Registered number: 5899894

TRIODE ACQUISITIONS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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TRIODE ACQUISITIONS UK LIMITED

COMPANY INFORMATION

Directors	J Clohisey (Irish resident) L Crawford (Irish resident) J O'Donnell (Irish resident)
Company secretary	J O'Donnell (Irish resident)
Registered number	5899894
Registered office	c/o Appleby Westward Moorlands Trading Estate Saltash Cornwall PL126LX United Kingdom
Auditor	KPMG Chartered Accountants 1 Stokes Place *St. Stephen's Green* Dublin 2 Ireland
Bankers	The Governor and Company of the Bank of Ireland 40 Mespil Road Dublin 4 Ireland
	Barclays Bank Ireland Plc Two Park Place Hatch Street Dublin 2 Ireland
	Allied Irish Banks Plc Ballsbridge Dublin 4 Ireland
Solicitors	McCann Fitzgerald Riverside One Sir John Rogerson's Quay Dublin 2 Ireland

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements of Triode Acquisitions UK Limited for the year ended 30 September 2017.

Business review

The principle activity of the company is an investment and holding company.

The nature of the business has not changed significantly during the year. The directors consider that both the results for the year and the trading prospects for the future are satisfactory and it is the directors' intention to continue to develop the existing business.

Results and dividends

Details of the profit for the year are set out in the Statement of Profit and Loss account and Other Comprehensive Income on page 8 and the related notes. Turnover of €NIL (*2016: €NIL*) was achieved in the year ended 30 September 2017 and the company generated an operating profit of €26k (*2016:* €151k) for the year ended 30 September 2017. The net assets of the company total €91.5m (*2016: €79.9m*).

The profit for the year, after taxation, amounted to €11.6m *(2016: €11.7m)*.

There were no dividends proposed or paid during the year (*2016: €NIL)*.

Directors' and Secretary's interests

The directors who served during the year were:

J Clohisey (Irish resident)
L Crawford (Irish resident)
J O'Donnell (Irish resident)

In accordance with the Articles of Association, the directors are not required to retire by rotation and accordingly they will continue in office.

TIL JV Limited indirectly holds 100% of the issued share capital of Triode Acquisitions UK Limited.
L Crawford, J Clohisey and J O'Donnell indirectly hold 20% of the issued share capital of TIL JV Limited.

There has been no contract or arrangement with the company during the year in which a director of the company was materially interested and which was significant in relation to the company's business.

Political contributions

During the year, the company made no political or charitable contributions that would require disclosure (*2016: €NIL*).

Principal risks and uncertainties

The company holds investments in subsidiary companies. As such the directors consider the principal risk to be the recovery of its investments.

Environmental matters

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

No significant events occurred since the balance sheet date which would require adjustment to or disclosure in the financial statements.

Exemption to preparation of strategic report

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The company has availed of the exemption available under Companies Act 2006 (Strategic Report and Directors's report) Regulation 2014 from implementing the strategic report requirements as the company qualifies as a small company for Company Law purposes.

Auditor

The auditor, KPMG, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

....

J O'Donnell
Director

Date: 14 November 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors are responsible for preparing the Directors' report and the financial statements of Triode Acquisitions UK Limited in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements of Triode Acquisitions UK Limited for each financial year. Under that law the directors have elected to prepare the financial statements of Triode Acquisitions UK Limited in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements of Triode Acquisitions UK Limited unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements of Triode Acquisitions UK Limited, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

KPMG

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIODE ACQUISITIONS UK LIMITED

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements ("financial statements") of Triode Acquisitions UK Limited for the year ended 30 September 2017 which comprise the statement of profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK law and FRS 101 *Reduced Disclosure Framework.*

In our opinion the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Going concern

We have nothing to report in respect of the following matters in relation to which ISA 570 (UK) *'Going concern'* requires us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when which the financial statements are authorised for issue.

Other information

The directors are responsible for preparation of other information accompanying the financial statements. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIODE ACQUISITIONS UK LIMITED

***Other information** (continued)*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion on that information.

In connection with our audit of the financial statements, ISAs (UK) and the Companies Act 2006 require that we read the other information and, in doing so, consider whether that information is materially inconsistent with the financial statements or our knowledge obtained from our audit work, or otherwise appears to be materially misstated.

Based solely on the work undertaken in the course of the audit, we report that

- we have not identified material misstatements in the directors' report or other accompanying information;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The directors were not entilted to take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

We have nothing to report in regard to these matters.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIODE ACQUISITIONS UK LIMITED

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A fuller description of our responsibilities is provided on FRC's website at;
www.frc.org.uk/auditresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Date: 14 November 2017

Roger Gillespie

Roger Gillespie (Senior statutory auditor)

for and on behalf of

KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 €	*2016* *€*
Administrative expenses		**25,949**	*150,992*
Operating profit	4	**25,949**	*150,992*
Income from fixed assets investments	6	**16,000,000**	*16,000,000*
Interest payable	7	**(4,439,797)**	*(4,422,432)*
Profit before tax		**11,586,152**	*11,728,560*
Tax on profit	8	**-**	*-*
Profit for the financial year		**11,586,152**	*11,728,560*

There was no other comprehensive income for 2017 (2016: €NIL).

The notes on pages 11 to 19 form part of these financial statements.

TRIODE ACQUISITIONS UK LIMITED
REGISTERED NUMBER: 5899894

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note		2017 €		2016 €
Fixed assets					
Investments	9		**270,075,159**		*270,075,159*
			270,075,159		*270,075,159*
Current assets					
Cash at bank and in hand		**93**		*650,017*	
		93		*650,017*	
Creditors: amounts falling due within one year	10	**(178,597,739)**		*(190,833,815)*	
Net current liabilities			**(178,597,646)**		*(190,183,798)*
Total assets less current liabilities			**91,477,513**		*79,891,361*
Net assets			**91,477,513**		*79,891,361*
Capital and reserves					
Called up share capital	12		**16,000**		*16,000*
Capital contribution			**45,000,000**		*45,000,000*
Profit and loss account			**46,461,513**		*34,875,361*
Shareholders' funds			**91,477,513**		*79,891,361*

The company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 November 2017.

....

J O'Donnell
Director

The notes on pages 11 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Called up share capital	Capital contribution	Profit and loss account	Total equity
	€	€	€	€
At 1 October 2015	*16,000*	*45,000,000*	*23,146,801*	*68,162,801*
Comprehensive income for the year				
Profit for the year	-	-	*11,728,560*	*11,728,560*
At 1 October 2016	**16,000**	**45,000,000**	**34,875,361**	**79,891,361**
Comprehensive income for the year				
Profit for the year	-	-	**11,586,152**	**11,586,152**
At 30 September 2017	**16,000**	**45,000,000**	**46,461,513**	**91,477,513**

The notes on pages 11 to 19 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements are presented in euro and have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements are presented in euro and in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The company was, at the end of the year, a subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

1.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1. Accounting policies (continued)

1.6 Debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If payments received from customers exceed the income recognised, then the difference is presented as deferred income.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method,

1. Accounting policies (continued)

1.8 Financial instruments (continued)

which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

1.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

1.11 Finance costs

Finance costs are charged to the Statement of Profit and Loss and Other Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1. Accounting policies (continued)

1.12 Taxation

Tax is recognised in the Statement of Profit and Loss and Other Comprehensive Income , except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. *General information*

Triode Acquisitions UK Limited is a company incorporated in the United Kingdom. The registered office is located at Moorlands Trading Estate, Saltash, Cornwall, PL12 6LX.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4. Operating profit

The operating profit is stated after charging:

	2017	*2016*
	€	*€*
Foreign exchange gain	**25,974**	*151,030*

5. Company information

Auditor's remuneration of €4,000 *(2016: €4,000)* for audit and tax services was borne by a related company.

The company has no employees other than the directors, who did not receive any remuneration *(2016: €NIL)*

6. Income from investments

	2017	*2016*
	€	*€*
Dividends received from unlisted investments	**16,000,000**	*16,000,000*
	16,000,000	*16,000,000*

7. Interest payable

	2017 €	2016 €
Intergroup interest payable	**4,439,797**	*4,422,432*
	4,439,797	*4,422,432*

8. Taxation

	2017 €	2016 €
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Factors affecting tax charge for the year

The tax assessed for the year differs from *(2016 - differs from)* the standard rate of corporation tax in the UK of 19.5% *(2016 - 20.0%)*. The differences are explained below:

	2017 €	2016 €
Profit on ordinary activities before tax	**11,586,152**	*11,728,560*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20.0%)	**2,259,300**	*2,345,712*
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**(75,765)**	*(79,047)*
Income non taxable- franked income	**(3,120,000)**	*(3,200,000)*
Group relief surrendered	**754,861**	*933,335*
Deferred tax not recognised	**181,604**	-
Total tax charge for the year	-	-

9. Fixed asset investments

	Investments in subsidiary companies €
Cost or valuation	
At 1 October 2016	*270,075,159*
At 30 September 2017	**270,075,159**
Net book value	
At 30 September 2017	**270,075,159**
At 30 September 2016	*270,075,159*

In the opinion of the directors, the value of the financial assets, none of which is listed, is not less than cost or valuation.

The following were subsidiary undertakings of the company:

Subsidiary undertakings

Name	Country of incorporation	Principal activity
BWG Foods Holdings Limited	Ireland	Holding company
Appleby Westward Group Limited	United Kingdom	Distribution of foods, spirits, wines and tobacco products
BWG Holdings Limited	United Kingdom	Holding company
BWG Group Holdings Limited	United Kingdom	Holding company

10. Creditors: Amounts falling due within one year

	2017 €	2016 €
Amounts owed to group undertakings	**178,597,739**	*190,833,815*
	178,597,739	*190,833,815*

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

11. Financial instruments

	2017 €	*2016 €*
Financial assets		
Financial assets measured at amortised cost	**93**	*650,017*
Financial assets measured at fair value through the profit and loss	**270,075,159**	*270,075,159*
	270,075,252	*270,725,176*
Financial liabilities		
Financial instruments measured at amortised cost	**178,597,739**	*190,833,815*
	178,597,739	*190,833,815*

Financial assets measured at amortised cost comprise of cash at bank.

Financial assets measuread at fair value through the profit and loss consists of investment in subsidiaries.

Financial liabilities measured at amortised cost comprise of amounts owed to group undertakings.

12. Share capital

	2017 €	*2016 €*
Authorised		
1,000,000,000 ordinary shares of £0.01 each	**14,846,708**	*14,846,708*
Allotted, called up and fully paid		
1,077,689 ordinary shares of £0.01 each	**16,000**	*16,000*

Each ordinary share shall entitle the holder thereof to receive notice of and to attend, speak and vote at any meeting of the company.

13. Post balance sheet events

No significant events occurred since the balance sheet date which would require adjustment to or disclosure in the financial statements.

14. Controlling party

The company is a wholly owned subsidiary of TIL Finance Luxembourg Sarl a company incorporated in Luxembourg. The company's ultimate parent undertaking is The Spar Group Limited, a company incorporated in South Africa.

15. Approval of financial statements

The board of directors approved the financial statements on 14 November 2017.

THE SPAR GROUP LTD

ANNUAL FINANCIAL STATEMENTS 2017

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The full integrated report is available online and reflects our transition to digital reporting as a way to increase access, usability and transparency for all our stakeholders. We aim to provide our readers with a broad 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 should enable you to gauge the prospects and future trajectory of SPAR's value creation abilities.

Please visit www.investor-relations.spar.co.za/ir2017 for the full 2017 SPAR integrated report.

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 2017 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 14 November 2017 and are signed on its behalf by:

MJ Hankinson
Chairman

GO O'Connor
Chief Executive Officer

14 November 2017

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Companies Act), I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, in respect of the year ended 30 September 2017, and that all such returns are true, correct and up to date.

MJ Hogan
Company Secretary

14 November 2017

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

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of The SPAR Group Ltd (the group) set out on pages 10 to 67, which comprise the statements of financial position as at 30 September 2017, and 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 notes to the financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 September 2017, 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 (IFRSs) and the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Key Audit Matters apply to the consolidated and separate financial statements in the same manner.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of goodwill and intangible assets with indefinite lives	
Goodwill and intangible assets comprises 15% of the total assets of the group. These assets have been recognised in the statement of financial position as a consequence of the acquisitive nature of the group. As required by IAS 36: Impairment of assets, annual impairment tests are conducted to assess the recoverability of the carrying value of goodwill and intangible assets with indefinite lives. This is performed using discounted cash flow models. As disclosed in note 13, of the financial statements, the following assumptions were applied in these models: • Sales growth rate; • Terminal value growth rate; • The discount rates applied to the projected future cash flows; • Expected return on assets; and • Multiplier rate. The impairment test of these assets is considered to be a key audit matter due to the use of significant judgements and estimates involved in estimating the recoverable values.	We assessed the assumptions used in the valuation models to determine the value in use of cash generating units, described in note 13 to the financial statements. Our audit procedures included: • We robustly challenged the impairment calculations and tested the validity and reasonableness of the assumptions applied in the assessment. We compared these to our independently determined estimates and to approved business plans. • We performed independent sensitivities of the valuations, varying the discount rates and growth rates and compared these results with the carrying values of goodwill. • We evaluated the design and implementation of controls around the goodwill valuations. • We assessed the presentation and disclosure of goodwill and the intangible assets in the financial statements. Where the value in use yielded potential impairment indicators, we considered the estimates of proceeds less cost to sell. Reasonable possible changes in the key assumptions in our sensitised valuations did not result in further impairments. We considered the disclosures for goodwill and intangible assets to be accurate and complete. Based on the audit procedures performed, we concur with the directors that the assumptions used in the goodwill and intangible assets impairment review are appropriate and that the impairment processed is sufficient.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of financial liability relating to TIL JV Ltd	
The acquisition of both Ireland and Switzerland operations were structured with deferred acquisition of minority interests which results in the recognition of financial liabilities in notes 28 and 39 of the financial statements. The determination of the fair value of the financial liability for TIL JV Ltd is considered a key audit matter as this is a non-routine matter involving significant judgement in estimation of the future after tax profits of TIL JV Ltd, which drives the value of the financial liability.	We inspected the relevant supporting documentations and agreements relating to the financial liability. We assessed whether there have been any changes in the current period to the shareholders agreements and changes to variable inputs. Where changes have been made, we verified that the financial model has been updated to correctly account for the changes. We reviewed the adjustments to the estimated profit forecasts for the respective years. We compared the forecast profit input to the most recent business plan. We audited the calculation of the estimated future value of the liability and robustly challenged the underlying assumptions and variables where these reflected changes from previous periods. We challenged whether appropriate cognisance had been given to current macro-economic developments. We performed tests of detail to check the mechanical and arithmetic accuracy of the financial model. We tested the design and implementation of the controls relating to the review process adopted for the finalisation of the key inputs into the model. We assessed the presentation and disclosure of the financial liability in the financial statements. The following assumptions were applied in the valuation model: • Estimated future profitability of TIL JV Ltd, • Discount rate; and • Closing rand/euro exchange rate. Based on the audit procedures performed, we concluded that the estimated future liability value falls within a reasonably acceptable range, and hence we concur with the fair value model adopted and the resultant liability value recorded and we considered the disclosures for the financial liability to be accurate and comprehensive.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report, the Company Secretary's certificate and Audit Committee report which we obtained prior to the date of this auditor's report and the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and 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.

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of The SPAR Group Ltd for 50 years.

Deloitte . Touche

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

14 November 2017

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 2017 amounted to R1 820.1 million (2016: R1 815.0 million). This translates into headline earnings per share of 952.5 cents (2016: 1 020.0 cents) and normalised headline earnings per share of 975.8 cents (2016: 1 033.0 cents), based on the weighted average number of shares (net of treasury shares) in issue during the year ended 30 September 2017. 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.

TREASURY SHARES

During the year, The SPAR Group Ltd Employee Share Trust (2004) purchased 710 086 (2016: 1 154 969) shares in The SPAR Group Ltd for R128.4 million (2016: R227.3 million). A total of 708 034 (2016: 1 203 500) shares were reissued to option holders who exercised their option rights. At year-end, 96 473 (2016: 94 421) shares in the company were held by the trust. At the 2017 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 in light of 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 AGM.

DIVIDENDS

A final dividend of 410.0 cents in respect of 2016 was declared on 15 November 2016 and paid on 12 December 2016. An interim dividend of 240 cents per share was declared on 30 May 2017 and paid on 26 June 2017. A final dividend of 435.0 per share was declared on 14 November 2017. The salient dates for the payment of the final dividend are:

Last day to trade cum-dividend	Tuesday, 5 December 2017
Shares to commence trading ex-dividend	Wednesday, 6 December 2017
Record date	Friday, 8 December 2017
Payment of dividend	Monday, 11 December 2017

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 6 December 2017 and Friday, 8 December 2017, both days inclusive.

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the AGM held on Tuesday, 7 February 2017:

- 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.

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed in the online integrated report. In terms of the company's Memorandum of Incorporation, one-third of the non-executive directors retire annually by rotation at the AGM. Accordingly, Prof MP Madi and Mr HK Mehta retired at the AGM held on Tuesday, 7 February 2017, but offered themselves for reappointment.

At 30 September 2017, the directors beneficially held 38 900 (2016: 17 600) shares in the company and unexercised options to acquire a total of 604 000 (2016: 812 000) ordinary shares in the company (refer notes 36 and 37).

Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out in notes 36 and 37 respectively.

DIRECTORS' STATUTORY REPORT (CONTINUED)

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, examining the 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 subcommittee 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.

On 1 November 2016, the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) was released and became effective for organisations with a financial year that starts on, or after, 1 April 2017. The company has reviewed its governance structures to ensure alignment with King IV™ and disclosures in terms of King IV™ have been fully integrated in the abridged and online integrated reports.

The Audit Committee report is set out on pages 7 to 9. The Committee reports disclosed in the online integrated report are as follows:

- Nomination Committee report
- Remuneration Committee report
- Risk Committee report
- Social and Ethics Committee report

SUBSIDIARIES

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R418.4 million (2016: profit of R369.0 million). Details of the company's principal subsidiaries are set out in note 14.

COMPETITION TRIBUNAL

Details pertaining to the Competition Commission's enquiry into the grocery retail section are contained in the online integrated report.

EVENTS AFTER THE REPORTING DATE

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, are disclosed in note 41.

AUDIT COMMITTEE REPORT

The Audit Committee (the committee) is pleased to present its report for the twelve months ended 30 September 2017. This report is made in pursuant to the requirements of section 94(7)(f) of the Companies Act, 71 of 2008, as amended.

COMMITTEE GOVERNANCE

Composition and meetings

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

Members of the committee and its Chairman are appointed by shareholders, on the recommendation of the Nomination Committee and the board. Shareholders will again be requested to approve the appointment of the committee for the 2018 financial year at the company's AGM to be held on 7 February 2018. The Nomination Committee has nominated for re-election Mr CF Wells (Chairman), Mrs M Mashologu and Mr HK Mehta as members of the committee. Members' qualifications and experience are available in the online integrated report.

The committee meets formally three times a year. The Chief Executive Officer, Group Financial Director, internal audit manager and external auditor are required to attend committee meetings. 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**	14 Nov 2016	16 May 2017	1 Aug 2017
CF Wells (Chairman)	Independent non-executive	✓	✓	✓
M Mashologu	Independent non-executive	✓	✓	✓
HK Mehta	Independent non-executive	✓	✓	✓

Terms of reference

The committee operates in accordance with a formal terms of reference and work plan, which was reviewed and amended in line with the King IV™ recommendations and approved by the board on 2 August 2017.

A copy of the committee's terms of reference and work plan is available online.

Role and responsibilities

The committee oversees:

- the effectiveness of the company's assurance functions and services;
- the integrity of the annual financial statements, including other external reports issued by the company from time to time;
- the management of financial and other risks that affect the integrity of external reports issued by the company from time to time; and
- the engagement of assurance services and functions, which enable an effective control environment, and support the integrity of information for internal decision-making and of the company's external reports.

Details of the committee's duties are contained in its terms of reference, which is available online.

In addition to the key activities detailed on pages 8 to 9, the committee, during the period under review, considered

- the unaudited interim results report for the period ended 31 March 2017, including all summarised information;
- all other summarised information issued during the year to ensure that a balanced view was provided;
- the disclosure of sustainability issues in the online integrated report to ensure that it was reliable and did not conflict with the financial information;
- statutory and JSE Listings Requirements;
- accounting principles;
- the effectiveness of internal financial controls,
- the going concern of the company;
- banking facilities;
- King IV™ recommendations;
- legal matters concerning the group;
- whistle-blowing complaints;
- head leases held by the group;

- the group's delegation of authority policy; and
- the external auditor's audit report and key audit matters and concurred with the comments.

At its meeting held on 13 November 2017, the committee reviewed and recommended the online integrated report and annual financial statements to the board for approval and publication.

Self-evaluation of committee performance
The committee also undertook a self-evaluation of its performance and strongly believed that:

- it was appropriately constituted with a clearly defined terms of reference and appropriate reporting lines to the board;
- the frequency and duration of committee meetings were appropriate to enable members to discharge their mandate;
- it had a mix of the required skills to address a range of issues and risks pertaining to the committee,
- the members had a clear understanding of their responsibilities and authority;
- it provided clear and specific guidance to the board as mandated, and assisted the board in its overall responsibility to ensure the proper governance of the company;
- members were well prepared for meetings; and
- the Chairman of the committee was effective.

EXTERNAL AUDIT

The committee has primary responsibility for overseeing the relationship with, and the performance of, the external auditor. This includes making recommendations on their reappointment and assessing their independence, as set out in section 94(8) of the Companies Act.

As a result of the proposed implementation of an audit firm rotation process, and taking into account that Deloitte & Touche has been the group's external auditor for the last 50 years, the company initiated a change in auditor. In doing so, the committee conducted a formal tender for the proposed appointment of a new external audit firm for the 2018 financial year. The committee appointed a selection panel to undertake much of the detailed work and invited PricewaterhouseCoopers (PwC), Ernst and Young (EY), Binder Dijker Otte (BDO) and Nexia SAB&T to tender.

In the process, the tendering firms met with executive and senior finance management and submitted detailed written proposals before presenting to the selection panel. The selection panel and committee assessed the firms against key criteria and recommended to the board that PwC be appointed as auditor to the group for the financial year ending 30 September 2018.

The criteria used to reach this decision included:

- reputation, independence, quality and experience of the firm to the SPAR Group,
- their transformation status and processes;
- independence and quality of the audit team;
- capability to provide comprehensive and high-quality audit services;
- approach to ensuring a smooth transition process,
- commitment to sharing ideas and insights on best practice developments in accounting and reporting;
- approach to the tender process; and
- independence and quality of the team.

Accordingly, the committee recommends and has nominated, for appointment at the 2018 AGM, PwC as the external audit firm, and Ms Sharalene Randelhoff as the designated audit partner, responsible for performing the functions of auditor for the 2018 financial year. PwC is required to rotate the designated audit partner every five years and, accordingly, the current lead audit partner will be required to change in 2023.

In respect of the 2017 financial year, the committee was satisfied with the quality and effectiveness of Deloitte's audit process and that Deloitte and the designated audit partner, Mr G Kruger, were accredited as such on the JSE list of auditors and their advisors.

The committee would like to thank Deloitte for their significant contribution as the group's external auditor over the years, and look forward to working with PwC.

Non-audit services policy
External auditors may only be considered as a supplier of such services where there is no alternative supplier for these services, there is no other commercially viable alternative or the non-audit service is related to and would add value to the external audit.

The total amount of fees earned during the year by the external auditor in respect of non-audit services was R5.9 million (2016: R4.8 million).

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 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 audit manager and the internal audit function.

During the year, the committee:

- satisfied itself that the group internal audit manager, Mr S Naidoo, is competent and possessed the appropriate expertise and experience to act in this capacity, and believes that the company's internal audit function met its objectives and that adequate procedures were in place to ensure that the group complies with its legal, regulatory and other responsibilities; and
- reviewed and approved the internal audit plan and internal audit charter.

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.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE GROUP FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee confirms that it is satisfied with Mr MW Godfrey, the Group Financial Director, who possesses the appropriate expertise and experience to act in this capacity.

The committee considered the appropriateness of the expertise and adequacy of resources of the finance function and was satisfied with the experience of the senior members of management responsible for the group function.

RISK MANAGEMENT

The board has allocated the oversight of risk governance, technology and information governance and compliance governance to the Risk Committee. Mr Wells, the chairman of this committee, is also the chairman of the Risk Committee and ensures that information relevant to the Risk Committee is transferred and shared regularly with this committee.

The committee fulfils an overview role regarding financial reporting risks, internal financial controls, taxation risks, compliance and regulatory risks, risk appetite and tolerance, fraud risk (as it relates to financial reporting) and information technology risk (as it related to financial reporting), and the committee is satisfied that these areas have been appropriately addressed.

COMBINED ASSURANCE

The company is in the process of developing a combined assurance model which will formally map the level of assurance being provided by the different lines of defence to mitigate these risks. The committee plans to review the combined assurance framework and policy for the company in 2018, which would be completed during the 2018 financial year.

The committee met with the group internal auditor and external auditor without management present to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum, with no concerns raised.

The committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period and is further satisfied that it has performed its statutory duties as set out in the Companies Act and has complied with its legal responsibilities.

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

CF Wells
Chairman

14 November 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2017

		GROUP		COMPANY	
Rmillion	Notes	**2017**	2016	**2017**	2016
Revenue	2	**97 174.2**	92 227.3	**63 162.0**	60 394.7
Turnover		**95 461.1**	90 688.5	**62 551.1**	59 837.6
Cost of sales		**(85 830.2)**	(82 281.5)	**(57 459.3)**	(54 910.9)
Gross profit		**9 630.9**	8 407.0	**5 091.8**	4 926.7
Other income	2	**1 713.1**	1 538.8	**610.9**	557.1
Net operating expenses	3	**(8 760.6)**	(7 347.6)	**(3 675.2)**	(3 380.5)
Warehousing and distribution expenses		**(2 871.7)**	(2 693.4)	**(1 643.4)**	(1 535.2)
Marketing and selling expenses		**(4 000.4)**	(2 895.7)	**(1 108.9)**	(1 006.8)
Administration and information technology expenses		**(1 888.5)**	(1 758.5)	**(922.9)**	(838.5)
Trading profit		**2 583.4**	2 598.2	**2 027.5**	2 103.3
BBBEE transactions	4	**(0.9)**	(20.9)	**(0.9)**	(20.9)
Operating profit		**2 582.5**	2 577.3	**2 026.6**	2 082.4
Other non-operating items	5	**(54.6)**	(24.5)	**(51.6)**	(2.4)
Interest income	6	**123.2**	98.4	**106.5**	83.3
Interest expense	6	**(113.2)**	(110.4)	**(31.7)**	(42.0)
Finance costs including foreign exchange gains and losses	6	**(64.4)**	(106.5)	**(87.8)**	(94.6)
Share of equity accounted associate (losses)/income	15	**(8.8)**	4.9		
Profit before taxation		**2 464.7**	2 439.2	**1 962.0**	2 026.7
Income tax expense	7	**(644.6)**	(624.2)	**(560.3)**	(557.5)
Profit for the year attributable to ordinary shareholders		**1 820.1**	1 815.0	**1 401.7**	1 469.2
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain/(loss) on post-retirement medical aid	27.2	**11.4**	(7.9)	**11.4**	(7.9)
Deferred tax relating to actuarial gain/(loss) on post-retirement medical aid		**(3.2)**	2.2	**(3.2)**	2.2
Actuarial gain/(loss) on retirement funds	27.1	**432.1**	(220.1)		
Deferred tax relating to actuarial gain/(loss) on retirement funds		**(67.9)**	30.7		
Items that may be reclassified subsequently to profit or loss:					
Loss on cash flow hedge		**(4.6)**	(39.2)		(39.2)
Tax relating to loss on cash flow hedge		**0.6**	11.0		11.0
Exchange differences from translation of foreign operations		**42.0**	(29.4)		
Total comprehensive income		**2 230.5**	1 562.3	**1 409.9**	1 435.3
Earnings per share (cents)	8				
Basic		**945.2**	1 010.0		
Diluted		**939.1**	999.5		

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

		GROUP		COMPANY	
Rmillion	Notes	**2017**	2016	**2017**	2016
ASSETS					
Non-current assets		**11 438.4**	10 610.4	**4 984.2**	4 398.5
Property, plant and equipment	12	**6 553.9**	6 160.3	**2 334.5**	2 007.6
Goodwill and intangible assets	13	**4 162.2**	4 008.3	**458.0**	421.5
Investment in subsidiaries	14			**1 682.5**	1 682.5
Investment in associates and joint ventures	15	**117.3**	38.4	**121.6**	32.4
Other investments	16	**57.7**	54.2	**4.8**	1.6
Operating lease receivables	17	**125.4**	100.5	**134.8**	87.0
Loans	18	**406.2**	217.8	**243.9**	148.6
Deferred taxation asset	19	**15.7**	30.9	**4.1**	17.3
Current assets		**16 631.2**	16 584.7	**10 066.0**	9 839.6
Inventories	20	**3 816.4**	3 810.9	**1 890.3**	1 776.8
Trade and other receivables	21	**10 814.3**	10 544.0	**7 626.3**	7 313.0
Prepayments		**78.1**	75.4	**43.9**	38.9
Operating lease receivables	17	**60.7**	63.4	**60.7**	63.4
Loans	18	**116.9**	46.8	**35.3**	51.9
Income tax recoverable	22	**4.1**	4.2		
Other current financial assets		**0.2**		**0.2**	
Cash and cash equivalents – SPAR	23	**1 565.6**	1 611.8	**409.3**	595.6
Cash and cash equivalents – guilds and trusts	23	**174.9**	428.2		
Assets held for sale	24	**141.0**	160.7	**3.7**	7.2
Total assets		**28 210.6**	27 355.8	**15 053.9**	14 245.3
EQUITY AND LIABILITIES					
Capital and reserves		**6 575.0**	5 642.9	**5 644.5**	5 531.6
Stated capital	25	**2 231.5**	2 231.5	**2 231.5**	2 231.5
Treasury shares	26	**(16.1)**	(18.7)		
Currency translation reserve		**49.9**	7.9		
Share-based payment reserve		**293.0**	261.1	**293.0**	261.1
Equity reserve		**(717.0)**	(713.0)	**(545.7)**	(545.7)
Hedging reserve		**(32.2)**	(28.2)	**(28.2)**	(28.2)
Retained earnings		**4 765.9**	3 902.3	**3 693.9**	3 612.9
Non-current liabilities		**7 350.1**	7 590.1	**1 260.2**	1 069.8
Deferred taxation liability	19	**361.2**	290.7		
Post-employment benefit obligations	27	**940.2**	1 392.2	**155.0**	156.4
Financial liabilities	28	**1 700.1**	1 568.0	**963.8**	824.4
Long-term borrowings	29	**4 160.4**	4 164.3		
Operating lease payables	17	**141.4**	116.0	**141.4**	89.0
Other non-current financial liabilities		**4.9**			
Long-term provisions	31	**41.9**	58.9		
Current liabilities		**14 285.5**	14 122.8	**8 149.2**	7 643.9
Trade and other payables	30	**13 452.7**	13 162.5	**8 065.6**	7 546.8
Current portion of long-term borrowings	29	**364.4**	265.9		
Operating lease payables	17	**62.8**	65.6	**62.8**	65.6
Provisions	31	**45.3**	38.0	**5.4**	3.0
Income tax liability	22	**91.8**	83.7	**15.4**	28.5
Bank overdrafts – SPAR	23	**268.5**	507.1		
Total equity and liabilities		**28 210.6**	27 355.8	**15 053.9**	14 245.3

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Rmillion	Notes	Stated capital	Treasury shares	Currency translation reserve
GROUP				
Capital and reserves at 30 September 2015		67.6	(26.9)	37.3
Profit for the year attributable to ordinary shareholders				
Loss on cash flow hedge				
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				(29.4)
Capital and reserves at 30 September 2016		2 231.5	(18.7)	7.9
Profit for the year attributable to ordinary shareholders				
Loss on cash flow hedge				
Actuarial gain on post-retirement medical aid	27			
Actuarial gain on retirement funds	27			
Recognition of share-based payments	3			
Take-up of share options	26		**131.0**	
Transfer arising from take-up of share options				
Settlement of share-based payments			**1.4**	
Share repurchases	26		**(129.8)**	
Dividends paid	10			
Exchange rate translation				**42.0**
Capital and reserves at 30 September 2017		**2 231.5**	**(16.1)**	**49.9**
COMPANY				
Capital and reserves at 30 September 2015		67.6	–	–
Profit for the year attributable to ordinary shareholders				
Loss on cash flow hedge				
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	–	–
Profit for the year attributable to ordinary shareholders				
Actuarial gain 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				
Settlement of share-based payments			**1.4**	
Share repurchases	26		**(1.4)**	
Dividends paid	10			
Capital and reserves at 30 September 2017		**2 231.5**	**–**	**–**

Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
425.1	3 371.0	(545.7)	–	–	3 328.4
	1 815.0				1 815.0
			(28.2)		(28.2)
	(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			(16.4)
261.1	3 902.3	(713.0)	(28.2)	–	5 642.9
	1 820.1				**1 820.1**
			(4.0)		**(4.0)**
	8.2				**8.2**
	364.2				**364.2**
33.3					**33.3**
(77.2)					**53.8**
77.2	**(77.2)**				**–**
(1.4)					**–**
					(129.8)
	(1 251.7)				**(1 251.7)**
		(4.0)			**38.0**
293.0	**4 765.9**	**(717.0)**	**(32.2)**	**–**	**6 575.0**
425.1	3 238.0	(545.7)	–	–	3 185.0
	1469.2				1 469.2
			(28.2)		(28.2)
	(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
	1 401.7				**1 401.7**
	8.2				**8.2**
33.3					**33.3**
(77.2)					**(77.2)**
77.2	**(77.2)**				**–**
(1.4)					**–**
					(1.4)
	(1 251.7)				**(1 251.7)**
293.0	**3 693.9**	**(545.7)**	**(28.2)**	**–**	**5 644.5**

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2017

		GROUP		COMPANY	
Rmillion	Notes	**2017**	2016	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**1 411.2**	1 547.3	**622.6**	384.2
Cash generated from operations	32	**3 292.1**	3 250.2	**2 367.5**	2 011.5
Interest received		**109.9**	89.0	**101.9**	77.4
Interest paid		**(112.5)**	(110.0)	**(31.7)**	(42.0)
Taxation paid	22	**(626.6)**	(529.3)	**(563.4)**	(510.1)
Dividends paid	10	**(1 251.7)**	(1 152.6)	**(1 251.7)**	(1 152.6)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 496.0)**	(1 613.5)	**(807.5)**	(1 342.4)
Acquisition of businesses/subsidiaries	33.1	**(142.7)**	(757.5)	**(94.0)**	(786.5)
Proceeds from disposal of businesses	33.2	**48.0**	10.0	**48.0**	10.0
Proceeds on disposal of assets held for sale		**25.9**	43.6		
Investment to expand operations		**(842.1)**	(441.9)	**(459.9)**	(229.8)
Investment to maintain operations		**(248.8)**	(346.8)	**(48.5)**	(94.3)
– Replacement of property, plant and equipment		**(330.0)**	(372.6)	**(92.7)**	(100.6)
– Proceeds on disposal of property, plant and equipment		**81.2**	25.8	**44.2**	6.3
Net movement on loans and investments	32.1	**(336.3)**	(120.9)	**(253.1)**	(241.8)
CASH FLOWS FROM FINANCING ACTIVITIES		**3.4**	1 666.6	**(1.4)**	2 163.9
Proceeds from issue of shares			2 163.9		2 163.9
Proceeds from exercise of share options		**53.8**	83.0		
Proceeds from/(repayments of) borrowings		**79.4**	(353.0)		
Share repurchases	26	**(129.8)**	(227.3)	**(1.4)**	
Net movement in cash and cash equivalents		**(81.4)**	1 600.4	**(186.3)**	1 205.7
Net cash balances/(overdrafts) at beginning of year		**1 532.9**	(37.8)	**595.6**	(610.1)
Exchange rate translation		**20.5**	(29.7)		
Net cash balances at end of year	23	**1 472.0**	1 532.9	**409.3**	595.6

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The consolidated (group) and separate (company) annual financial statements (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 2017, 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 continue to assess the impact thereof.

New standards	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to existing standards		
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 40	Amendments clarifying the requirements on transfers to, or from, investment property	1 January 2018
IFRS 2	Amendment to Classification and Measurement of Share-based Payment Transactions	1 January 2017
IFRS 12	Amendments resulting from 2014–2016 Annual Improvements Cycle	1 January 2017
Various IFRS 1, IAS 28	Annual improvements 2014–2016 cycle	1 January 2018

The group has not early adopted nor plans to early adopt any of the above. Based on an initial IFRS assessment, the application thereof in future financial periods is not expected to have a significant impact on the group's reported results, financial position and cash flows, except for the standards set out below.

IFRS 9, Financial Instruments replaces existing guidance in IAS 39 on the classification and measurement of financial instruments. In relation to the impairment of financial assets, IFRS 9 introduces an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Entities will recognise either 12 months or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. For certain trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised. IFRS 9 also includes new general hedge accounting requirements which retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. IFRS 9 also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The group anticipates a change in the measurement of impairment losses recognised in relation to financial assets, as well as in the assessment of hedge effectiveness. However, it is currently estimated that this will not have a material impact on trading profit. Changes to disclosure in line with IFRS 9 will also be seen in the financial statements. The group continues to assess the potential impact on its group financial statements regarding the application of IFRS 9.

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Basis of preparation (continued)

IFRS 15 Revenue from Contracts with Customers establishes a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction.

Under IFRS 15 a new five-step approach requires revenue to be recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. This new standard may affect agent vs principle accounting and the manner in which certain income streams relating to ancillary sales and services are accounted for. It is anticipated that a possible change in the classification of statement of comprehensive income disclosure line items, such as revenue, turnover and other trading income, may occur. However, it is currently estimated that this will not have a material impact on trading profit. The group continues to assess the potential impact on its group financial statements regarding the application of IFRS 15.

IFRS 16: Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Lease assets should be measured initially at the same amount as the lease liability and also include costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. The group has an extensive operating lease portfolio, acting as both lessor and lessee. The majority of the group's head lease arrangements in South Africa include a back-to-back sublet agreement with its independent retailers, and the application of IFRS 16 will result in the recognition of both a finance lease asset and a finance lease liability in these instances, and the de-recognition of operating lease assets and liabilities. To the extent of leased property that is not sub-let, the group will recognise a right-of-use asset and a finance lease liability. The application of IFRS 16 will result in changes to both the statement of financial position and statement of comprehensive income line items, including but not limited to, property, plant and equipment, operating lease assets, operating lease liabilities, operating lease income and expense, depreciation, and finance costs. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted. The group continues to assess the potential impact on its group financial statements regarding the application of IFRS 16.

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.

1.3.1 Business combinations

The acquisition of businesses 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.

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.

1. **ACCOUNTING POLICIES** (CONTINUED)

1.3 **Basis of consolidation** (continued)

1.3.1 Business combinations (continued)

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

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.

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 (CGU) 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. Depreciation is recognised in profit or loss. 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. ACCOUNTING POLICIES (CONTINUED)

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 from the sale of goods mainly comprises wholesale sales to independent retailers, and to a small degree retail sales of stores owed by the group. 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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.

1.11 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. **ACCOUNTING POLICIES** (CONTINUED)

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.

1.16 Financial instruments (continued)

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.

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 either intends to 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.

1. **ACCOUNTING POLICIES** (CONTINUED)

1.17 Employee benefits (continued)

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.

The group presents the service costs and net interest income or expense 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.18 Taxation (continued)

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.

1.19 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.

1.20 Normalised headline earnings

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. This is calculated as headline earnings adjusted for fair value adjustments to financial liabilities, foreign exchange gains or losses on financial liabilities and business acquisition costs.

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.

Business combinations

An acquisition is considered a business combination if the assets acquired and liabilities assumed constitute a business. Management applies judgement in order to assess whether assets purchased constitutes a business by assessing the facts and circumstances of the transaction. Management considers whether the purchase includes an integrated set of activities (inputs and processes) that is capable of being managed and conducted in order to provide a return. In instances where only an asset such as a property, is purchased, with no related processes and inputs, this is treated as an acquisition of an asset rather than a business. In instances such as the purchase of a store, which includes the employment of staff, and processes relating to the running of the store that can be managed in order to provide a return, the assets acquired are treated as a business in terms of IFRS 3.

Control over retail stores acquired

Note 33 details the acquisition of retail stores. In these acquisitions 100% of the assets of the business were acquired. The directors of the company assessed whether or not the group has control over these retail stores based on whether the group has the practical ability to direct the relevant activities of the stores unilaterally. As no other party has the ability to direct the activities of the business, the directors concluded that the group has control over the retail stores acquired.

1. ACCOUNTING POLICIES (CONTINUED)

1.21 Key management judgements (continued)

Classification of SPAR Sri Lanka as a joint venture

SPAR Sri Lanka (Private) Ltd is a company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, SPAR Sri Lanka (Private) Ltd is classified as a joint venture of the group.

Significant influence over SPAR Zambia Ltd

Note 15 describes SPAR Zambia Ltd as an associate entity of the group. The group holds 47.87% of the shareholding of the entity and has the contractual right to appoint one out of six directors to the board of directors of the company, therefore the group has significant influence over this entity. Considering the relative size and dispersion of the shareholdings owned by other shareholders, the directors concluded that the group does not have a sufficiently dominant voting interest to direct the relevant activities of SPAR Zambia Ltd, and therefore does not have control over this entity.

Significant influence over Tradefirm 15 (Pty) Ltd

Note 15 describes Tradefirm 15 (Pty) Ltd as an associate entity of the group. The group holds 43.8% of the shareholding of the entity and has the contractual right to appoint two out of five directors to the board of directors of the company, therefore the group has significant influence over this entity. Considering the relative size and dispersion of the shareholdings owned by other shareholders, the directors concluded that the group does not have a sufficiently dominant voting interest to direct the relevant activities of Tradefirm 15 (Pty) Ltd, and therefore does not have control over this entity.

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 (holding company of the BWG Group) the agreed price is based on the future earnings, which need to be estimated 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 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.

1. **ACCOUNTING POLICIES** CONTINUED

1.21 **Key management judgements** continued

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.

		GROUP		COMPANY	
	Rmillion	**2017**	2016	**2017**	2016
2.	**REVENUE**				
	Turnover	**95 461.1**	90 688.5	**62 551.1**	59 837.6
	Other income	**1 713.1**	1 538.8	**610.9**	557.1
	Marketing and service revenues	**1 705.3**	1 531.5	**564.8**	524.1
	Other receipts	**7.8**	7.3	**7.8**	7.3
	Dividends received – subsidiaries and associates			**38.3**	25.7
	Total revenue	**97 174.2**	92 227.3	**63 162.0**	60 394.7
3.	**NET OPERATING EXPENSES**				
	Net operating expenses include the following:				
	Auditor's remuneration				
	Audit fees	**12.1**	13.4	**4.6**	4.4
	Other fees	**5.9**	4.8	**3.6**	4.5
	Total auditor's remuneration	**18.0**	18.2	**8.2**	8.9
	Operating lease charges				
	Plant, equipment and vehicles	**78.3**	71.5	**6.5**	8.3
	Immovable property	**632.0**	471.6	**101.0**	75.0
	Lease rentals payable	**1 546.4**	1 233.6	**937.3**	800.7
	Sub-lease recoveries	**(914.4)**	(762.0)	**(836.3)**	(725.7)
	Total operating lease charges	**710.3**	543.1	**107.5**	83.3
	Employee benefits expense				
	Post-employment benefits (refer to note 27)	**248.3**	194.1	**131.4**	119.6
	Post-retirement medical aid	**17.6**	14.6	**17.6**	14.6
	Defined contribution plans	**129.5**	117.8	**113.8**	105.0
	Defined benefit plans	**101.2**	61.7		
	Share-based payments (refer note 38)	**33.3**	41.8	**33.3**	41.8
	Other employee benefits	**3 898.0**	3 186.0	**1 567.2**	1 490.4
	Total employment benefits expense	**4 179.6**	3 421.9	**1 731.9**	1 651.8

4. BBBEE TRANSACTIONS

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.

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

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
The SPAR BBBEE Employee Trust share-based payment charge		10.7		10.7
Legal and other costs	**0.9**	10.2	**0.9**	10.2
Total	**0.9**	20.9	**0.9**	20.9

Rmillion	**The SPAR BBBEE Retailer Employee Trust**	**The SPAR BBBEE Employee Trust**	**2017 Total**	2016 Total
Included in trade and other payables:				
Amounts due to BBBEE participants	**(0.7)**	**(42.0)**	**(42.7)**	(307.2)
Included in cash and cash equivalents – guilds and trusts: (refer to note 23)				
BBBEE cash resources	**0.7**	**42.0**	**42.7**	307.2
Total	**–**	**–**	**–**	–

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
5. OTHER NON-OPERATING ITEMS				
Remeasurement of financial instruments	**51.6**	(1.0)	**51.6**	0.2
Fair value adjustment to financial liability	**51.6**		**51.6**	
Fair value adjustment to investment in GRH	*	0.2	*	0.2
Fair value adjustment to investments in shares and bonds	*	(1.2)	*	
Capital items	**3.0**	25.5	**–**	2.2
Impairment of goodwill	*	4.9	*	4.9
Loss/(profit) on disposal of associate interests	*	0.7	*	(7.8)
Profit on disposal of business	*	(1.1)	*	(1.1)
Business acquisition costs (refer to note 33)	**3.0**	21.0		6.2
Total other non-operating items	**54.6**	24.5	**51.6**	2.4

* *Reclassified to net operating expenses in the current financial year*

Rmillion		GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
6. NET INTEREST					
Interest income					
Bank deposits		**64.5**	53.7	**62.6**	51.5
Loans		**8.6**	2.0	**8.3**	1.7
Overdue debtors		**39.4**	37.4	**35.0**	29.8
Other		**10.7**	5.3	**0.6**	0.3
Total interest income		**123.2**	98.4	**106.5**	83.3
Interest expense					
Security deposits		**(6.0)**	(4.9)	**(6.0)**	(4.9)
Loans		**(79.3)**	(68.8)		(0.8)
Bank overdraft		**(22.7)**	(32.2)	**(20.5)**	(31.7)
Other		**(5.2)**	(4.5)	**(5.2)**	(4.6)
Total interest expense		**(113.2)**	(110.4)	**(31.7)**	(42.0)
Finance costs including foreign exchange gains and losses					
Finance costs of financial liabilities		**(74.3)**	(104.0)	**(60.1)**	(96.3)
Foreign exchange gains and (losses) on financial liabilities		**9.9**	(2.5)	**(27.7)**	1.7
Total finance costs		**(64.4)**	(106.5)	**(87.8)**	(94.6)
Net interest expense		**(54.4)**	(118.5)	**(13.0)**	(53.3)
7. INCOME TAX EXPENSE					
Current taxation					
– current year		**626.0**	605.8	**548.9**	549.2
– prior year		**5.2**	0.4	**0.8**	0.1
Deferred taxation					
– current year		**24.7**	11.0	**12.4**	11.1
– prior year		**(12.6)**	6.2	**(2.3)**	(3.4)
Withholding income tax		**1.3**	0.8	**0.5**	0.5
Total income tax expense		**644.6**	624.2	**560.3**	557.5
Reconciliation of effective taxation rate					
South African current income tax rate at 28% (2016: 28%)	(%)	**28.0**	28.0	**28.0**	28.0
Dividend income	(%)			**(0.5)**	(0.3)
Other exempt income and non-deductible expenses	(%)	**2.1**	1.0	**1.3**	
Income tax allowances	(%)	**(0.2)**	(0.1)	**(0.2)**	(0.1)
Withholding income tax	(%)	**0.1**			
Prior year income tax (over)/under provision	(%)	**(0.3)**	0.3	**(0.1)**	(0.1)
Effect of foreign income tax rates	(%)	**(3.5)**	(3.4)		
Assessed losses utilised	(%)		(0.3)		
Effective rate of taxation	(%)	**26.2**	25.5	**28.5**	27.5

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 192 555 203 (2016: 179 703 184). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 193 807 170 (2016: 181 592 889).

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

		GROUP	
		2017	2016
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders).	Rmillion	**1 820.1**	1 815.0
Earnings per share:			
Basic	(cents)	**945.2**	1 010.0
Diluted	(cents)	**939.1**	999.5
Number of shares			
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	('000)	**192 555**	179 703
Effect of diluted potential ordinary shares:			
Share options and BBBEE shares	('000)	**1 252**	1 890
Weighted average number of ordinary shares (net of treasury shares) for the purposes of diluted earnings per share	('000)	**193 807**	181 593

Rmillion			
9. HEADLINE EARNINGS			
Profit for the year attributable to ordinary shareholders		**1 820.1**	1 815.0
Adjusted for:			
Loss on sale of property, plant and equipment		**13.9**	15.0
– Gross		**15.7**	17.9
– Tax effect		**(1.8)**	(2.9)
Profit on disposal of assets held for sale		**(7.5)**	(3.0)
Fair value adjustment to assets held for sale		**1.2**	1.4
Impairment of goodwill		**9.3**	4.9
Loss on disposal of associate interests			0.7
Profit on disposal of businesses		**(2.8)**	(1.1)
Headline earnings		**1 834.2**	1 832.9
Adjusted for exceptional items:			
Fair value adjustment to financial liabilities (refer to note 39)		**51.6**	
Foreign exchange (gains)/losses on financial liabilities (refer to note 39)		**(9.9)**	2.5
Business acquisition costs		**3.0**	21.0
Normalised headline earnings		**1 878.9**	1 856.4
Headline earnings per share:			
Basic	(cents)	**952.5**	1 020.0
Diluted	(cents)	**946.4**	1 009.4
Normalised headline earnings per share	(cents)	**975.8**	1 033.0

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 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
10. DIVIDENDS PAID					
2016 Final dividend declared 15 November 2016					
– paid 12 December 2016		**789.6**	680.8	**789.6**	680.8
2017 Interim dividend declared 30 May 2017					
– paid 26 June 2017		**462.1**	471.8	**462.1**	471.8
Total dividends		**1 251.7**	1 152.6	**1 251.7**	1 152.6
2016 Final dividend per share declared 15 November 2016					
– paid 12 December 2016	(cents)	**410.0**	393.0	**410.0**	393.0
2017 Interim dividend per share declared 30 May 2017					
– paid 26 June 2017	(cents)	**240.0**	255.0	**240.0**	255.0
Total dividends per share	(cents)	**650.0**	648.0	**650.0**	648.0

The final dividend for the year ended 30 September 2017 of 435 cents per share declared on 14 November 2017 and payable on 11 December 2017 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.

Analysis per reportable segment:

Rmillion	Southern Africa	Ireland	Switzerland	Switzerland IAS 19 adjustment	Consolidated Total
2017					
Statement of profit or loss					
Total revenue	**65 074.4**	**20 890.3**	**11 209.5**		**97 174.2**
Operating profit	**2 005.3**	**508.2**	**95.2**	**(26.2)**	**2 582.5**
Profit before tax	**1 933.0**	**465.8**	**92.1**	**(26.2)**	**2 464.7**
Interest income	**109.7**	**11.1**	**2.4**		**123.2**
Interest expense	**33.8**	**50.5**	**28.9**		**113.2**
Depreciation	**194.2**	**203.2**	**260.3**		**657.7**
Statement of financial position					
Total assets	**14 076.8**	**9 272.3**	**4 861.5**		**28 210.6**
Total liabilities	**10 070.8**	**7 364.7**	**3 791.7**	**408.4**	**21 635.6**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. **SEGMENT REPORTING** (CONTINUED)

Analysis per reportable segment: (continued)

Rmillion	Southern Africa	Ireland	Switzerland	Switzerland IAS 19 adjustment	Consolidated Total
2016					
Statement of profit or loss					
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
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

GROUP

Rmillion	Freehold land and buildings	Leasehold buildings	Furniture, fittings, plant, equipment and vehicles	Total
12. PROPERTY, PLANT AND EQUIPMENT				
Carrying value at 30 September 2015	1 555.9	46.7	1 618.7	3 221.3
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)**
Additions	**322.5**	**2.5**	**850.8**	**1 175.8**
Expansions	**320.1**	**2.5**	**536.8**	**859.4**
Replacements	**2.4**		**314.0**	**316.4**
Additions through business acquisitions			**15.1**	**15.1**
Disposals at net book value	**(47.6)**	**(1.0)**	**(48.3)**	**(96.9)**
Disposal through sale of business			**(6.4)**	**(6.4)**
Depreciation	**(1.7)**	**(1.7)**	**(654.3)**	**(657.7)**
Effect of foreign currency exchange differences	**(31.6)**	**0.9**	**(6.4)**	**(37.1)**
Reclassified as assets held for sale			**0.8**	**0.8**
Carrying value at 30 September 2017	**3 478.4**	**55.8**	**3 019.7**	**6 553.9**
Analysed as follows:				
Cost	**3 576.1**	**61.6**	**4 965.9**	**8 603.6**
Accumulated depreciation	**(97.7)**	**(5.8)**	**(1 946.2)**	**(2 049.7)**

Rmillion	COMPANY Freehold land and buildings	Leasehold buildings	Furniture, fittings, plant, equipment and vehicles	Total
12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Carrying value at 30 September 2015	1 053.1	8.5	788.2	1 849.8
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)
Additions	**242.0**	**0.4**	**310.2**	**552.6**
Expansions	**242.0**	**0.4**	**217.5**	**459.9**
Replacements			**92.7**	**92.7**
Additions through business acquisitions			**13.4**	**13.4**
Disposals at net book value	**(39.0)**		**(7.0)**	**(46.0)**
Disposal through sale of businesses			**(6.4)**	**(6.4)**
Reclassified as assets held for sale			**0.8**	**0.8**
Depreciation		**(0.3)**	**(187.2)**	**(187.5)**
Carrying value at 30 September 2017	**1 330.4**	**9.8**	**994.3**	**2 334.5**
Analysed as follows:				
Cost	**1 413.9**	**13.1**	**2 139.8**	**3 566.8**
Accumulated depreciation	**(83.5)**	**(3.3)**	**(1 145.5)**	**(1 232.3)**

The directors' valuation of freehold land and buildings at 30 September 2017 is R4 954.4 million (2016: R4 615.1 million). The valuation is based on net yields of 5.7% – 10.0% (2016: 5.7% – 12.0%), country dependent. The carrying value of fixed property encumbered as security for borrowings set out in note 29 is R1 606.9 million (2016: R1 547.0 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017

		GROUP		COMPANY	
	Rmillion	**2017**	2016	**2017**	2016
13.	**GOODWILL AND INTANGIBLE ASSETS**				
	Goodwill				
	Balance at beginning of year	**2 315.1**	1 594.7	**421.5**	388.7
	Impairment	**(9.3)**	(4.9)	**(6.8)**	(4.9)
	Goodwill derecognised on disposal of business	**(38.8)**		**(38.8)**	
	Reclassified from/(to) assets held for sale	**1.5**	(4.3)	**1.5**	(4.3)
	Business combination	**122.5**	737.7	**80.6**	42.0
	Foreign exchange translation	**37.3**	(8.1)		
	Balance at end of year	**2 428.3**	2 315.1	**458.0**	421.5
	Analysed as follows:				
	Cost	**2 452.5**	2 330.0	**469.7**	426.4
	Accumulated impairment	**(24.2)**	(14.9)	**(11.7)**	(4.9)
	CGUs with significant goodwill:				
	SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
	TIL JV Ltd (BWG)	**1 219.4**	1 189.5		
	GCL 2016 Ltd (Gilletts)	**327.7**	312.5		
	SPAR Holding AG	**315.9**	308.5		
	Retail stores	**319.7**	259.0	**212.4**	175.9
	Closing balance of goodwill	**2 428.3**	2 315.1	**458.0**	421.5
	Intangible assets				
	Balance at beginning of year	**1 693.2**	1 686.8		
	Foreign exchange translation	**40.7**	6.4		
	Balance at end of year	**1 733.9**	1 693.2	**–**	–
	Analysed as follows				
	Cost	**1 733.9**	1 693.2		
	Total goodwill and intangible assets	**4 162.2**	4 008.3	**458.0**	421.5
	Analysed as follows:				
	Cost	**4 186.4**	4 023.2	**469.7**	426.4
	Accumulated impairment	**(24.2)**	(14.9)	**(11.7)**	(4.9)

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

Refer to note 33 for details on new 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. Cash flows were projected over the next five-year period based on financial budgets or forecasts approved by management.

		GROUP	
		2017	2016
The following assumptions were applied in determining the value in use of the Southern African entities:			
Discount rate	(%)	**11.7**	11.8
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
The following assumptions were applied in determining the value in use of the Swiss entity			
Discount rate	(%)	**3.9**	
Sales growth rate	(%)	**(1.1) – 1.0**	
Terminal value growth rate	(%)	**1.0**	

Discount rates are consistent with external sources, and sales growth rates and terminal value growth rates reflect past experience.

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 733.9 million (2016: R1 693.2 million).

The recoverable amount of the BWG CGU has been determined based on a value in use excess earnings calculation.

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

		GROUP	
		2017	2016
Expected return on assets	(%)	**16.7**	16.7
Multiplier rate	(%)	**4.8**	4.8

The expected return is based on managements 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 now included in the BWG CGU for impairment testing as these have been incorporated into the BWG business.

	Principal place of business	Issued share capital 2017 Rmillion	Issued share capital 2016 Rmillion	Effective holding 2017 %	Effective holding 2016 %	Cost of investment 2017 Rmillion	Cost of investment 2016 Rmillion
14. INVESTMENT IN SUBSIDIARIES							
Subsidiary*							
SAH Ltd[4] (registered in the Isle of Man)	Switzerland	**685.4**	685.4	**100**	100	**685.4**	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[1]	South Africa			**90**	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**	181.2
Kaplian Trading (Pty) Ltd[1]	South Africa			**100**	100	**15.0**	15.0
Rubean Trading (Pty) Ltd[2]	South Africa			**100**	100		
SPAR Mopani Rural Hub (Pty) Ltd[1]	South Africa			**100**	100		
Annison 45 (Pty) Ltd[1]	South Africa			**60**	60		
SPAR Ikhwezi Rural Hub (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		
Knowles Shopping Centre Investments (Pty) Ltd[2]	South Africa			**100**			
Consolidated entities****							
The SPAR Guild of Southern Africa[1]***	South Africa						
The Build it Guild of Southern Africa[1]***	South Africa						
The SPAR Group Ltd Employee Share Trust (2004)[1]	South Africa						
The SPAR BBBEE Employee Trust[1]	South Africa						
The SPAR BBBEE Retailer Employee Trust[1]	South Africa						
Total						**1 682.5**	1 682.5

* *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.*

*** *Non-profit companies 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*

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
15. INVESTMENT IN ASSOCIATES AND JOINT VENTURES				
Balance at beginning of year	**38.4**	32.4	**32.4**	22.8
Share of (losses)/ income for the year	**(8.8)**	4.9		
Investment in associates and joint ventures	**69.9**		**69.9**	
Disposal of investments		(8.5)		
Loans advanced to associates	**23.8**	13.4	**23.8**	13.4
Repayment of loans during the year	**(4.5)**	(3.8)	**(4.5)**	(3.8)
Payment of dividends	**(1.5)**			
Balance at end of year	**117.3**	38.4	**121.6**	32.4

Summarised financial statements of the group's share of associates:

	GROUP 2017	GROUP 2016
Statement of profit or loss		
Revenue	**139.1**	73.6
(Losses)/income for the year attributable to ordinary shareholders	**(8.8)**	4.9
Statement of financial position		
Total assets	**88.6**	29.5
Total liabilities	**(65.7)**	(22.5)
Net assets	**22.9**	7.0

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 its shares.

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

		Shareholding in associates and joint ventures 2017 %	2016 %	GROUP 2017 Rmillion	GROUP 2016 Rmillion	COMPANY 2017 Rmillion	COMPANY 2016 Rmillion
SPAR Harare (Pvt) Ltd	(associate)	**35.0**	35.0				
Gezaro Retailers (Pty) Ltd	(associate)	**40.0**	40.0	**14.7**	17.7	**18.1**	22.7
Monteagle Merchandising Services (Pty) Ltd	(associate)	**50.0**	50.0	**24.5**	20.7	**9.7**	9.7
SPAR Zambia Ltd	(associate)	**47.9**		**43.8**		**56.6**	
SPAR SL (Private) Ltd	(joint venture)	**50.0**		**14.4**		**17.2**	
Tradefirm 15 (Pty) Ltd	(associate)	**43.8**		**19.9**		**20.0**	
Total				**117.3**	38.4	**121.6**	32.4

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.

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

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

On 1 December 2016, the group invested in a 47.87% shareholding of SPAR Zambia Ltd, which owns and operates eight SPAR stores in Zambia.

In December 2016, the group invested in 50% of the equity of SPAR SL (Private) Ltd, which is a joint venture based in Sri Lanka, being set up in order to carry on a SPAR wholesale and retail business.

On 13 June 2017, the group invested in a 43.8% shareholding of Tradefirm 15 (Pty) Ltd, which owns and operates Eastmans SUPERSPAR and TOPS in Durban.

		GROUP		COMPANY	
	Rmillion	**2017**	2016	**2017**	2016
16.	**OTHER INVESTMENTS**				
	Balance at beginning of year	**54.2**	2.3	**1.6**	2.3
	Additional investments during the year	**3.2**		**3.2**	
	Additions through business combinations		55.2		
	Fair value adjustments	**1.8**	1.0		(0.2)
	Disposals		(0.5)		(0.5)
	Foreign exchange differences	**(1.5)**	(3.8)		
	Balance at end of year	**57.7**	54.2	**4.8**	1.6
	Analysed as follows.				
	Group Risk Holdings (Pty) Ltd	**2.4**	1.6	**2.4**	1.6
	Hypo Vorarlberg bank security deposit	**52.9**	52.6		
	Investment in Dendostax (Pty) Ltd	**1.4**		**1.4**	
	Investment in The SA SME Fund Ltd	**1.0**		**1.0**	
	Total	**57.7**	54.2	**4.8**	1.6

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 2017 financial year-end, the group has an 8.0% (2016 5.3%) shareholding in GRH.

Please see financial instruments accounting policy note.

The investment held at Hypo Vorarlberg bank consists of a rental security deposit. This is a portfolio of shares and bonds which is periodically fair valued.

The investment in Dendostax (Pty) Ltd is a 14.3% shareholding in the company which holds the property from which Eastmans SUPERSPAR and TOPS operate.

The investment in The SA SME Fund Ltd amounts to an initial subscription to one million shares in this entity.

		GROUP		COMPANY	
	Rmillion	**2017**	2016	**2017**	2016
17.	**OPERATING LEASE RECEIVABLES AND PAYABLES**				
	Operating lease receivables	**186.1**	163.9	**195.5**	150.4
	Less current portion	**(60.7)**	(63.4)	**(60.7)**	(63.4)
	Non-current operating lease receivables	**125.4**	100.5	**134.8**	87.0
	Operating lease payables	**204.2**	181.6	**204.2**	154.6
	Less current portion	**(62.8)**	(65.6)	**(62.8)**	(65.6)
	Non-current operating lease payables	**141.4**	116.0	**141.4**	89.0

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

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
18. LOANS				
Retailer loans	**522.6**	264.3	**262.6**	181.5
Advance to The SPAR Group Ltd Employee Share Trust (2004)			**16.1**	18.7
Loan to Group Risk Holdings (Pty) Ltd	**0.5**	0.3	**0.5**	0.3
Total	**523.1**	264.6	**279.2**	200.5
Less current portion	**(116.9)**	(46.8)	**(35.3)**	(51.9)
Non-current loans	**406.2**	217.8	**243.9**	148.6

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 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.

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
19. DEFERRED TAXATION				
Asset				
Deferred taxation asset analysed by major category:				
Property, plant and equipment	**(180.2)**	(165.2)	**(180.4)**	(168.0)
Provisions, claims and prepayments	**195.9**	196.1	**184.5**	185.3
Balance at end of year	**15.7**	30.9	**4.1**	17.3
Reconciliation of deferred taxation asset:				
Balance at beginning of year	**30.9**	34.0	**17.3**	22.8
Profit or loss effect	**(12.0)**	(5.3)	**(10.0)**	(7.7)
Other comprehensive income effect	**(3.2)**	2.2	**(3.2)**	2.2
Balance at end of year	**15.7**	30.9	**4.1**	17.3
Liability				
Deferred taxation liability analysed by major category:				
Property, plant and equipment and intangible assets	**(439.1)**	(448.9)		
Defined benefit obligations	**129.3**	200.1		
Provisions and other	**(51.4)**	(41.9)		
Balance at end of year	**(361.2)**	(290.7)	**–**	–
Reconciliation of deferred taxation liability:				
Balance at beginning of year	**(290.7)**	(215.1)	**–**	–
Business acquisition		(147.0)		
Profit or loss effect	**0.1**	(11.7)		
Exchange rate translation	**(3.3)**	8.7		
Retirement benefit fund prior year gross-up (refer to note 27)		43.7		
Other comprehensive income effect	**(67.3)**	30.7		
Balance at end of year	**(361.2)**	(290.7)	**–**	–
Total net (liability)/asset	**(345.5)**	(259.8)	**4.1**	17.3

	Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
20.	**INVENTORIES**				
	Merchandise	**3 884.1**	3 878.0	**1 918.0**	1 802.8
	Less provision for obsolescence	**(67.7)**	(67.1)	**(27.7)**	(26.0)
	Total inventories	**3 816.4**	3 810.9	**1 890.3**	1 776.8
	Shrinkages and damages written off	**131.8**	99.9	**34.7**	36.3
21.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**10 002.5**	9 819.3	**6 901.0**	6 716.2
	Allowance for doubtful debts	**(602.7)**	(654.9)	**(169.4)**	(161.8)
	Net trade receivables	**9 399.8**	9 164.4	**6 731.6**	6 554.4
	Other receivables	**1 414.5**	1 379.6	**894.7**	758.6
	Total trade and other receivables	**10 814.3**	10 544.0	**7 626.3**	7 313.0

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:	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Balance at beginning of year	**(654.9)**	(582.3)	**(161.8)**	(153.7)
Allowance raised during the year	**(265.1)**	(246.8)	**(85.1)**	(69.9)
Allowance reversed during the year	**322.7**	196.1	**77.5**	61.8
Business acquisition		(25.7)		
Exchange rate translation	**(5.4)**	3.8		
Balance at end of year	**(602.7)**	(654.9)	**(169.4)**	(161.8)
Irrecoverable debts written off net of recoveries	**190.4**	139.2	**89.4**	65.0

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 R515.0 million (2016: R512.1 million) which are past due at a group level and R358.2 million (2016: R288.7 million) at a company level. 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.

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
22. TAXATION PAID				
Payable/(receivable) at beginning of year	**79.5**	9.0	**28.5**	(0.2)
Business acquisition (refer to note 33)		5.9		
Exchange rate translation	**2.3**	(2.1)		
Charge to profit or loss (refer to note 7)	**632.5**	607.0	**550.3**	549.8
Other comprehensive income effect		(11.0)		(11.0)
Net payable at end of year	**(87.7)**	(79.5)	**(15.4)**	(28.5)
Total taxation paid	**626.6**	529.3	**563.4**	510.1

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 the SPAR, guilds' and trusts' 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.

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Bank balances – guilds	**132.2**	121.0		
Bank balances – trusts	**42.7**	307.2		
Bank balances – guilds and trusts	**174.9**	428.2	**–**	–
Bank balances – SPAR	**1 565.6**	1 611.8	**409.3**	595.6
Bank overdrafts – SPAR	**(268.5)**	(507.1)		
Net cash balances	**1 472.0**	1 532.9	**409.3**	595.6

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
24. ASSETS HELD FOR SALE				
Freehold properties held for sale (24.1)	**14.0**	32.7		
Assets acquired with ADM Londis plc for disposal (24.2)	**123.3**	120.8		
Assets related to retail stores (24.3)	**3.7**	7.2	**3.7**	7.2
Assets held for sale	**141.0**	160.7	**3.7**	7.2

24.1 The group intends to dispose of numerous freehold properties it no longer utilises in Ireland and the UK in the next 12 months. A search is underway for buyers.

No impairment loss was recognised at 30 September 2017 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 R25.5 million.

Reconciliation of freehold properties held for sale	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Balance at beginning of year	**32.7**	32.8	**–**	–
Disposals	**(18.0)**	(0.2)		
Translation differences	**(0.7)**	0.1		
Balance at end of year	**14.0**	32.7	**–**	–

24. ASSETS HELD FOR SALE (CONTINUED)

24.2 The group acquired a number of freehold properties and legacy debtors, as a part of the ADM Londis plc business combination in 2015. 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 R0.4 million.

	GROUP		COMPANY	
Reconciliation of assets acquired with ADM Londis plc Rmillion	**2017**	2016	**2017**	2016
Balance at beginning of year	**120.8**	144.2	**–**	–
Fair value adjustment		(1.4)		
Disposals	**(0.4)**	(23.9)		
Translation differences	**2.9**	1.9		
Balance at end of year	**123.3**	120.8	**–**	–

24.3 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 during 2016 and immediately reclassified as held for sale, as agreements were in place to sell these stores within the next year. The sale of the Crazy J's Vincent group of liquor stores was not concluded in the current financial year. These were impaired to their realisable value, and transferred to property, plant and equipment and goodwill. The effective date of the sale of the Kragga Kamma Kwikspar and TOPS stores has been extended to 1 December 2017. These stores make up the remaining balance of R3.7 million.

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
Assets of stores classified as held for sale				
Balance at beginning of year	**7.2**		**7.2**	
Transfers (to)/from assets	**(2.3)**	7.2	**(2.3)**	7.2
Impairment	**(1.2)**		**(1.2)**	
Balance at end of year	**3.7**	7.2	**3.7**	7.2

25. STATED CAPITAL

25.1 Authorised

250 000 000 (2016: 250 000 000) ordinary shares

Issued and fully paid				
192 602 355 (2016: 192 602 355) ordinary shares Rmillion	**2 231.5**	2 231.5	**2 231.5**	2 231.5
Number of shares				
Ordinary shares				
Outstanding at beginning of year	**192 602 355**	173 261 662	**192 602 355**	173 261 662
Issue of shares through accelerated bookbuild offering		11 891 892		11 891 892
Converted from redeemable convertible preference shares during the year		33 558		33 558
Converted from redeemable convertible preference shares at vesting		7 415 243		7 415 243
Outstanding at end of year	**192 602 355**	192 602 355	**192 602 355**	192 602 355

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
25. STATED CAPITAL (continued)				
25.1 Authorised				
Redeemable convertible preference shares				
Balance at beginning of year	**–**	18 702 349	**–**	18 702 349
Converted into ordinary shares during the year		(55 450)		(10 379 134)
Converted into ordinary shares at vesting		(10 323 684)		
Redeemed at par value		(8 323 215)		(8 323 215)
Balance at end of year	**–**	–	**–**	–

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.

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 2017	Number of shares under option 2016
R46.22	8 March 2017		284 434
R58.10	3 December 2017	**49 000**	176 800
R50.23	11 November 2018	**238 000**	258 200
R66.42	10 November 2019	**306 200**	337 800
R95.11	16 November 2020	**290 800**	335 600
R99.91	8 December 2020	**98 200**	98 200
R96.46	8 November 2021	**548 900**	670 000
R122.81	13 November 2022	**656 600**	751 200
R126.43	12 November 2023	**736 100**	814 000
R124.22	7 February 2024	**50 000**	50 000
Total		**2 973 800**	3 776 234

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 Group Employee Share Trust (2004) purchased 710 086 (2016. 1 154 969) shares in the company at an average purchase price per share of R180.83 (2016· R196.79). 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.

During the year The SPAR Group Ltd purchased 8 372 shares (refer note 38.3), at an average purchase price per share of R166.9, amounting to R1.4 million. This was done to settle participants considered as 'good leavers' in terms of The SPAR Group Ltd Conditional Share Plan (CSP).

	GROUP	
Rmillion	**2017**	2016
Cost of shares		
Balance at beginning of year	**18.7**	26.9
Share repurchases	**129.8**	227.3
Settlement of share-based payments	**(1.4)**	
Shares sold to option holders on exercise of share option rights	**(131.0)**	(235.5)
Balance at end of year	**16.1**	18.7

	Number of shares held	
	2017	2016
Shares held in trust		
Balance at beginning of year	**94 421**	142 952
Share repurchases	**710 086**	1 154 969
Shares sold to option holders on exercise of share option rights	**(708 034)**	(1 203 500)
Balance at end of year	**96 473**	94 421

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Rmillion	The SPAR Group Ltd Defined Benefit Pension Fund 2017	2016	The BWG Group Retirement Funds 2017	2016	The SPAR Holding AG Retirement Funds 2017	2016	Total 2017	2016
27.1 Retirement benefit funds								
Fair value of fund assets								
Balance at beginning of year	**21.6**	21.1	**899.4**	778.4	**1 519.1**	–	**2 440.1**	799.5
Business combination						1 558.8		1 558.8
Expected return on fund assets	**2.0**	1.8					**2.0**	1.8
Interest income on plan assets			**11.1**	19.2	**2.2**	3.1	**13.3**	22.3
Remeasurement – return on plan assets (excluding interest income)			**28.9**	81.1	**57.7**	47.7	**86.6**	128.8
Contributions	**0.4**	0.3	**46.0**	51.0	**92.2**	48.5	**138.6**	99.8
Benefits paid	**(1.5)**	(1.5)	**(36.5)**	(26.7)	**(19.4)**	(31.8)	**(57.4)**	(60.0)
Actuarial loss	**(0.8)**	(0.1)					**(0.8)**	(0.1)
Exchange rate translation			**25.5**	(3.6)	**(41.2)**	(107.2)	**(15.7)**	(110.8)
Balance at end of year	**21.7**	21.6	**974.4**	899.4	**1 610.6**	1 519.1	**2 606.7**	2 440.1
Present value of defined benefit obligation								
Balance at beginning of year	**(12.4)**	(13.9)	**(1 383.7)**	(1 128.0)	**(2 270.6)**	–	**(3 666.7)**	(1 141.9)
Business combination						(2 291.3)		(2 291.3)
Interest cost	**(1.2)**	(1.1)	**(16.8)**	(27.1)	**(3.2)**	(4.4)	**(21.2)**	(32.6)
Remeasurement (effect of changes in financial assumptions)					**193.8**	(105.6)	**193.8**	(105.6)
Current service cost	**(0.4)**	(0.4)	**(23.1)**	(17.9)	**(71.4)**	(35.8)	**(94.9)**	(54.1)
Benefits paid/accrued to be paid	**1.5**	1.5	**36.5**	26.8	**19.4**	31.9	**57.4**	60.2
Plan participants contributions			**(4.2)**	(5.0)	**(46.1)**	(24.4)	**(50.3)**	(29.4)
Plan changes				1.2				1.2
Actuarial gain/(loss)	**(2.7)**	1.5	**151.7**	(243.3)			**149.0**	(241.8)
Exchange rate translation			**(22.0)**	9.6	**69.5**	159.0	**47.5**	168.6
Balance at end of year	**(15.2)**	(12.4)	**(1 261.6)**	(1 383.7)	**(2 108.6)**	(2 270.6)	**(3 385.4)**	(3 666.7)

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.

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

		The SPAR Group Ltd Defined Benefit Pension Fund		The BWG Group Retirement Funds		The SPAR Handels AG Retirement Funds		Total	
Rmillion		**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
27.1 Retirement benefit funds									
Amounts recognised on the statement of financial position									
Present value of fund obligations				**(1 261.6)**	(1 383.7)	**(2 108.6)**	(2 270.6)	**(3 370.2)**	(3 654.3)
Fair value of plan assets				**974.4**	899.4	**1 610.6**	1 519.1	**2 585.0**	2 418.5
Net liability recognised in the statement of financial position		**–**	–	**(287.2)**	(484.3)	**(498.0)**	(751.5)	**(785.2)**	(1 235.8)
Amounts recognised on the statement of profit or loss and other comprehensive income									
Statement of profit or loss		**–**	–	**(28.8)**	(24.6)	**(72.4)**	(37.1)	**(101.2)**	(61.7)
Current service cost				**(23.1)**	(16.7)	**(71.4)**	(35.8)	**(94.5)**	(52.5)
Net interest on obligation				**(5.7)**	(7.9)	**(1.0)**	(1.3)	**(6.7)**	(9.2)
Other comprehensive income		**–**	–	**180.6**	(162.2)	**251.5**	(57.9)	**432.1**	(220.1)
Remeasurement – return on plan assets (excluding interest income)				**28.9**	81.1	**57.7**	47.7	**86.6**	128.8
Remeasurement – defined benefit obligation (changes in assumptions)						**193.8**	(105.6)	**193.8**	(105.6)
Net actuarial gains/(losses) recognised in the current year				**151.7**	(243.3)			**151.7**	(243.3)
The fair value of plan assets at end of period for each category are as follows:									
Cash and cash equivalents	(%)			**4.0**	6.0	**1.9**	5.3		
Equities	(%)	**94.0**	94.0	**52.0**	44.0	**29.9**	21.7		
Property	(%)	**6.0**	6.0	**7.0**	7.0	**10.9**	12.5		
Fixed interest bonds	(%)			**37.0**	43.0	**57.3**	60.5		
Total		**100.0**	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)	**(113.5)**	(138.4)	**(180.5)**	(208.1)		
Defined benefit obligation	(0.5)		0.4	**75.7**	166.0	**209.8**	68.8		
The key actuarial assumptions applied in the determination of fair values include:									
Inflation rate	(%)	**5.0**	7.0	**1.7**	1.2	**0.6**	0.6		
Salary escalation rate	(%)	**6.0**	8.0	**1.7**	1.2	**1.0**	1.0		
Discount rate	(%)	**9.0**	9.7	**2.1**	1.3	**0.6**	0.2		
Expected rate of return on plan assets	(%)	**9.0**	9.7	**1.3**	2.3	**2.3**	2.3		

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

27.1 Retirement benefit funds (continued)

The defined benefit plans typically expose the group to actuarial assumptions 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.

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 R115.9 million (2016: R107.0 million) and R113.8 million (2016: R105.0 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 2017, 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.

Since the last valuation, the benefits of all active members were converted to defined contribution benefits. Members have ceased contributions into this fund effective 1 August 2017 and will transfer to the Old Mutual Superfund Defined Contribution Pension and Provident Fund, as selected by the members, after approval has been received from the Financial Services Board. The effective date of transfer is 1 August 2017. The employer is one of the participating employers in those funds.

The BWG Group Retirement Funds (Ireland)

The BWG Group contributes towards retirement benefits for approximately 1 066 (2016: 1 060) 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 costs or credits and net expenses or income are recognised to profit or loss. The defined benefit pension schemes obligations were valued at R1 261.6 million (2016: R1 383.7 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 77.0% (2016: 65.0%) 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 R13.6 million (2016: R10.8 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 1 406 (2016:1 445) current and former employees.

The next actuarial valuation of the defined benefit schemes will take place on 31 March or 30 September 2018.

These schemes are closed to further membership.

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

27.2 Post-retirement medical aid provision

		GROUP		COMPANY	
Rmillion		**2017**	2016	**2017**	2016
Balance – actuarial valuation at beginning of year		**(156.4)**	(140.8)	**(156.4)**	(140.8)
Recognised as an expense during the current year		**(17.6)**	(14.6)	**(17.6)**	(14.6)
Interest cost		**(14.3)**	(11.5)	**(14.3)**	(11.5)
Current service cost		**(3.3)**	(3.1)	**(3.3)**	(3.1)
Employer contributions		**7.6**	6.9	**7.6**	6.9
Actuarial gain/(loss)		**11.4**	(7.9)	**11.4**	(7.9)
Balance at end of year		**(155.0)**	(156.4)	**(155.0)**	(156.4)
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate – in-service members	(%)	**9.6**	9.7	**9.6**	9.7
Discount rate – continuation members	(%)	**8.6**	9.2	**8.6**	9.2
Medical inflation – in-service members	(%)	**7.9**	8.7	**7.9**	8.7
Medical inflation – continuation members	(%)	**7.1**	8.3	**7.1**	8.3
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 (2016: 267) pensioners and current employees who remain entitled to this benefit. The expected payments to retired employees for the next financial year is R8.5 million (2016: R7.7 million).

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

Rmillion	**Sensitivity % change**	**Discount rate**		**Medical inflation**	
		2017	2016	**2017**	2016
Defined benefit obligation	1.0	**(16.2)**	(15.7)	**18.8**	22.1
Defined benefit obligation	(1.0)	**19.6**	23.6	**(16.0)**	(15.3)

The sensitivity analysis has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period. Based on past experience, life expectancy is assumed to remain unchanged. The last actuarial valuation was performed in September 2017 and the next valuation is expected to be performed during the 2018 financial year.

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
28. FINANCIAL LIABILITIES				
Present value				
TIL JV Ltd	**963.8**	824.4	**963.8**	824.4
SPAR Holding AG	**736.3**	743.6		
Total	**1 700.1**	1 568.0	**963.8**	824.4
Undiscounted value				
TIL JV Ltd	**1 194.1**	1 094.2	**1 194.1**	1 094.2
SPAR Holding AG	**823.0**	803.6		
Total	**2 017.1**	1 897.8	**1 194.1**	1 094.2

28. FINANCIAL LIABILITIES (continued)

The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 August 2014. The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The financial liability is calculated as the present value of the non-controlling interests share of the expected purchase value and discounted from the expected exercise dates to the reporting date. As at 30 September 2017, the financial liability was valued at R963.8 million (2016: R824.4 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 2017, a fair value adjustment was made to the TIL JV Ltd financial liability relating to changes in forecast profits. In 2016 there were no changes to these assumptions and therefore no fair value adjustment.

The SPAR Group Ltd acquired a controlling shareholding of 60% in the 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.

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.

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
29. BORROWINGS				
Foreign				
Loans secured by mortgage bonds over fixed property	**3 548.2**	3 352.0		
Syndicated bank term loans	**976.6**	1 078.2		
Total borrowings at amortised cost	**4 524.8**	4 430.2	**–**	–
Less short-term portion of borrowings	**(364.4)**	(265.9)		
Long-term portion of borrowings	**4 160.4**	4 164.3	**–**	–
Schedule of repayment of borrowings				
Year to September 2017		283.1		
Year to September 2018	**382.5**	280.3		
Year to September 2019	**371.9**	286.6		
Year to September 2020	**2 218.4**	2 008.5		
Year to September 2021	**75.3**	78.7		
Year to September 2022 onwards	**1 701.0**	1 780.0		
Undiscounted value of total borrowings	**4 749.1**	4 717.2	**–**	–

TIL JV Ltd has undrawn committed facilities of R263.8 million (2016: R400.4 million) as at 30 September 2017. SPAR Holding AG has undrawn banking facilities of R421.4 million (2016: R462.9 million) as at 30 September 2017.

29. **BORROWINGS (CONTINUED)**

		Year-end nominal interest rate		Year of maturity		Carrying value	
Terms and debt repayment schedule	**Currency**	2017 %	2016 %	2017	2016	2017 Rmillion	2016 Rmillion
Secured borrowings	EUR	**1.8**	1.8	**2020**	2020	**2 612.3**	2 378.3
Secured borrowings	CHF	**0.8 – 2.4**	0.8 – 3.0	**2017 – 2025**	2017 – 2023	**935.9**	973.7
Unsecured borrowings	CHF	**0.9 – 2.0**	0.5 – 2.0	**2017 – 2021**	2017 – 2021	**976.6**	1 078.2
Total						**4 524.8**	4 430.2

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.

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
30. **TRADE AND OTHER PAYABLES**				
Trade payables	**10 342.6**	9 769.6	**6 507.9**	5 932.1
Other payables	**3 110.1**	3 392.9	**1 557.7**	1 614.7
Trade and other payables	**13 452.7**	13 162.5	**8 065.6**	7 546.8

The directors consider the carrying amount of trade and other payables to approximate their fair value due to their short-term duration.

	GROUP			
Rmillion	Supplier claims	Termination of leases	Onerous lease provisions	Total
31. **PROVISIONS**				
2017				
Balance at beginning of year	**3.0**	**80.9**	**13.0**	**96.9**
Provisions raised/(reversed)	**3.0**	**12.8**	**(2.6)**	**13.2**
Provisions utilised	**(0.6)**	**(19.7)**	**(3.7)**	**(24.0)**
Exchange rate translation		**1.4**	**(0.3)**	**1.1**
Balance at end of year	**5.4**	**75.4**	**6.4**	**87.2**
Analysed as follows:				
Non-current provisions		**38.7**	**3.2**	**41.9**
Current provisions	**5.4**	**36.7**	**3.2**	**45.3**

	COMPANY			
Balance at beginning of year	**3.0**	**–**	**–**	**3.0**
Provisions raised	**3.0**			**3.0**
Provisions utilised	**(0.6)**			**(0.6)**
Balance at end of year	**5.4**	**–**	**–**	**5.4**
Analysed as follows:				
Current provisions	**5.4**			**5.4**

Rmillion	GROUP Supplier claims	 Termination of leases	 Onerous lease provisions	 Total
31. PROVISIONS (CONTINUED)				
2016				
Balance at beginning of year	5.2	84.9	20.2	110.3
Provisions raised/(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 claims provision represents the value of disputed deliveries and other issues. Termination of leases relates to specific leases which have been identified for surrender. The provision is based on historic experience of three years rental to surrender. Onerous lease provisions represents the value by which the unavoidable costs of meeting lease obligations exceed the economic benefits expected to be received under certain lease agreements.

Rmillion	GROUP **2017**	 2016	COMPANY **2017**	 2016
32. CASH GENERATED FROM OPERATIONS				
32.1 Cash generated from operations				
Operating profit	**2 582.5**	2 577.3	**2 026.6**	2 082.4
Depreciation	**657.7**	531.4	**187.5**	166.3
Net loss on disposal of property, plant and equipment	**15.7**	17.9	**1.9**	1.9
Net profit on assets held for sale	**(7.5)**	(3.0)		
Post-retirement medical aid provision	**10.0**	7.7	**10.0**	7.7
Retirement benefit fund provision	**13.3**	(8.7)		
BBBEE transaction		10.7		10.7
Share-based payments	**33.3**	41.8	**33.3**	41.8
Provision against loans and trade receivables	**(52.3)**	50.7	**13.0**	8.1
Amortisation of prepaid cost	**10.9**	12.1		
Lease smoothing adjustment	**10.6**	(2.9)	**4.6**	0.7
Profit on disposal of businesses	**(2.8)**		**(2.8)**	
Impairment of goodwill	**9.3**		**6.8**	
Fair value adjustment	**(0.6)**		**1.2**	
Exchange rate translation	**(1.0)**	(2.7)	**(5.4)**	
Cash generated from operations before:	**3 279.1**	3 232.3	**2 276.7**	2 319.6
Net working capital changes	**13.0**	17.9	**90.8**	(308.1)
Increase in inventories	**(23.7)**	(133.6)	**(113.5)**	(170.0)
Increase in trade and other receivables	**(221.7)**	(722.2)	**(317.6)**	(765.0)
Increase in trade payables and provisions	**258.4**	873.7	**521.9**	626.9
Cash generated from operations	**3 292.1**	3 250.2	**2 367.5**	2 011.5

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
32. CASH GENERATED FROM OPERATIONS (CONTINUED)				
32.2 Net movement in loans and investments				
Proceeds from disposal of associate		7.8		7.8
Proceeds from disposal of other investments		0.6		0.6
Other investments acquired	**(3.2)**		**(3.2)**	
Dividends from associates	**1.5**			
Net movement on retailer and subsidiary loans	**(249.5)**	(119.7)	**(90.2)**	(96.3)
Loan to The SPAR Group Ltd Employee Share Trust (2004)			**(74.6)**	(144.3)
(Loans to)/repayment of loans to related parties	**(0.2)**	3.8	**(0.2)**	3.8
Investment in associates	**(69.9)**		**(69.9)**	
Loan to associate	**(15.0)**	(13.4)	**(15.0)**	(13.4)
Total	**(336.3)**	(120.9)	**(253.1)**	(241.8)

33. BUSINESS COMBINATIONS

33.1 Retail stores acquired

During the course of the financial year, GCL 2016 Ltd (Gilletts), a subsidiary of The BWG Group, acquired the assets of four retail stores, and The SPAR Group Ltd acquired the assets of seven retail stores (2016: two retail stores). These acquisitions were funded from available cash resources. The principal activity of these acquisitions is that of retail trade and all its aspects. The stores were purchased in order to protect strategic sites, and the goodwill arising on the business combinations is a reflection of future turnover expected to be made by the group as a result of these acquisitions. The goodwill recognised on acquisition is not deductible for tax purposes.

Total acquisition costs for business acquisitions concluded during the 2017 financial year amounted to R3.0 million (2016: R21.0 million) and have been recognised as an expense in profit or loss in the 'other non-operating items' line.

Assets acquired and liabilities assumed at date of acquisition

	GROUP							COMPANY	
	2017			2016				2017	2016
Rmillion	**UK retail stores**	**SA retail stores**	**Total**	SPAR Holding AG	GCL 2016 Ltd	SA retail stores	Total	Total	Total
Assets	**2.1**	**15.1**	**17.2**	5 157.5	143.7	13.7	5 314.9	**13.4**	13.7
Property, plant and equipment		**15.1**	**15.1**	2 873.8	14.6	13.7	2 902.1	**13.4**	13.7
Other investments			**–**	55.2			55.2		
Loans			**–**	9.9			9.9		
Inventories	**1.7**		**1.7**	1 303.1	56.9		1 360.0		
Trade and other receivables	**0.4**		**0.4**	686.0	20.6		706.6		
Provision for doubtful debts			**–**	(25.7)			(25.7)		
Cash and cash equivalents			**–**	255.2	51.6		306.8		
Liabilities	**–**	**–**	**–**	(4 195.5)	(211.5)	–	(4 407.0)	**–**	–
Post-employment benefit obligations			**–**	(732.5)			(732.5)		
Long-term borrowings			**–**	(2 327.2)	(126.3)		(2 453.5)		
Trade and other payables			**–**	(990.1)	(78.0)		(1 068.1)		
Income tax liability			**–**	(3.3)	(2.6)		(5.9)		
Deferred taxation liability			**–**	(142.4)	(4.6)		(147.0)		
Total identifiable net assets at fair value	**2.1**	**15.1**	**17.2**	962.0	(67.8)	13.7	907.9	**13.4**	13.7
Goodwill arising from acquisition	**15.2**	**107.3**	**122.5**	332.5	363.2	42.0	737.7	**80.6**	42.0
Non-controlling interest			**–**	(384.8)			(384.8)		
Investment in subsidiary			**–**				–		685.4
Purchase consideration	**17.3**	**122.4**	**139.7**	909.7	295.4	55.7	1 260.8	**94.0**	741.1
Paid in cash	**17.3**	**122.4**	**139.7**	685.4	263.0	55.7	1 004.1	**94.0**	741.1
Deferred consideration			**–**	224.3			224.3		
Contingent consideration			**–**		32.4		32.4		
Cash and cash equivalents acquired			**–**	(255.2)	(51.6)		(306.8)		
Business acquisition costs	**3.0**		**3.0**	6.2	14.8		21.0		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)		
Net cash outflow on acquisition	**20.3**	**122.4**	**142.7**	475.6	226.2	55.7	757.5	**94.0**	786.5

33. BUSINESS COMBINATIONS (CONTINUED)

33.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to three South African retail stores (2016: one retail store).

	GROUP		COMPANY	
Rmillion	**2017**	2016	**2017**	2016
Non-current assets	**45.2**	8.9	**45.2**	8.9
Property, plant and equipment	**6.4**	8.9	**6.4**	8.9
Goodwill	**38.8**		**38.8**	
Profit on disposal of businesses	**2.8**	1.1	**2.8**	1.1
Proceeds	**48.0**	10.0	**48.0**	10.0

33.3 Contribution to results for the year

	GROUP						
	2017			2016			
Rmillion	**UK retail stores**	**SA retail stores**	**Total**	SPAR Holding AG	GCL 2016 Ltd	SA retail stores	Total
Revenue	**4.6**	**468.3**	**472.9**	6 523.5	96.2	126.5	6 746.2
Trading (losses)/profit before acquisition costs	**(0.5)**	**(42.0)**	**(42.5)**	32.2	9.8	(11.4)	30.6

33.4 Finalisation of SPAR Holding AG (SPAR Switzerland) acquisition

The initial accounting for the acquisition of SPAR Switzerland in 2016 was provisional for the value of intangible assets acquired as the valuation of these assets had not yet been completed. This process has now been concluded, which has resulted in no value being attributed to intangible assets acquired for this business combination, and no change to the initial goodwill arising on acquisition.

33.5 Finalisation of GCL 2016 Ltd (Gilletts) acquisition

The initial accounting for the 2016 acquisition of Gilletts was provisional for the value of the repairs as a result of the dilapidation valuation, the contingent consideration, inventories, trade and other receivables, and trade and other payables. 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. This process has now been concluded, and resulted in no material changes to the values disclosed for this business combination.

		GROUP		COMPANY	
	Rmillion	**2017**	2016	**2017**	2016
34.	**CONTINGENT LIABILITIES**				
	Guarantees issued in respect of the finance obligations				
	– Loan guarantees	**760.5**	743.7	**760.5**	743.7
	– Rental guarantees	**4.2**	3.1	**4.2**	3.1
	– Customs and excise guarantees	**155.9**	152.3		
	– Guarantee of TIL JV Ltd borrowing facilities			**2 880.8**	2 885.4
	– Guarantee of SPAR Holding AG borrowing facilities			**488.3**	575.0
	– Guarantee of Sun Village Supermarket (Pty) Ltd finance obligations			**20.7**	
	– Guarantee of Annison 45 (Pty) Ltd finance obligations			**2.3**	2.2
	– IT retail computer equipment lease scheme	**168.5**	166.5	**168.5**	166.5
	Total	**1 089.1**	1 065.6	**4 325.3**	4 375.9

The board has limited guarantee facilities to R1 090.0 million (2016: R990.0 million) relating to Southern Africa. The company has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of €199.2 million (2016: €220 million), and the SPAR Holding AG borrowing facilities to the value of CHF35 million (2016: CHF40 million).

The company has guaranteed the finance obligations of SPAR Retail Stores (Pty) Ltd and Kaplian Trading (Pty) Ltd, TIL JV Ltd, Annison 45 (Pty) Ltd and Sun Village (Pty) Ltd to its bankers.

These guarantees commenced 15 April 2011, 25 July 2011, 24 June 2015, 29 September 2015 and 13 December 2016 respectively and are for an indefinite period.

		GROUP		COMPANY	
	Rmillion	**Land and buildings**	Other	**Land and buildings**	Other
35.	**COMMITMENTS**				
35.1	**Operating lease commitments**				
	Future minimum lease payments due under non-cancellable operating leases:				
	2017				
	Payable within one year	**1 804.0**	**69.9**	**1 137.1**	**3.2**
	Payable later than one year but not later than five years	**5 495.4**	**144.0**	**3 427.7**	**1.8**
	Payable later than five years	**4 357.3**	**16.0**	**2 203.2**	**0.1**
	Total	**11 656.7**	**229.9**	**6 768.0**	**5.1**
	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

35.2 Operating lease receivables

Future minimum sub-lease receivables due under non-cancellable property leases.

	GROUP		COMPANY	
	2017	2016	**2017**	2016
Receivable within one year	**1 124.7**	937.8	**1 056.3**	876.3
Receivable later than one year but not later than five years	**3 185.9**	2 755.7	**3 162.1**	2 771.3
Receivable later than five years	**2 093.9**	1 515.9	**2 052.2**	1 499.5
Total operating lease receivables	**6 404.5**	5 209.4	**6 270.6**	5 147.1

Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
35. **COMMITMENTS** (CONTINUED)				
35.3 **Capital commitments**				
Contracted	**549.8**	322.0	**341.1**	225.1
Approved but not contracted	**94.8**	154.6	**88.7**	56.9
Total capital commitments	**644.6**	476.6	**429.8**	282.0

Capital commitments will be financed from group resources.

36. DIRECTORS' REMUNERATION AND INTERESTS REPORT

R'000	Salary	Performance-related bonus	Retirement funding contributions	Travel allowance and other benefits[1]	Share option gains	Total
	GROUP					
36.1 Emoluments						
2017						
Executive directors						
GO O'Connor	**5 053**	**1 582**	**599**	**429**		**7 663**
WA Hook	**3 407**	**1 296**	**423**	**463**	**22 620**	**28 209**
MW Godfrey	**3 302**	**1 000**	**397**	**437**	**3 735**	**8 871**
R Venter	**2 889**	**847**	**362**	**466**		**4 564**
Total emoluments	**14 651**	**4 725**	**1 781**	**1 795**	**26 355**	**49 307**
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

[1] *Other benefits include medical aid contributions and a long-service award*

R'000		GROUP 2017	GROUP 2016
36.2 Fees for services as non-executive directors			
MJ Hankinson (chairman)[b]		**1 210**	1 088
PK Hughes[a]	(retired 28 February 2016)		137
RJ Hutchison[b]	(retired 28 February 2016)		131
MP Madi[c]		**456**	398
M Mashologu[d]		**475**	387
HK Mehta[a,b,c]		**715**	597
P Mnganga[b,d]		**563**	483
CF Wells[a,c,d]		**775**	694
Total fees		**4 194**	3 915

[a] *Member of Audit Committee*
[b] *Member of Remuneration and Nomination Committees*
[c] *Member of Risk Committee*
[d] *Member of Social and Ethics Committee*

	Number of shares 2017	2016
36. DIRECTORS' REMUNERATION AND INTERESTS REPORT (CONTINUED)		
36.3 Directors' interests in the share capital of the company		
Executive directors		
GO O'Connor – direct beneficial holding	**300**	300
WA Hook – direct beneficial holding	**25 500**	4 200
Non-executive directors		
MJ Hankinson – held by associates	**2 800**	2 800
HK Mehta – direct beneficial holding	**2 000**	2 000
HK Mehta – indirect beneficial holding	**10 000**	10 000
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.

36.4 Declaration of disclosure

Other than that disclosed above 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 2017.

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 2017	2016
Executive directors				
GO O'Connor	07/02/2014	124.22	**50 000**	50 000
Total			**50 000**	50 000
WA Hook	09/03/2007	46.22		120 000
	04/12/2007	58.10		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
Total			**315 000**	495 000
R Venter	08/12/2010	99.91	**23 200**	23 200
	08/11/2011	96.46	**11 800**	11 800
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**95 000**	95 000
MW Godfrey	09/03/2007	46.22		20 000
	04/12/2007	58.10		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
Total			**144 000**	172 000
Total directors share scheme interests			**604 000**	812 000

	Date of options exercised	Number of options exercised	Option price Rand	Market price on exercise Rand	Gain R'000
37. DIRECTORS' SHARE SCHEME INTERESTS (CONTINUED)					
37.2 Options exercised					
WA Hook	14/02/2017	40 000	46.22	178.15	5 277
WA Hook	24/02/2017	80 000	46.22	182.00	10 862
WA Hook	27/09/2017	38 700	58.10	166.10	4 180
WA Hook	29/09/2017	21 300	58.10	166.10	2 300
MW Godfrey	27/02/2017	20 000	46.22	183.00	2 736
MW Godfrey	27/02/2017	8 000	58.10	183.00	999

37.3 Shares held by participants in terms of the CSP

In terms of the CSP, 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 CSP are as follows:

	Grant date	Share price on date of grant Rand	Number of shares 2017	2016
Executive directors				
GO O'Connor	17/02/2015	133.61	**36 665**	36 665
GO O'Connor	09/02/2016	195.38	**20 000**	20 000
GO O'Connor	07/02/2017	175.10	**14 600**	
WA Hook	17/02/2015	133.61	**14 000**	14 000
WA Hook	09/02/2016	195.38	**7 500**	7 500
WA Hook	07/02/2017	175.10	**7 500**	
R Venter	17/02/2015	133.61	**22 000**	22 000
R Venter	09/02/2016	195.38	**9 600**	9 600
R Venter	07/02/2017	175.10	**7 500**	
MW Godfrey	17/02/2015	133.61	**22 000**	22 000
MW Godfrey	09/02/2016	195.38	**11 000**	11 000
MW Godfrey	07/02/2017	175.10	**9 000**	
Total			**181 365**	142 765

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	
	2017	2016
Balance at beginning of year	**3 776 234**	4 945 934
Options taken up*	**(708 034)**	(1 168 700)
Options forfeited or reinstated	**(27 600)**	(1 000)
Balance at end of year	**3 040 600**	3 776 234

	Rand	Rand
* Weighted average grant price of options taken up during the year	**74.6**	69.3
** Weighted average selling price of options exercised during the year	**182.8**	199.2

No further issues of options have been granted under the share option scheme. Please see CSP 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 charge for the current year is R5.4 million (2016: R10.3 million). The fair value of these options was 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 CSP

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

In terms of the CSP, 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 CSP officially grants performance share awards to employees which vest over a period of three years. These shares were awarded subject to the following three performance conditions.

Headline Earnings Per Share (HEPS) growth,
Return On Net Assets (RONA), and
Total Shareholder Return (TSR).

38. SHARE-BASED PAYMENTS (CONTINUED)

38.3 CSP (continued)

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 had 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.

	GROUP AND COMPANY		
Model inputs and assumptions as at 30 September 2017	2017	2016	2015
Description	**November 2016 grant**	November 2015 grant	November 2014 grant
Grant date	**15 November 2016**	10 November 2015	11 November 2014
Vesting date	**7 February 2020**	9 February 2019	17 February 2018
Performance period for TSR condition	**1 October 2016 to 30 September 2019**	1 October 2015 to 30 September 2018	1 October 2014 to 30 September 2017
Total number of units granted	**231 700**	326 100	513 951
Share price at grant date	**R175.1**	R195.3	R133.61
CPI after grant date (NACA)	**14.2%**	16.0%	16.6%
Risk-free rate (NACA)	**8.0%**	7.7%	7.1%
Dividend yield (NACC)	**2.9%**	3.0%	3.2%
Volatility	**Varies by company**	Varies by company	Varies by company
Correlation with SPAR	**60%**	60%	60%
Employee 'good' attrition	**1% p.a.**	1% p.a.	1% p.a.
Employee 'bad' attrition	**4% p.a.**	4% p.a.	4% p.a.

The weighted average fair value of the shares granted during the financial year is:	Rand	Rand	Rand
Value per unit (as at valuation date, excluding attrition impact and performance conditions)	**159.28**	177.01	120.19
Value per unit (as at valuation date)	**94.69**	127.79	99.89
Total value (allowing for attrition)	**21 938 801**	41 671 541	50 594 786
Total value (without allowing for attrition)	**24 344 649**	46 264 312	53 711 744

Movement in the number of full share grants awarded in terms of the CSP		2017	2016
Balance at beginning of year		**832 585**	513 951
Shares granted during the year		**231 700**	326 100
Shares forfeited during the year		**(31 314)**	(7 466)
Shares vested during the year (refer to note 26)		**(8 372)**	
Balance at end of year		**1 024 599**	832 585
Charge to profit or loss for the year	Rmillion	**27.9**	31.6

	Rmillion	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
39.	FINANCIAL RISK MANAGEMENT				
	Financial instruments classification				
	Net bank balances	**1 472.0**	1 532.9	**409.3**	595.6
	Loans*	**523.1**	264.6	**279.2**	200.5
	Other equity investments***	**57.7**	54.2	**4.8**	1.6
	Trade and other receivables*	**10 814.3**	10 544.0	**7 626.3**	7 313.0
	Trade and other payables**	**(13 452.7)**	(13 162.5)	**(8 065.6)**	(7 546.8)
	FEC liability****	**(4.9)**			
	FEC asset/(liability)***	**0.2**	(0.7)	**0.2**	(0.7)
	Borrowings**	**(4 524.8)**	(4 430.2)		
	Financial liabilities***	**(1 700.1)**	(1 568.0)	**(963.8)**	(824.4)

* *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*
**** *Designated as a hedging instrument*

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), which are used to hedge foreign currency liabilities, and interest rate risk on the debt in Ireland, 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. These FECs represent an insignificant portion of the group's financial instruments and amounted to a net asset of R0.2 million in the current year (2016: net liability of R0.7 million).

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 translation 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 R11.6 million at year-end (2016: R6.5 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
Foreign exchange contracts which constitute designated hedges of currency risk at year-end are as follows:

	GROUP AND COMPANY			
	Average contract rate	Commit-ment Rm	Fair value of FEC 2017 Rm	Fair value of FEC 2016 Rm
Imports				
US dollar	**13.55**	**10.6**	**0.2**	**(0.7)**
Euro	**15.65**	**1.0**		

39. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

Currency risk (continued)

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 francs 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.

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	ZAR	EUR	CHF	Other	Total
2017					
Financial instrument balances:					
Loans	**272.1**	**238.3**	**12.7**		**523.1**
Other equity investments	**4.8**		**52.9**		**57.7**
Net bank balances	**611.2**	**539.4**	**283.0**	**38.4**	**1 472.0**
Trade and other receivables	**7 631.9**	**2 335.0**	**638.1**	**209.3**	**10 814.3**
Trade and other payables	**(8 507.1)**	**(3 851.1)**	**(873.8)**	**(220.7)**	**(13 452.7)**
Financial liabilities		**(963.8)**	**(736.3)**		**(1 700.1)**
Borrowings		**(2 612.3)**	**(1 912.5)**		**(4 524.8)**
2016					
Financial instrument balances:					
Loans	193.7	60.6	10.3		264.6
Other equity investments	1.6		52.6		54.2
Net bank balances	1 065.2	208.1	221 5	38.1	1 532.9
Trade and other receivables	7 349.2	2 386.9	642.2	165.7	10 544.0
Trade and other payables	(8 194.2)	(3 787.9)	(989.1)	(191.3)	(13 162.5)
Financial liabilities		(824.4)	(743.6)		(1 568.0)
Borrowings		(2 378.3)	(2 051.9)		(4 430.2)

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The group has its most significant exposure to the euro and Swiss franc 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:

	GROUP		
Rmillion	**Sensitivity % change**	**2017**	2016
Profit before tax	10.0	**27.7**	28.3
Profit before tax	(10.0)	**(27.7)**	(28.3)

For a 10.0% weakening of the rand against the Swiss franc, there would be an equal and opposite impact on profit before tax based on the Swiss profitability impact on South Africa as detailed below:

	GROUP		
Rmillion	**Sensitivity % change**	**2017**	2016
Profit before tax	10.0	**6.6**	0.6
Profit before tax	(10.0)	**(6.6)**	(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 flow arising from these instruments. In the current year, net interest received on cash deposits net of overdraft was R41.8 million (2016: R21.5 million), interest received from loans was R8.6 million (2016: R2.0 million) and interest paid on loans was R79.3 million (2016: R68.8 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.

To mitigate the risk of changing interest rates in Ireland, the group entered into two interest rate swaps at a fixed rate in exchange for variable interest. The hedging objective is to eliminate the risk of interest rate fluctuations over the hedging period which is the period until 30 March 2020 and 24 June 2020, and in effect obtain a fixed interest rate for the bank loans. These hedging instruments represent an insignificant portion of the group's financial instruments and amounted to a net liability of R4.9 million in the current year (2016: Rnil).

The interest rate profile is as follows:

		GROUP		
2017		**Less than one year**	**Greater than one year**	**Total borrowings**
Borrowings	(Rmillion)	**364.4**	**4 160.4**	**4 524.8**
Total borrowings	(%)	**8.1**	**91.9**	**100.0**

The closing rates at 30 September 2017 ranged from 0.8% to 2.4%. For more details, please refer to borrowings note 29.

2016				
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%.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Net cash balances of R1 472.0 million (2016: R1 532.9 million) expose the group to interest rate risk. The sensitivity of these short-term balances is assessed below.

Southern Africa

If interest rates relating to cash balances had been 0.5% higher/lower and all variables held constant, the group's profit before tax for the year would decrease/increase by:

	GROUP		
Rmillion	**Sensitivity % change**	**2017**	2016
Profit before tax	0.5	**2.0**	1.1
Profit before tax	(0.5)	**(2.0)**	(1.1)

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:

Profit before tax	0.5	**(13.1)**	(11.9)
Profit before tax	(0.5)	**13.1**	11.9

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:

Profit before tax	0.5	**(9.6)**	(10.3)
Profit before tax	(0.5)	**9.6**	10.3

39. **FINANCIAL RISK MANAGEMENT** (CONTINUED)

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 R12 426.5 million (2016: R11 874.2 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 10.2 % (2016: 10.5 %) of the total trade receivables balance, amounted to R1 117.8 million (2016: R1 114.6 million) at the reporting date. Allowances for doubtful debts totalling R602.7 million (2016: R654.9 million) have been raised against overdue balances. It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure as at 30 September 2017, security representing 70.38% (2016: 59.48%) 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, 951 SPAR stores (2016: 939), 569 TOPS at SPAR stores (2016: 536), 31 Pharmacy at SPAR stores (2016: 24) and 4 Build it stores (2016: 1) were participants in the IT retail scheme, with an average debt of R108 438 (2016: R110 987) per store.

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

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

Liquidity risk

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

	Southern Africa		Ireland	
Rmillion	**2017**	2016	**2017**	2016
Unsecured bank overdraft facilities, reviewed annually, and at call.				
– Utilised as at year-end			**2 915.4**	2 918.8
– Unutilised	**2 200.0**	2 200.0	**263.8**	400.4
Total available overdraft/call and borrowing facilities	**2 200.0**	2 200.0	**3 179.2**	3 319.2

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.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value hierarchy

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

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments. These instruments consist of the forward exchange contracts.

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

Financial instruments

		Fair value		
Rmillion	Carrying value	Level 1	Level 2	Level 3
2017				
Other equity investments	**55.3**		**55.3**	
FEC liability designated as a hedging instrument	**(4.9)**	**(4.9)**		
FEC asset at fair value through profit or loss	**0.2**	**0.2**		
Financial liabilities	**(1 700.1)**			**(1 700.1)**
Total	**(1 649.5)**	**(4.7)**	**55.3**	**(1 700.1)**
2016				
Other equity investments	54.2		54.2	
FEC liability at fair value through profit or loss	(0.7)	(0.7)		
Financial liabilities	(1 568.0)			(1 568.0)
Total	(1 514.5)	(0.7)	54.2	(1 568.0)

Level 2 valuation method and inputs

The level 2 financial instruments consist of the investment in Group Risk Holdings (Pty) Ltd (GRH) and the Hypo Vorarlberg bank security deposit. The value of the investment in GRH is based on the group's premium contributions relative to other shareholders in GRH.

The Hypo Vorarlberg bank security deposit is a portfolio of listed shares and bonds, the value of which is observable in the market.

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R1 700.1 million (2016: R1 568.0 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the estimated future profit targets, and the discount rates applied. The estimated profitability was based on historical performances but adjusted for expected growth. The following factors were applied in calculating the financial liabilities at 30 September 2017:

TIL JV Ltd
- Discount rate of 7.2 % (2016: 7.2%)
- Closing rand/euro exchange rate of 15.96 (2016: 15.59)

SPAR Holding AG
- Discount rate of 2.0% (2016: 2.0%)
- Closing rand/Swiss franc exchange rate of 13.95 (2016: 14.38)

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

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%.

	GROUP		
TIL JV Ltd 2017	Discount rate %	Sensitivity % change	Liability Rmillion
Financial liability	**7.2**	**0.5**	**(14.0)**
Financial liability	**7.2**	**(0.5)**	**14.3**
2016			
Financial liability	7.2	0.5	(15.8)
Financial liability	7.2	(0.5)	16.2
SPAR Holding AG 2017			
Financial liability	**2.0**	**0.5**	**(11.9)**
Financial liability	**2.0**	**(0.5)**	**12.1**
2016			
Financial liability	2.0	0.5	(15.5)
Financial liability	2.0	(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 **Rmillion**	GROUP 2017	 2016	COMPANY 2017	 2016
Balance at beginning of year	**824.4**	729.8	**824.4**	729.8
Finance costs recognised in profit or loss	**60.1**	96.3	**60.1**	96.3
Net exchange differences arising during the period	**27.7**	(1.7)	**27.7**	(1.7)
Fair value adjustment	**51.6**		**51.6**	
Balance at end of year	**963.8**	824.4	**963.8**	824.4
SPAR Holding AG **Rmillion**				
Balance at beginning of year	**743.6**	–		
Financial liability initially recognised		789.4		
Finance costs recognised in profit or loss	**14.2**	7.7		
Net exchange differences arising during the period	**(37.6)**	4.2		
Foreign exchange translation	**16.1**	(57.7)		
Balance at end of year	**736.3**	743.6	**–**	–
Total financial liabilities	**1 700.1**	1 568.0	**963.8**	824.4

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017. 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 its 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 R21.9 million (2016: R19.9 million) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R15.8 million (2016: R14.3 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 2017 amounted to R72.6 million (2016: R72.0 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 Ltd. During the year dividends of R15.0 million (2016: R6.0 million) and R5.8 million (2016: R5.2million) and management fees of R5.2 million (2016: R4.5 million) and R0.9 million (2016: R0.9 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 2017 amounted to R16.8 million (2016: R46.5 million) and R24.5 million (2016: R17.3 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 (2016: R0.2 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2017 amounted to R5.4 million (2016: R5.2 million). The liability is interest-free, unsecured and no date has been set for repayment.
- The SPAR Guild of Southern Africa and The Build it Guild of Southern Africa are non-profit-making companies set up to co-ordinate and develop SPAR in Southern Africa. The members of the guild consist of SPAR retailers (who are independent store owners) and SPAR distribution centres. The members pay subscriptions to the guild, which uses these monies to advertise and promote SPAR. During the year subscriptions of R8.0 million (2016: R5.6 million) were paid to The SPAR Guild of Southern Africa. The intercompany asset/(liability) with The SPAR Group Ltd as at 30 September 2017 amounted to a liability of R25.9 million (2016: a liability of R51.9 million) and an asset of R 0.4 million (2016: a net asset of R0.9 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 2017, funds had been advanced by the company to the trust to the amount of R16.1 million (2016: R18.7 million) (refer 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 R370.1 million (2016: R352.9 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2017 amounted to R183.8 million (2016: R183.8 million). The liability is interest-free, unsecured and no date has been set for repayment.

40. RELATED PARTY TRANSACTIONS (CONTINUED)

40.1 Company (continued)

Between the company and its subsidiaries: (continued)

- 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 R57.0 million (2016: R51.9 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2017 amounted to R15.0 million (2016: 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. During the year The SPAR Group Ltd made sales to Annison 45 (Pty) Ltd to the value of R26.6 million (2016: R24.3 million).
- Sun Village Supermarket (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year The SPAR Group Ltd made sales to Sun Village Supermarket (Pty) Ltd to the value of R66.9 million (2016: Rnil).
- SPAR Mopani Rural Hub (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year SPAR Mopani Rural Hub (Pty) Ltd made sales to The SPAR Group Ltd to the value of R2.3 million (2016: R 0.6 million).
- TIL JV Ltd is a subsidiary of The SPAR Group Ltd. During the current year an intercompany guarantee fee of R49.3 million (2016: R54.4 million) was charged by The SPAR Group Ltd to TIL JV Ltd. The balance outstanding on this payable is R120.1 million (2016: R65.4 million). The liability is interest-free, unsecured and no date has been set for repayment.

Between the company and its associates:

- Monteagle Merchandising Services (Pty) Ltd is an associate of The SPAR Group Ltd. During the year dividends of R1.5 million (2016: Rnil) were paid to The SPAR Group Ltd by Monteagle Merchandising Services (Pty) Ltd, and promotional expenses of R19.6 million (2016: R15.3 million) were paid by The SPAR Group Ltd to Monteagle Merchandising Services.
- The SPAR Group Ltd entered into an associate agreement with Fig Leaf (Pty) Ltd during the 2010 financial year, and the investment in the associate was sold during the 2016 financial year. The associate related to the Gateway SUPERSPAR in Hermanus. During the year sales of Rnil (2016: R125.8 million) were made to the Gateway SUPERSPAR, and dividends of Rnil (2016: Rnil) were paid to The SPAR Group Ltd by Fig Leaf (Pty) Ltd.
- The SPAR Group Ltd entered into an associate agreement with Gezaro Retailers (Pty) Ltd during the 2013 financial year. The associate relates to the Zevenwacht SUPERSPAR in Kuils River. During the year sales of R182.9 million (2016: R166.8 million) were made to the Zevenwacht SUPERSPAR.
- The SPAR Group Ltd entered into an associate agreement with Tradefirm 15 (Pty) Ltd during the 2017 financial year. The associate relates to the Eastmans SUPERSPAR in Durban. During the year sales of R38.4 million were made to Eastmans SUPERSPAR.

40.2 Investment in subsidiaries

Details of the company's investment in its subsidiaries are disclosed in note 14.

40.3 Investment in associates and joint ventures

Details of the company's investment in its associates are disclosed in note 15.

40.4 Shareholders

Details of major shareholders of the company can be found in the online integrated report.

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.

40. RELATED PARTY TRANSACTIONS CONTINUED

40.5 Key management personnel continued

Company key management personnel remuneration comprises

	GROUP	
Rmillion	2017	2016
Directors' fees	**4.2**	3.9
Remuneration for management services	**40.6**	41.5
Retirement contributions	**5.0**	4.5
Medical aid contributions	**1.4**	1.2
Performance bonuses	**32.0**	28.5
Fringe and other benefits	**0.3**	0.2
Expense relating to share options granted	**51.5**	70.9
Total	**135.0**	150.7

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

41. EVENTS AFTER THE REPORTING DATE

41.1 Acquisition of S Buys pharmaceutical wholesaler

The SPAR Group Ltd purchased a 60% shareholding in a pharmaceutical wholesaler effective 1 October 2017. The consideration paid for these shares was R45.0 million. There is an additional contingent consideration of R29.9 million, calculated based on a multiple of the profit after tax as at the end of the entity's August 2017 financial year.

This purchase was made in order to grow the Pharmacy at SPAR line of business, and the synergies as a result of this acquisition will be reflected in the value of goodwill.

The group will purchase the remaining 40% shareholding between 30 September 2022 and 31 December 2022 for an amount based on the value of the remaining shareholders loan and the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding will be recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. The non-controlling interest will be recognised at the proportionate share of the net assets of the business. An election has been 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.

Assets acquired and liabilities assumed at date of acquisition are all provisional, as well as the contingent consideration and financial liability, as these fair values are still in the process of being finalised.

41.2 Purchase of property

The group has purchased property to the value of R165.0 million, which is a shopping centre in Pinetown, KwaZulu-Natal housing a range of tenants from which the company will derive rental income.

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

DIRECTORATE AND ADMINISTRATION

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

Company Secretary: MJ Hogan

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JSE share code: SPP

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