

# DIRECTORS' STATUTORY REPORT

The directors of the company have the pleasure in submitting their report on the annual financial statements of the company for the year ended 30 September 2019.

## NATURE OF BUSINESS

SPAR is a warehousing and distribution business listed on the Johannesburg Stock Exchange (JSE) in the Food and Drug Retailers sector. The group owns several country licences for the SPAR retail brand, which is used by a network of independent retailers who trade under our brand and are supplied on a voluntary basis through our distribution centres.

There were no material changes to the nature of the group's business for the 2019 financial year.

## DIRECTORATE AND COMPANY SECRETARY

The names of the directors and company secretary in office at 30 September 2019 are set out in the online integrated report. Mr LM Koyana was appointed as an independent non-executive director during the financial year under review. Messrs Venter and Hook retired as executive directors on 1 October 2019 and 31 December 2019, respectively.

Particulars relating to the directors' remuneration and interests and directors' share scheme interests are set out in the online integrated report.

## CORPORATE GOVERNANCE

The directors are the custodians of corporate governance and subscribe to good corporate governance as set out in the King IV Report on Corporate Governance for South Africa, 2016 (King IV). Refer to our governance structures, composition and functioning in the online integrated report.

Committee reports are disclosed as follows:

- Audit committee report
- Nomination committee report
- Remuneration committee report
- Risk committee report
- Social and ethics committee report

The directors are not aware of any material non-compliance with statutory or regulatory requirements.

## FINANCIAL RESULTS

The results for the period are detailed in the annual financial statements that follow.

## GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company.

## STATED CAPITAL

Details of the authorised and issued share capital of the company and the movements during the period are disclosed in note 25 of the annual financial statements.

Details of the treasury shares of the Company are disclosed in note 26 of the annual financial statements.

## DIVIDENDS

It is company policy to make two dividend payment each year, an interim payment in May and a final payment in December.

An interim dividend of 284.0 cents per share (2018: 270.0 cents per share) was declared on 14 May 2019 and paid on 10 June 2019.

A final dividend of 516.0 cents per share (2018: 459.0 cents) has been declared on 12 November 2019 and payable on 9 December 2019.

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

Last day to trade <i>cum</i> -dividend	Tuesday, 3 December 2019
Shares to commence trading <i>ex</i> -dividend	Wednesday, 4 December 2019
Record date	Friday, 6 December 2019
Payment of dividend	Monday, 9 December 2019

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 4 December 2019 and Friday, 6 December 2019, both days inclusive.

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## SHARE SCHEME

Particulars relating to the company's share-based payments are set out in note 38.

## SUBSIDIARIES

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R591.3 million (2018: profit of R523.5 million). Details of the company's principal subsidiaries are set out in note 14.

## SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on 12 February 2019:

- special resolution number 1 – Financial assistance to related or inter-related companies; and
- special resolution number 2 – Non-executive directors' fees.

## LITIGATION STATEMENT

The company becomes involved from time to time in various claims and litigation proceedings incidental to the ordinary course of business. The directors are not aware of any existing, pending or threatened litigation proceedings which may have a material effect on the financial position of the company.

SPAR is however currently in litigation with the Giannacopoulos group of stores who have brought the brand into disrepute, *inter alia*, relating to competing businesses and their dealings with their labour force, food safety issues and suppliers.

In respect of the Competition Commission's *Grocery Retail Sector Market Inquiry*, SPAR has made a number of presentations and submissions to the Commission, particularly dealing with the issue of exclusivity and suppliers and await their final report.

## SUBSEQUENT EVENTS

Matters or circumstances arising since the end of the 2019 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 44.