	(45.3)		(45.3)		
Business acquisition costs	**6.2**	**14.8**		**21.0**	46.0		46.0	**6.2**	
Loss on cash flow hedge through OCI	**39.2**			**39.2**			–	**39.2**	
Deferred consideration	**(224.3)**			**(224.3)**			–		
Contingent consideration		**(32.4)**		**(32.4)**	(170.6)		(170.6)		
Net cash outflow on acquisition	**475.6**	**226.2**	**55.7**	**757.5**	317.0	135.0	452.0	**786.5**	135.0

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
33. BUSINESS COMBINATIONS (continued)				
33.4 Assets and liabilities at date of disposal				
The assets and liabilities disposed of relate to SA retail stores.				
Non-current assets	**8.9**	3.5	**8.9**	2.3
Property, plant and equipment	**8.9**	3.5	**8.9**	2.3
Non-current liabilities	**–**	(2.4)	**–**	–
Operating lease liability		(2.4)		
Goodwill		9.3		2.7
Profit on disposal of business	**1.1**		**1.1**	
Proceeds	**10.0**	10.4	**10.0**	5.0

33.5 Impact of subsidiaries on the results of the group

Since acquisition SPAR Switzerland has contributed R6 523.5 million revenue and R32.2 million operating profits to the results of the group. Since acquisition Gilletts has contributed R96.2 million revenue and R9.8 million operating profits to the results of the group.

Had all the acquisitions been consolidated from 1 October 2015, they would have contributed additional revenue of R14 194.7 million, and an operating profit of R83.4 million. The group's total revenue would have increased to R106 422.0 million, and the group's operating profit would have increased to R2 660.7 million.

Contribution to results for the year

	2016				2015		
Rmillion	SPAR Holding AG	GCL 2016 Ltd	SA Retail Stores	Total	ADM Londis plc	SA Retail Stores	Total
Revenue	**6 523.5**	**96.2**	**126.5**	**6 746.2**	614.0	56.5	670.5
Trading profit before acquisition costs	**32.2**	**9.8**	**(11.4)**	**30.6**	11.0	3.4	14.4

33.6 Finalisation of ADM Londis plc acquisition

The initial accounting for the 2015 acquisition of ADM Londis plc ('Londis') was provisional for the value of the contingent consideration, assets held for sale, inventories, trade and other receivables, and trade and other payables. This was as a result of costs in the acquisition including an element of deferred consideration which was contingent upon the values realised for the assets held for sale. The working capital element of the acquisition was 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. This process has now been concluded, which has resulted in no material changes to the provisional values disclosed for this business combination.

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
34. CONTINGENT LIABILITIES				
Guarantees issued in respect of the finance obligations	**1 065.6**	947.5	**4 375.9**	3 203.4
– Loan guarantees	**743.7**	657.8	**743.7**	657.8
– Rental guarantees	**3.1**	1.0	**3.1**	1.0
– Customs and excise guarantees	**152.3**	115.1		
– Guarantee of TIL JV Ltd borrowing facilities			**2 885.4**	2 367.9
– Guarantee of SPAR Holding AG borrowing facilities			**575.0**	
– Guarantee of Kaplian Trading (Pty) Ltd finance obligations				0.7
– Guarantee of Annison 45 (Pty) Ltd finance obligations			**2.2**	2.4
– IT retail computer equipment lease scheme	**166.5**	173.6	**166.5**	173.6

The board has limited guarantee facilities to R990 million (2015: R915 million) relating to Southern Africa. The board has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of 220 million euros, and SPAR Holding AG borrowing facility to the value of CHF40.0 million swiss francs.

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.

Rmillion	GROUP Land and buildings	GROUP Other	COMPANY Land and buildings	COMPANY Other
35. COMMITMENTS				
35.1 Operating lease commitments				
Future minimum lease payments due under non-cancellable operating leases:				
2016				
Payable within one year	**1 596.6**	**71.5**	**950.4**	**7.4**
Payable later than one year but not later than five years	**5 157.2**	**145.9**	**3 012.8**	**6.0**
Payable later than five years	**4 193.9**	**14.0**	**1 675.0**	
Total	**10 947.7**	**231.4**	**5 638.2**	**13.4**
2015				
Payable within one year	1 036.4	26.7	803.9	3.4
Payable later than one year but not later than five years	3 572.7	51.1	2 739.9	4.5
Payable later than five years	3 141.1	3.8	1 518.9	
Total	7 750.2	81.6	5 062.7	7.9

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
35.2 Operating lease receivables				
Future minimum sub-lease receivables due under non-cancellable property leases:				
Receivable within one year	**937.8**	729.9	**876.3**	746.7
Receivable later than one year but not later than five years	**2 755.7**	2 529.1	**2 771.3**	2 600.3
Receivable later than five years	**1 515.9**	1 378.4	**1 499.5**	1 364.9
Total operating lease receivables	**5 209.4**	4 637.4	**5 147.1**	4 711.9
35.3 Capital commitments				
Contracted	**322.0**	158.9	**225.1**	69.8
Approved but not contracted	**154.6**	18.2	**56.9**	10.8
Total capital commitments	**476.6**	177.1	**282.0**	80.6

Capital commitments will be financed from group resources.

R'000	Salary	Performance related bonus	Retirement funding contributions	Travel allowance and other benefits[(1)]	Share option gains	Total
36. DIRECTORS' REMUNERATION AND INTERESTS REPORT						
36.1 Emoluments						
2016						
Executive directors						
GO O'Connor	**4 165**	**4 079**	**496**	**396**		**9 136**
WA Hook	**3 407**	**3 200**	**421**	**419**		**7 447**
MW Godfrey	**2 965**	**2 874**	**357**	**539**	**4 008**	**10 743**
R Venter	**2 675**	**2 594**	**336**	**463**	**28 617**	**34 685**
Total emoluments	**13 212**	**12 747**	**1 610**	**1 817**	**32 625**	**62 011**
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

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

R'000		2016	2015
36.2 Fees for services as non-executive directors			
MJ Hankinson (Chairman)[bc]		**1 088**	1 013
PK Hughes[a]	(retired 28 February 2016)	**137**	370
RJ Hutchison[b]	(retired 28 February 2016)	**131**	353
MP Madi		**398**	353
M Mashologu[a]		**387**	
HK Mehta[abc]		**597**	515
P Mnganga[d]		**483**	388
CF Wells[acd]		**694**	628
Total fees		**3 915**	3 620

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

		Number of shares	
		2016	2015
36.3 Directors' interests in the share capital of the company			
Executive directors			
GO O'Connor – direct beneficial holding		**300**	
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	(retired 28 February 2016)		64 400
RJ Hutchison – indirect beneficial holding	(retired 28 February 2016)		10 000
HK Mehta – direct beneficial holding		**2 000**	10 000
HK Mehta – indirect beneficial holding		**10 000**	1 000
CF Wells – direct beneficial		**1 100**	1 100

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

36. DIRECTORS' REMUNERATION AND INTERESTS REPORT (continued)

36.4 Declaration of disclosure

Other than that disclosed in this note and in note 37, 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 2016.

37. 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 the date of issue to exercise their option rights.

37.1 Options held over shares in The SPAR Group Ltd

		Date of option issue	Option price rand	Number of options held 2016	2015
Executive directors					
GO O'Connor		07/02/2014	124.22	**50 000**	50 000
				50 000	50 000
WA Hook		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	495 000
R Venter		04/12/2007	58.10		35 000
		11/11/2008	50.23		50 000
		10/11/2009	66.42		38 000
		08/12/2010	99.91	**23 200**	35 000
		08/11/2011	96.46	**11 800**	35 000
		13/11/2012	122.81	**30 000**	30 000
		12/11/2013	126.43	**30 000**	30 000
				95 000	253 000
MW Godfrey		14/11/2005	29.00		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
				172 000	197 000
Non-executive director					
PK Hughes	(retired 28 February 2016)	11/01/2006	30.36		36 800
				–	36 800

37. DIRECTORS' SHARE SCHEME INTERESTS (continued)

37.2 Options exercised

	Date of options exercised	Number of options exercised	Option price Rand	Market price on exercise Rand	Gain Rand
R Venter	07/07/2016	35 000	58.10	210.93	5 349 037
R Venter	07/07/2016	50 000	50.23	210.93	8 034 981
R Venter	07/07/2016	38 000	66.42	210.93	5 491 365
R Venter	07/07/2016	11 800	99.91	210.93	1 310 031
R Venter	07/07/2016	23 200	96.46	210.93	2 655 695
MW Godfrey	11/11/2015	25 000	29.00	189.34	4 008 415
PK Hughes (retired 28 February 2016)	12/08/2015	36 800	30.36	175.52	5 341 888

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

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. These shares vest over a period of three years subject to performance conditions at year-end. No exercise price is allocated to these awards. Awards to participants in terms of the conditional share plan are as follows:

	Grant date	Share price on date of grant Rand	Number of shares 2016	Number of shares 2015
Executive Directors				
GO O'Connor	17/02/2015	133.61	**36 665**	36 665
GO O'Connor	09/02/2016	180.11	**20 000**	
WA Hook	17/02/2015	133.61	**14 000**	14 000
WA Hook	09/02/2016	180.11	**7 500**	
R Venter	17/02/2015	133.61	**22 000**	22 000
R Venter	09/02/2016	180.11	**9 600**	
MW Godfrey	17/02/2015	133.61	**22 000**	22 000
MW Godfrey	09/02/2016	180.11	**11 000**	
			142 765	94 665

38. SHARE-BASED PAYMENTS

38.1 Share option scheme

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

Share options outstanding at year-end are as follows:

	Number of options 2016	Number of options 2015
Opening balance	**4 945 934**	6 645 710
Options taken up*	**(1 168 700)**	(1 592 642)
Options forfeited or reinstated	**(1 000)**	(107 134)
Closing balance	**3 776 234**	4 945 934
* Weighted average grant price of options taken up during the year	**69.33**	50.43
** Weighted average selling price of options exercised during the year	**199.23**	165.99

38. SHARE-BASED PAYMENTS (continued)

38.1 **Share option scheme** (continued)

No further issues of options have been granted under the share option scheme. Please see conditional share plan note 38.3. Details of the options granted are set out in note 25.2. The options granted were valued at inception, and charged to profit or loss over the vesting periods of three to five years. The change for the current year is R10.3 million (2015: R15.9 million). The fair value of these options were calculated using a binomial model.

38.2 **Broad-based black economic empowerment deal**

The broad-based black economic empowerment deal vested in 2016. Refer to note 4.

38.3 **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 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.

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 grants performance share awards to employees which vest over a period of 3 years. These shares are 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 is used that has both stochastic and deterministic features. The assumptions and inputs used in the valuation of the units issued are summarised in the table that follows. Also taken into account in this calculation are: SPAR forecast HEPS growth, SPAR Remuneration Committee HEPS tentative target set in November 2014 has raised the expectation for future RONA to midway between the tentative target and upper target, SPAR forecast average RONA and CPI to grant date. As expectations are revised during the performance period, the value per unit will be restated accordingly.

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 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.

38. SHARE-BASED PAYMENTS (continued)

38.3 Conditional share plan (continued)

Model inputs and assumptions as at 30 September 2016		2016 November 2015 grant	2015 November 2014 grant
Grant date		**10 November 2015**	11 November 2014
Vesting date		**9 February 2019**	17 February 2018
Performance period for TSR condition		**1 October 2015 to 30 September 2018**	1 October 2014 to 30 September 2017
Total number of units granted		**326 100**	513 951
Share price at grant date		**R195.38**	R133.61
Estimated total CPI growth over performance period		**19.01%**	18.64%
Risk-free rate (NACA)		**7.72%**	7.09%
Dividend yield (NACC)		**3.04%**	3.24%
Volatility		**Varies by company**	Varies by company
Correlation with SPAR		**60.0%**	60.0%
Employee 'good' attrition		**1.0% p.a.**	1.0% p.a.
Employee 'bad' attrition		**4.0% p.a.**	4.0% p.a.
Rand			
The weighted average fair value of the shares granted during the financial year is:			
Value per unit (as at valuation date, excluding attrition impact and performance conditions)		**177.01**	120.19
Value per unit (as at valuation date)		**127.79**	99.89
Total value (allowing for attrition)		**41 671 541**	50 594 786
Total value (without allowing for attrition)		**46 264 312**	53 711 744
Number of options			
Movement in the number of full share grants awarded in terms of the CSP			
Balance at beginning of year		**513 951**	–
Shares granted during the year		**326 100**	513 951
Shares forfeited during the year		**(7 466)**	
Balance at end of year		**832 585**	513 951
Charge to profit or loss for the year	Rmillion	**31.6**	9.0

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
39. FINANCIAL RISK MANAGEMENT				
Financial instruments classification				
Net bank balances/(overdrafts)	**1 532.9**	(37.8)	**595.6**	(610.1)
Loans*	**264.6**	130.9	**200.5**	110.4
Other equity investments***	**54.2**	2.3	**1.6**	2.3
Trade and other receivables*	**10 544.0**	9 309.2	**7 313.0**	6 561.1
Trade and other payables**	**(13 162.5)**	(11 349.2)	**(7 546.8)**	(6 919.1)
FEC (liability)/asset***	**(0.7)**	0.4	**(0.7)**	0.4
Borrowings**	**(4 430.2)**	(2 455.1)		
Financial liabilities***	**(1 568.0)**	(729.8)	**(824.4)**	(729.8)

* *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, financial liabilities 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, other equity instruments and the financial liability to the non-controlling shareholders, the group has no financial instruments that are classified at fair value through profit or loss. FECs represent an insignificant portion of the group's financial instruments and amounted to a net liability of R0.7 million in the current year (2015: net asset of R0.4 million).The group does not speculate in or engage in the trading of derivatives or other financial instruments.

The financial liabilities are to the non-controlling shareholders of TIL JV Ltd and SPAR Holding AG, the group's foreign subsidiaries, with whom the group has contracted to acquire the minority shareholdings.

For a maturity analysis and further disclosures refer to notes 28 and 29.

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 liabilities.

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 R6.5 million at year-end (2015: R14.6 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	Commit-ment Rmillion	Fair value of FEC 2016 Rmillion	Fair value of FEC 2015 Rmillion
39. FINANCIAL RISK MANAGEMENT (continued)				
Imports				
US dollar	**16.23**	**6.5**	**(0.7)**	0.4

Ireland and Switzerland: Financial liabilities

The settlement of the financial liabilities (purchase obligation of non-controlling interest, refer to note 28) is denominated in euros and Swiss franks respectively. The group is therefore exposed to currency risk. There is also an element of translation risk as the financial liabilities are translated to the rand spot value at year-end.

Please refer to note 28 for the effect of foreign exchange differences on the financial liabilities in the current year.

Ireland and Switzerland: 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	2016 ZAR	2015 ZAR	2016 EUR	2015 EUR	2016 CHF	2015 CHF	2016 Other	2015 Other	2016 Total	2015 Total
Financial instrument balances:										
Loans	**193.7**	83.6	**60.6**	47.3	**10.3**				**264.6**	130.9
Other equity investments	**1.6**	2.3			**52.6**				**54.2**	2.3
Net bank balances/ (overdrafts)	**1 065.2**	(513.3)	**208.1**	399.9	**221.5**		**38.1**	75.6	**1 532.9**	(37.8)
Trade and other receivables	**7 349.2**	6 690.1	**2 386.9**	2 451.4	**642.2**		**165.7**	167.7	**10 544.0**	9 309.2
Trade and other payables	**(8 194.2)**	(7 243.3)	**(3 787.9)**	(3 871.3)	**(989.1)**		**(191.3)**	(234.6)	**(13 162.5)**	(11 349.2)
Financial liabilities			**(824.4)**	(729.8)	**(743.6)**				**(1 568.0)**	(729.8)
Borrowings			**(2 378.3)**	(2 455.1)	**(2 051.9)**				**(4 430.2)**	(2 455.1)

39. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis

The group has its most significant exposure to the euro and Swiss frank through its Ireland and Switzerland operations respectively, being its controlling shareholding in TIL JV Ltd, the holding company of BWG Foods, its controlling shareholding in SPAR Handels AG and the related financial liabilities.

For a 10.0% 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 as detailed below:

Rmillion	Sensitivity %	GROUP 2016	GROUP 2015
Profit before tax	10.0	**28.3**	5.1
Profit before tax	(10.0)	**(28.3)**	(5.1)

For a 10.0% weakening of the rand against the Swiss frank, there would be an equal and opposite impact on profit before tax based on the Swiss profitability impact on South Africa as detailed below:

Rmillion	Sensitivity %	GROUP 2016	GROUP 2015
Profit before tax	10.0	**0.6**	
Profit before tax	(10.0)	**(0.6)**	

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 received on cash deposits net of overdraft was R21.5 million (2015: net interest paid was R29.8 million), interest received from loans was R2.0 million (2015: R1.0 million) and interest paid on loans was R68.8 million (2015: R73.4 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:

2016		Floating rate Less than one year	Greater than one year	Total borrowings
Borrowings	(Rmillion)	**265.9**	**4 164.3**	**4 430.2**
Total borrowings	(%)	**6.0**	**94.0**	**100.0**

The closing rates at 30 September 2016 ranged from 0.5% to 3.0%. For more details, please refer to borrowings note 29.

2015				
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%

39. 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% higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:

		GROUP	
Rmillion	**Sensitivity %**	**2016**	2015
Profit before tax	0.5	**(11.9)**	(12.3)
Profit before tax	(0.5)	**11.9**	12.3

Switzerland

If interest rates relating to Swiss loans had been 0.5% higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:

		GROUP	
Rmillion	**Sensitivity %**	**2016**	2015
Profit before tax	0.5	**(10.3)**	
Profit before tax	(0.5)	**10.3**	

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 R10 862.8 million (2015: R9 442.2 million). Concentration risk is mitigated as the group deals with a broad spread of customers.

Trade receivables consist of:
Southern Africa: SPAR and Build it member debts
Ireland: Central billing customer and value centre debts
Switzerland: Retailers, wholesale and TopCC clients

Overdue receivables balances, representing 10.5 % (2015: 12.6 %) of the total trade receivables balance, amounted to R1 114.6 million (2015: R1 172.6 million) at the reporting date. Allowances for doubtful debts totalling R654.9 million (2015: R582.3 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 2016, security representing 59.48%(2015: 59.64%) of the trade receivables balance was held by the group. Ongoing credit evaluations are performed including regular reviews of security cover held (refer to note 21 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 34. 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, 939 SPAR stores (2015: 917), 536 TOPS at SPAR stores (2015: 497), 24 Pharmacy at SPAR stores (2015: 20) and 1 Build it store (2015:1) were participants in the IT retail scheme, with an average debt of R110 987 (2015: R120 982) 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.

39. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

	Southern Africa		Ireland	
Rmillion	2016	2015	2016	2015
Unsecured bank overdraft facilities, reviewed annually, and at call:				
– Utilised as at year-end		634.0	**2 918.8**	2 638.2
– Unutilised	**2 200.0**	1 566.0	**400.4**	933.3
Total available bank overdraft facilities	**2 200.0**	2 200.0	**3 319.2**	3 571.5

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 29.

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:

Financial instruments

2016		Fair Value		
Rmillion	Carrying Value	Level 1	Level 2	Level 3
Other equity investments	**54.2**		**54.2**	
FEC liability	**(0.7)**	**(0.7)**		
Financial liabilities	**(1 568.0)**			**(1 568.0)**
Total	**(1 514.5)**	**(0.7)**	**54.2**	**(1 568.0)**
2015				
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)**

39. FINANCIAL RISK MANAGEMENT (continued)

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R1 568.0 million (2015: R729.8 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets for the financial liability relating to TIL JV Ltd, and the discount rates applied. The assumed profitability for TIL JV Ltd was based on historical performances but adjusted for expected growth.

The following factors were applied in calculating the financial liabilities at 30 September 2016:

TIL JV Ltd

– Discount rate of 7.2% (2015: 8.15%)
– Closing rand/euro exchange rate of 15.59 (2015: 15.53)

SPAR Holding AG

– Discount rate of 2.0%
– Closing rand/swiss franc exchange rate of 14.38

The following tables show 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%.

TIL JV Ltd 2016	Valuation technique	Discount rate %	Sensitivity %	Liability Rmillion
Financial liability	Income approach	**7.20**	**0.5**	**(15.8)**
Financial liability	Income approach	**7.20**	**(0.5)**	**16.2**
2015				
Financial liability	Income approach	8.15	0.5	(17.5)
Financial liability	Income approach	8.15	(0.5)	18.0

SPAR Holding AG 2016	Valuation technique	Discount rate %	Sensitivity %	Liability Rmillion
Financial liability	Income approach	**2.00**	**0.5**	**(15.5)**
Financial liability	Income approach	**2.00**	**(0.5)**	**16.1**

Movements in level 3 financial instruments carried at fair value

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

TIL JV Ltd	GROUP		COMPANY	
Rmillion	2016	2015	2016	2015
Balance at beginning of year	**729.8**	548.9	**729.8**	548.9
Finance costs recognised in profit or loss	**96.3**	45.9	**96.3**	45.9
Net exchange differences arising during the period	**(1.7)**	62.2	**(1.7)**	62.2
Fair value adjustment		72.8		72.8
Balance at end of year	**824.4**	729.8	**824.4**	729.8

Rmillion	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
39. FINANCIAL RISK MANAGEMENT (continued)				
SPAR Holding AG				
Balance at beginning of year	–	–	–	–
Financial liability initially recognised	789.4			
Initial recognition reducing non-controlling interest balance	384.8			
Initial recognition in equity reserve	180.3			
Deferred consideration	224.3			
Finance costs recognised in profit or loss	7.7			
Net exchange differences arising during the period	4.2			
Foreign exchange translation	(57.7)			
Balance at end of year	743.6	–	–	–
Total financial liabilities	1 568.0	729.8	824.4	729.8

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 2016. 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 25 and 38 respectively and borrowings as disclosed in note 29.

Treasury shares (refer note 26) 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.

40. 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:

40.1 Company

During the year, the following related party transactions occurred:

Between the company and it's subsidiaries:

- 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 R19.9 million (2015: R18.7 million) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R14.3 million (2015: R13.4 million) 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 2016 amounted to R72.0 million (2015: R60.9 million). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd have accounting services provided to them by The SPAR Group Limited. During the year dividends of R6.0 million (2015: R13.0 million) and R5.2 million (2015: R4.6 million) and management fees of R4.5 million (2015: R4.5 million) and R0.9 million (2015: R0.7 million) 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 2016 amounted to R46.5 million (2015: R26.2 million) and R17.3 million (2015: R13.2 million) 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 R0.2 million (2015: R0.9 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2016 amounted to R5.2 million (2015: R4.4 million). The liability is interest-free, unsecured and no date has been set for repayment.

40. RELATED PARTY TRANSACTIONS (continued)

40.1 Company (continued)

- 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 R5.6 million (2015: R4.9 million) were paid to The SPAR Guild of Southern Africa. The intercompany asset/(liability) with The SPAR Group Ltd as at 30 September 2016 amounted to a liability of R51.9 million (2015: a liability of R25.7 million) and an asset of R0.9 million (2015 : a liability of R4.4 million) for the SPAR Guild and the Build it Guild respectively. The liability is interest-free, unsecured and no date has been set for repayment.
- 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 2016, funds had been advanced by the company to the trust to the amount of R18.7 million (2015: R26.9 million) (refer to notes 18 and 26). The liability is interest-free, unsecured and no date has been set for repayment.
- 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 R352.9 million (2015: R475.8 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2016 amounted to R183.8 million (2015: R183.8 million). The liability is interest-free, unsecured and no date has been set for repayment.
- 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 R51.9 million (2015: R50.3 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2016 amounted to R15.0 million (2015: R15.0 million). The liability is interest-free, unsecured and no date has been set for repayment.
- 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 R24.3 million (2015: R17.4 million)
- TIL JV Ltd is a subsidiary of The SPAR Group Ltd. During the current year an intercompany guarantee fee of R54.4 million (2015: R12.2 million) was charged by The SPAR Group Ltd to TIL JV Ltd. The balance outstanding on this payable is R65.4 million (2015: R13.7 million). The liability is interest-free, unsecured and no date has been set for repayment.

Between the company and it's associates:

- 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 SPAR Group Ltd entered into an associate agreement with Fig Leaf (Pty) Ltd during the 2010 financial year, the investment in the associate was sold during the 2016 financial year. The associate relates to the Gateway SUPERSPAR in Hermanus. During the year sales of R125.8 million (2015: R144.8 million) were made to the Gateway SUPERSPAR, and dividends of Rnil (2015: R0.6 million) 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 R166.8 million (2015: R129.5 million) 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 this associate was also sold during the 2015 financial year. The associate relates to the Rosehill SUPERSPAR and TOPS and Nemato SPAR and TOPS. During the year sales of Rnil (2015: R47.7 million) were made to Rosehill SUPERSPAR and TOPS, and Rnil (2015: R25.9 million) to Nemato SPAR and TOPS.

40.2 Investment in subsidiaries

Details of the company's investment in its subsidiaries are disclosed in note 14.

40.3 Investment in associates

Details of the company's investment in its associates are disclosed in note 15.

40.4 Shareholders

Details of major shareholders of the company appear on page 176.

40. RELATED PARTY TRANSACTIONS (continued)

40.5 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 36 and 37 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	**2016**	2015
Directors' fees	**3.9**	3.6
Remuneration for management services	**41.5**	37.2
Retirement contributions	**4.5**	4.0
Medical aid contributions	**1.2**	1.0
Performance bonuses	**28.5**	28.3
Fringe and other benefits	**0.2**	0.2
Expense relating to share options granted	**70.9**	71.7
Total	**150.7**	146.0

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

41. 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.

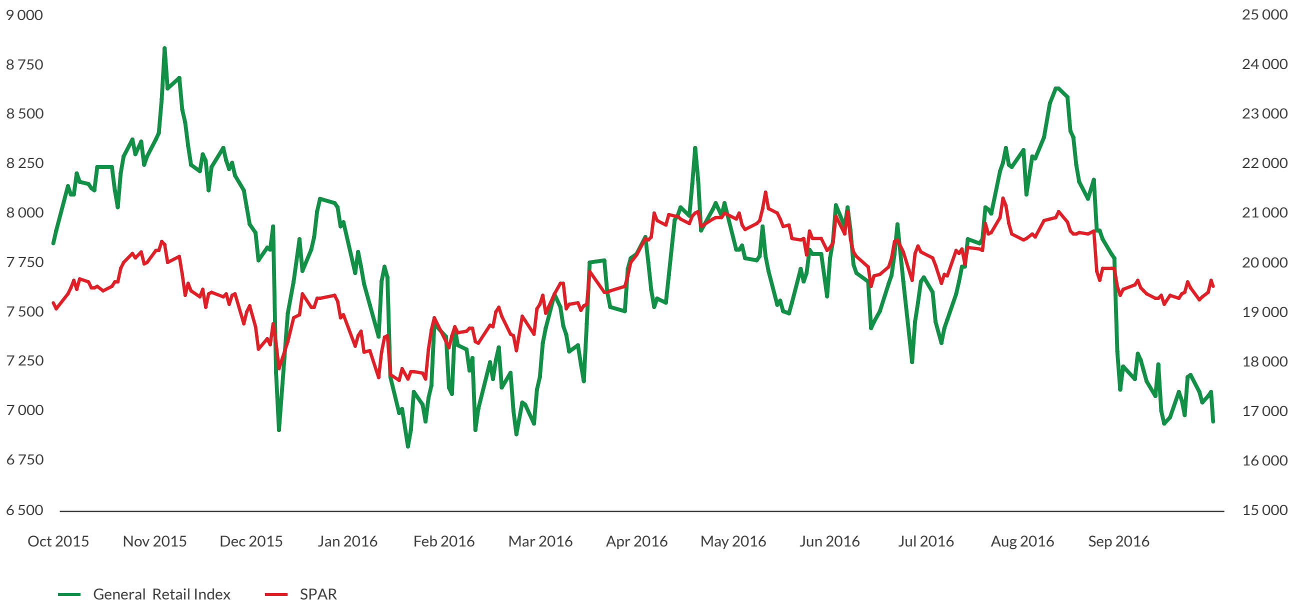
SHARE OWNERSHIP ANALYSIS

AT 30 SEPTEMBER 2016

Rmillion	Number of shareholders	% of total	Number of Shares	% of total shareholding
Shareholder spread				
1 – 1 000	10 272	66.13	3 754 449	1.95
1 001 – 10 000	4 007	25.80	12 451 338	6.46
10 001 – 100 000	998	6.43	31 619 845	16.42
100 001 – 1 000 000	228	1.47	64 858 429	33.67
Over 1 000 000	28	0.18	79 918 294	41.49
Total	15 533	100.00	192 602 355	100.00
Shareholder type				
Public shareholders	15 527	99.96	192 487 534	99.94
Non-public shareholders	6	0.04	114 821	0.06
Shares held by directors and associates	5	0.03	20 400	0.01
Employee Share Trust (2004)	1	0.01	94 421	0.05
Total	15 533	100.00	192 602 355	100.00
Distribution of shareholders				
Mutual funds	1 104	7.11	110 543 158	57.39
Retirement pension funds	517	3.33	53 571 049	27.81
Private investors	13 802	88.86	22 827 522	11.85
Insurance companies	110	0.71	5 660 626	2.94
Total	15 533	100.00	192 602 355	100.00
Beneficial owners holding in excess of 5% of the company's equity				
Government Employee Pension Fund			30 504 330	15.84
Oppenheimer Funds			16 561 427	8.60
Fund managers holding in excess of 5% of the company's equity				
Public Investment Corporation			25 471 124	13.22
Oppenheimer Funds			16 879 642	8.76
Coronation Fund Managers			11 613 455	6.03
Stock exchange statistics				
Market price per share				
– at year-end			cents	19 222
– highest			cents	21 971
– lowest			cents	16 161
Number of share transactions				499 716
Number of shares traded			millions	178.2
Number of shares traded as a % of total issued shares			%	92.6
Value of shares traded			Rmillion	34 793.2
Price/earnings ratio at year-end			multiple	18.6
Earnings yield at year-end			%	5.4
Dividend yield at year-end			%	3.5
Market capitalisation at year-end net of treasury shares			Rmillion	37 004
Market capitalisation to shareholders' equity at year-end			multiple	6.6

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 ('**AGM**') of The SPAR Group Ltd (the '**company**') will be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 7 February 2017 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 2016, 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, 71 of 2008, as amended from time to time (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, with or without modification, or any adjournment thereof. The percentage of voting rights that will be required for the adoption of the ordinary resolutions is the support of more than 50% of the voting rights exercised on the resolution at a properly constituted meeting of the company's shareholders.

1. Proposed ordinary resolution number 1 – Election of non-executive directors

To re-elect, as independent non-executive directors of the company,

1.1 **Prof MP Madi**, who retires in accordance with the Memorandum of Incorporation ('**MoI**') of the company but, being eligible, offers himself for re-election; and

1.2 **Mr HK Mehta**, who retires in accordance with the MoI of the company but, being eligible, offers himself for re-election.

Brief *curricula vitae* of such proposed independent non-executive directors can be found on page 86 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 Prof MP Madi and Mr HK Mehta, and the board of directors of the company ('**board**') accepted the results of that assessment. Accordingly, the board recommends that Prof MP Madi and Mr HK Mehta be re-elected.

2. Proposed ordinary resolution number 2 – Appointment of the independent registered auditor

To reappoint **Deloitte & Touche** as auditors of the company, and to reappoint **Mr G Kruger** as the designated auditor, to hold office until the next AGM of the company 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 re-elect:

3.1 **Mr CF Wells**, an independent non-executive director, as Chairman of the company's Audit Committee;

3.2 subject to the adoption of proposed ordinary resolution number 1.2, **Mr HK Mehta**, an independent non-executive director, as a member of the company's Audit Committee; and

3.3 **Ms 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 such proposed members can be found on page 86 of the integrated annual report of which this notice forms part.

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

Note: The SPAR Group Ltd Employee Share Trust (2004) (the '**Trust**') scheme closed in 2014 for the issuing of further options and option holders have 10 years from date of issue to exercise their option rights

Pursuant to the granting of share options by the Trust, and in the event of any of the option holders exercising 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 clause 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.

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 clause 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.

SPECIAL BUSINESS

Shareholders will be requested to consider and, if deemed fit, to pass the following special resolutions, with or without modification, or any adjournment thereof. 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 – Amendment of MoI (removal of preference shares from authorised share capital)

‘Resolved that item 2 of Annexure “A” to the MoI of the company be, and is hereby, amended as follows:

- the number and word “30 million” in item 2.1 of Annexure “A” is deleted and replaced by the word “zero”; and
- item 2.2 of Annexure “A” is deleted in its entirety, which deletion shall include all the sub-items under item 2.2 as well as Form 1 and Form 2 which forms are incorporated by reference in item 2.2.’

Reason and effect
This resolution is required in order to comply with item 2.2.6 of Annexure “A” to the MoI of the company and to amend the MoI so as to remove the preference shares from the authorised share capital of the company pursuant to the winding up of The SPAR BBBEE Employee Trust and The SPAR BBBEE Retailer Employee Trust (the ‘**BBBEE Trusts**’).

In terms of article 2.2(1) of the MoI, the company is authorised to issue no more than the maximum number of ordinary shares and preference shares set out in Annexure “A” to the MoI, subject to the preferences, rights, limitations and other terms associated with each class as set out in such annexure. Item 2.1 of Annexure “A” to the MoI prescribes the maximum number of preference shares which the company is authorised to issue; and item 2.2 of Annexure “A” sets out the terms which attach to such preference shares.

In August 2016, the BBBEE Trusts were wound up in accordance with the terms of The SPAR BBBEE Employee Scheme and The SPAR BBBEE Retailer Employee Scheme, respectively, as contemplated in item 2.2 of Annexure “A” to the MoI. All the issued preference shares were either converted into ordinary shares or redeemed by the company and the preference share certificates were cancelled.

In terms of item 2.2.6 of Annexure “A” to the MoI, after receipt of all the preference share certificates and the conversion and/or redemption, as the case may be, of all of the preference shares, the company shall cancel the issue of the preference shares and, provided that all requisite special and ordinary resolutions have been passed, the company shall effect an amendment to the MoI whereby the preference shares are removed from the company’s authorised share capital.

The effect of this special resolution will be to reduce the number of preference shares in the authorised share capital of the company to zero and to remove the terms which attach to preference shares. In the future, the company may decide to authorise different preference shares.

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

2. Proposed special resolution number 2 – 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 2017 to 28 February 2018.'

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.

3. Proposed special resolution number 3 – Non-executive directors' fees

'Resolved that the directors' fees payable to the non-executive directors of the company, for the period from 1 March 2017 to 28 February 2018, will be determined by reference to the following:

Rand	Current	Proposed
Board		
Chairman (including his participation in all committees)	1 119 000	1 275 000
Member	350 000	400 000
Audit Committee		
Chairman	192 000	205 000
Member	93 000	97 000
Other Committee		
Chairman	112 000	120 000
Member	73 000	80 000

Reasons and effect
This resolution is required in order to comply with the Companies Act. Section 65(11)(h) of the Companies Act 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) of the Companies Act.

Section 66(9) of the Companies Act 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) of the Companies Act 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 above-mentioned fees. The proposed fees have been determined pursuant to a benchmarking exercise undertaken by the Remuneration and Nomination Committee.

NON-BINDING ADVISORY VOTE

1. 'Resolved that the remuneration policy of the company, which can be found on pages 97 to 101 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, 27 January 2017. Accordingly, the last day to trade in order for a shareholder to be eligible to vote at the meeting is Tuesday, 24 January 2017.

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, 3 February 2017. 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 mandy.hogan@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

MJ Hogan
Company Secretary

FORM OF PROXY

THE SPAR GROUP LTD
Incorporated in the Republic of South Africa
Registration number: 1967/001572/06
JSE code: SPP
ISIN: ZAE000058517
('**SPAR**' or the '**company**')

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 ('**AGM**') of the company to be held in the company's boardroom, 22 Chancery Lane, Pinetown, Durban, South Africa on Tuesday, 7 February 2017 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 AGM
as my/our proxy to act for me/us on my/our behalf at the AGM which will be held for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

ORDINARY BUSINESS		For	Against	Abstain
1.	Election of non-executive directors			
1.1	Prof MP Madi			
1.2	Mr HK Mehta			
2.	Appointment 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	Ms M Mashologu			
4.	Authority to issues shares for the purpose of share options			
5.	Authority to issues shares for the purpose of the CSP			
SPECIAL BUSINESS				
1.	Amendment of Memorandum of Incorporation (removal of preference shares from authorised share capital)			
2.	Financial assistance to related or inter-related companies			
3.	Non-executive directors' fees			
NON-BINDING ADVISORY VOTE				
1.	Non-binding advisory vote on the remuneration policy			

Signed at ____________________ this ________ day of ____________________ 2017

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, 3 February 2017.

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

CORPORATE INFORMATION

Company name
The SPAR Group Ltd

Registration number
1967/001572/06

JSE code
SPP

ISIN
ZAE000058517

Company Secretary
MJ Hogan

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3610

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4021

Attorneys
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PO Box 1219
Umhlanga Rocks
4320

Auditors
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PO Box 243
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4000

Transfer Secretaries
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Johannesburg
2000

Sponsor
One Capital
PO Box 784573
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2146

GREYMATTER & FINCH #10175

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