NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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 2019, 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, No. 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 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Amendments to existing standards		
IAS 1	Presentation of Financial Statements	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
IFRS 3	Business Combinations	1 January 2020
IFRS 9	Financial Instruments	1 January 2019
Annual improvements cycle	2015 – 2017	1 January 2019
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

Impact of future amendments to accounting standards and interpretation

IFRS 16

Background

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise a right-of-use asset representing the underlying asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense. The right-of-use assets can be measured as the amount of initial measurement of the lease liability and subsequently depreciated over the remaining lease term. However, management has chosen, on a lease by lease basis, the option available in the standard to measure the right-of-use assets as if IFRS 16 had been applied since the inception of the lease, using the incremental borrowing rate on the date of initial application. This will result in an adjustment to retained earnings relating to depreciation, and in the instance of some property leases in Ireland, impairment. Initial direct costs have not been included in the measurement of right-of-use assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The standard is mandatory for accounting periods beginning on or after 1 January 2019 and will be applicable for the group for the year ending 30 September 2020 with the date of initial application being 1 October 2019.

1. ACCOUNTING POLICIES continued

1.2 Basis of preparation continued

Impact of future amendments to accounting standards and interpretation continued

IFRS 16 continued

Background continued

The following changes were made to key financial statement line items based on the expected take-on values at 1 October 2019 and statement of profit or loss and comprehensive income impact for the September 2020 financial year:

Rmillion	APPROXIMATE increase/(decrease)
Statement of financial position	
Property, plant and equipment – right-of-use asset	5 100
Finance lease receivables	4 250
Net deferred tax asset	130
Finance lease liabilities	10 150
Retained earnings	(670)
Statement of comprehensive income	
Depreciation	780
Profit before interest and tax	180
Finance income	350
Finance costs	520
Profit before tax	10
Tax	3
Headline earnings	7
Headline earnings per share (HEPS)	4 cents

Lease arrangements by segment

The group anticipates a significant impact resulting from the adoption of IFRS 16. As at the reporting date, the group has non-cancellable property operating lease commitments of R13.1 billion (refer to note 35) which comprise R8.0 billion of operating lease commitments in southern Africa, R2.1 billion in Switzerland and R3.0 billion in Ireland. Some of the commitments will be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

SPAR Southern Africa leases mostly relate to head lease arrangements on key strategic retail sites that are viewed as fundamental to the group's growth strategy. These include a back-to-back sublease agreement with our independent retailers. IFRS 16 requires the recognition of the obligation to pay rent under the head lease as a lease liability, with a corresponding asset representing the lease receivable. For these back-to-back sublease agreements, the accounting for the head lease and the sublease under IFRS 16 will have an equal and opposite impact on the statement of comprehensive income. To the extent of leased property that is not sublet, the group will recognise a right-of-use asset and a finance lease liability.

SPAR Ireland leases mostly relate to property leases which are franchised to retailers or operated by the group. There are also motor vehicles leases. For both the property leases and motor vehicle leases, a right-of-use asset and finance lease liability will be recognised. For the property leases where the group is a lessor, a finance lease asset will be recognised instead of the right-of-use asset.

SPAR Switzerland has property, trucks and information technology (IT) hardware leases. The property leases do not include back-to-back sublease agreements resulting in a right-of-use asset and finance lease liability being recognised.

Discount rates

The group will apply the standard using the modified retrospective approach, recognising the cumulative effect of initially applying the standard in retained earnings at the date of initial application. As prescribed by IFRS 16, lease liabilities will be measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The incremental borrowing rate that will be applied for South Africa of 9.74% was determined by obtaining a rate from the group's primary bankers for a collateralised borrowing, at a fixed rate, for an amortising facility over a similar period to the property leases. The Irish operations expect to use a discount rate of 2.8% for property leases, between 3.0% and 5.0% for motor vehicles leases and 9.0% for other leases. The South West England operations expect to use a rate of 4.0% for property leases, and a rate ranging between 1.8% and 3.0% for motor vehicle leases. This is based on the respective operation's current rate received on bank debt, adjusted for tenor and additional security obtained from SPAR South Africa. The Swiss operations apply a rate ranging from 0.5% to 1.0%.

1. ACCOUNTING POLICIES continued

1.2 Basis of preparation continued

Impact of future amendments to accounting standards and interpretation continued

IFRS 16 continued

Practical expedients

The group has applied a practical expedient available in the standard in order to apply the same discount rate to each portfolio of leases that have reasonably similar terms, underlying assets and economic circumstances. In South Africa, the majority of property leases are on similar underlying assets (stores) within similar economic environments, and with the same lease terms. The same can be said for property leases in Switzerland and Ireland, however the Irish portfolio of leases is further split into leases based in Ireland and the UK.

On transition to IFRS 16, the group will reverse onerous lease provisions, and account for the difference between cumulative unavoidable costs and expected economic benefits (if lower) as an IFRS 16 transitional adjustment through retained earnings.

Renewal periods

In determining the number of years of rental payments which should be present valued for the purpose of IFRS 16, renewal options should be considered when the lessee is reasonably certain to exercise.

In South Africa, the majority of property leases are entered into for an initial period of 10 years, with renewal options of five years. It has been concluded that these renewal options will only be recognised when it is reasonably certain that they will be entered into which is generally within six months of the renewal coming into effect.

In Ireland, management has identified only two leases for which it is reasonably certain not to exercise break clauses. No renewal assumptions/rights have been incorporated into the lease terms for these two properties.

In Switzerland, renewal clauses have been taken into account on a lease by lease basis where it is applicable and it is considered to be reasonably certain that the group will exercise the renewal options in order to retain control of the sites.

The group is in the concluding stages of system implementations to accommodate the requirements of IFRS 16 and continues to assess the impact on its annual financial statements in respect of 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.

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

1.3.1 Business combinations

The acquisition of business is accounted for under the acquisition 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.

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.

1. ACCOUNTING POLICIES continued

1.3 Basis of consolidation continued

1.3.1 Business combinations continued

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. A 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 IFRS 9 Financial Instruments, 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 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.

1.5 Foreign currencies

Transactions in currencies other than rand 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.

1. ACCOUNTING POLICIES continued

1.5 Foreign currencies continued

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 rand, 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 rand 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 are 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:

Motor vehicles	10% to 25% per annum
Internal transport, plant and equipment	8.3% to 33.3% per annum
Office equipment, fixtures 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 are recognised in profit or loss in the year of disposal.

Property, plant and equipment, subject to finance lease agreements are 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 indefinite useful lives 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.

Computer software is recognised as definite useful life intangible assets and amortised over its useful life. The following amortisation rate range of 8.3%-20% has been applied to these assets.

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.

The 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 impairment loss immediately recognised 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 from contracts with customers

Revenue from the sale of merchandise

Warehouse and dropshipment sales are recognised when control of the products has transferred, being at a point in time when the products are delivered to the retailers, and there is no unfulfilled obligation that could affect the retailer's acceptance of the products. Segments within the group also sell products under dropshipment arrangements.

Revenue is recognised net of value added tax (VAT), rebates, discounts and other allowances. Accumulated experience is used to estimate and provide for incentive rebates and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as the payment for sales is either due immediately or made with a credit term of between 19 and 48 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue – other

Revenue – other mainly comprises marketing and service revenue, and franchise fee income. This revenue is recognised over time.

Marketing and promotional activities are recognised in terms of the relevant contractual arrangements. These relate to ancillary sales and services provided by the group. The group is satisfied that these services are distinct within the context of the relevant contracts.

Franchise fees are recognised over the course of the franchise contract.

Financing components

The group does not expect to have any contracts where the period between the transfer of goods or services, and the receipt of payment exceeds a year. Therefore, the transaction prices are not adjusted for the time value of money.

1.10 Other income

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. Dividend income is disclosed within other income in the statement of comprehensive income.

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

Income from incidental marketing and other services is recognised when the related promotional activity or other service has occurred.

1.11 Interest income

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

1. ACCOUNTING POLICIES continued

1.12 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.

Rebates and allowances, including volume-related rebates, promotional and marketing allowances and various other fees and discounts, and are received in connection with the purchase of goods or for the provision of services.

1.13 Other non-operating items

Other non-operating items include the fair value adjustments on financial liabilities as well as business acquisition costs.

1.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a 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.

1.15 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.

1.16 Leased assets

Leased assets are classified as finance leases whenever the terms of the lease substantially transfer 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 a 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. 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.

1.17 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. ACCOUNTING POLICIES continued

1.18 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 those 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.

1.19 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 subsequently recognised at fair value through profit or loss. Subsequent to initial recognition, the instruments are measured as set out below:

Classification and measurement

Financial assets

From 1 October 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss)
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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 remeasurement recognised in profit or loss. Fair value is determined as described in note 39.

The group has the following types of financial assets that are classified at amortised cost:

- Loans and other receivables
- Block discounting loan receivable
- Trade and other receivables
- Cash and cash equivalents

The group measures the above financial assets at amortised cost since the group has a business model to hold these financial assets to collect contractual cash flows and the characteristics of the contractual cash flows are solely payments of the principal amount and interest received, where relevant.

Impairment of financial assets under the expected credit loss

The group has four types of financial assets that are subject to expected credit loss assessments:

1) Trade and other receivables
2) Loans and other receivables
3) Block discounting loan receivables
4) Cash and cash equivalents

The group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The group has established a provision matrix that is based on historical credit loss experience, adjusted for forward looking factors specific to such trade and other receivables and the economic environment.

The group has adopted the general approach for loans receivable and block discounting loan receivables, which involves a three-stage approach to the recognition of credit losses and interest.

Trade receivables and loan receivables are written off when there is no reasonable expectation of recovery.

The expected credit loss represents management's estimate of the extent to which trade and other receivables, loans and block discounting loan 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 such as significant actual or expected changes in the operating results or business conditions of the retailer.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Under the previous impairment model, a financial asset, or a group of financial assets, was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

1. ACCOUNTING POLICIES continued

1.19 Financial instruments continued

Financial liabilities

The financial liabilities as described in note 28 are stated either at fair value, with any gains or losses arising on remeasurement recognised in profit or loss, or at amortised cost measured using the effective interest rate method. 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 comprise borrowings, block discounting loan payables and trade and other payables. These financial liabilities are stated initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. The loan origination fee received from the financial institution on the cession of the block discounting loan is included in the effective interest rate computation.

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.

Variable price arrangements

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.

Fixed price arrangements

The liability payable under the arrangement is initially recognised at fair value with a corresponding entry directly in equity. These arrangements are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

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

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

Derivative financial instruments are classed as current assets or liabilities.

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

Financial guarantees

Financial guarantee contracts are accounted for as insurance contracts in terms of IFRS 4 Insurance Contracts and are initially measured at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. A liability adequacy test is performed in terms of IFRS 4 to ensure that the liability is adequate in light of the future cash flows.

1.20 Employee benefits

Post-retirement medical aid provision

The company provides post-retirement healthcare benefits to certain of its retirees. The entitlement to these benefits is based on qualifying employees remaining in service until retirement age. The projected unit credit method of valuation is used to calculate the post-retirement medical aid obligations, which costs are accrued over the period of employment. Actuarial gains and losses are recognised immediately in equity as other comprehensive income. These benefits are actuarially valued annually. The liability is unfunded.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services 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.

1. ACCOUNTING POLICIES continued

1.20 Employee benefits continued

Retirement benefits continued

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 costs are 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.

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.

1.21 Taxation

Income taxation expense represents the sum of current taxation payable and deferred taxation. Current taxation is payable based on taxable profit for the year. Taxable profit will differ from reported profit because it will exclude items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been substantively enacted at the statement of financial position date.

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

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

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

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

1. ACCOUNTING POLICIES continued

1.22 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. These geographical segments also represent operating segments as they meet the quantitative threshold.

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.

1.23 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 acquisitions costs.

1.24 Key management judgements and estimates

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 and estimates have been identified as:

Dropshipment Agent vs Principal

Revenue from the sale of merchandise is recognised as and when the control over goods and services are transferred to customers. The group has assessed its dropshipment sales which is recorded on a gross principal basis and has concluded that this will continue to be recognised on a gross basis.

Consolidation of Guilds

Management have consolidated the Guilds on the basis that The SPAR Group Limited has effective control over these entities in accordance with a control assessment performed by management with reference to the requirements of IFRS 10: Consolidated Financial Statements.

Management concluded that in relation to the marketing and advertising activities of the Guilds, the Guilds act as an agent on behalf of the independent retailers who form part of the voluntary trading groups. As a result, the Guilds account for the marketing and advertising income and expenditure as an agent, i.e. on a net agency basis. This net amount is then included in the Group's consolidated statement of profit or loss and other comprehensive income.

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

1.24 Key management judgements continued

Intangible assets

Included in intangible assets are 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 and indefinite useful life intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill and intangible assets relate. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value. Details of the assumptions used in the impairment tests are in note 13.

Property, plant and equipment

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.

Expected credit loss on financial assets

From 1 October 2019, the group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables (refer to note 39).

Financial guarantees

Management applied judgement in assessing the best estimate of the expenditure to settle the present obligation. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of the provision. Management has assessed that the amount that it would rationally pay to settle the obligation is nil.

Financial liabilities

This type of liability arises when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back into 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 for determining the fair value of the purchase obligation of the non-controlling interest. In a similar manner, in arriving at the liability to the non-controlling interest of S Buys Holdings (Pty) Ltd (holding company of the S Buys Group), the agreed price is based on future earnings which need to be estimated and discounted back to calculate the present value. 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.

Probability of vesting of rights to equity instruments granted in terms of the 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.

Classification of supplier rebates

Management applied judgement in assessing whether rebates and other income should be presented as a reduction of cost of sales, included in other income or offset in expenses. In this regard, management assessed whether the services provided to the suppliers are considered part of the overall supplier relationship in accordance with IAS 2 Inventories, or are distinct and specific services, or whether the income received represents a genuine refund of selling expenses.

Rmillion	GROUP 2019	GROUP 2018 Restated*	COMPANY 2019	COMPANY 2018 Restated*

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Rmillion	GROUP 2019	GROUP 2018 Restated*	COMPANY 2019	COMPANY 2018 Restated*
Revenue – sale of merchandise	**109 477.1**	101 018.0	**71 100.3**	65 805.4
Revenue other	**2 106.6**	2 037.5	**778.6**	781.1
Marketing and service revenues	**1 543.3**	1 510.1	**778.6**	781.1
Franchise fees	**295.6**	276.2		
Other services	**267.7**	251.2		
Total revenue	**111 583.7**	103 055.5	**71 878.9**	66 586.5
Timing of revenue recognition				
Point in time	**109 477.1**	101 018.0	**71 100.3**	65 805.4
Over time	**2 106.6**	2 037.5	**778.6**	781.1

* *Restated for the impact relating to the adoption of the new standards (refer to note 42).*

3. NET OPERATING EXPENSES

Net operating expenses include the following:

Rmillion	GROUP 2019	GROUP 2018 Restated*	COMPANY 2019	COMPANY 2018 Restated*
Auditors remuneration:	**15.7**	19.2	**8.2**	9.6
Audit fees	**12.9**	14.0	**5.6**	6.5
Other fees	**2.8**	5.2	**2.6**	3.1
Operating lease charges:	**802.9**	771.6	**155.3**	147.9
Plant, equipment and vehicles	**90.1**	95.1	**7.6**	20.7
Immovable property	**712.8**	676.5	**147.7**	127.2
Lease rentals payable	**1 872.4**	1 758.5	**1 191.7**	1 121.8
Sub-lease recoveries	**(1 159.6)**	(1 082.0)	**(1 044.0)**	(994.6)
Employee benefits expense:	**4 887.9**	4 412.4	**2 111.0**	1 900.4
Post-employment benefits (refer to note 27)	**252.7**	228.9	**150.9**	138.1
Post retirement medical aid	**17.7**	16.3	**17.7**	16.3
Defined contribution plans	**156.2**	140.0	**133.2**	121.8
Defined benefit plans	**78.8**	72.6		
Share-based payments	**22.0**	23.9	**22.0**	23.9
Other employee benefits	**4 613.2**	4 159.6	**1 938.1**	1 738.4

4. BBBEE TRANSACTIONS

In compliance with IFRS, the 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.

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Legal and other costs	**0.4**	1.4	**0.4**	1.4

Rmillion	GROUP 2019 Total	GROUP 2018 Total
4. BBBEE TRANSACTIONS continued		
Included in trade and other payables		
Amounts due to BBBEE participants	**(36.7)**	(40.8)
Included in cash and cash equivalents – guilds and trusts (refer to note 23)		
BBBEE cash resources	**36.7**	40.8
	–	–

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
5. OTHER NON-OPERATING ITEMS				
Remeasurement of financial instruments	**(15.4)**	(127.9)	**(34.6)**	(139.5)
Expected future profits adjustment to financial liability	**(15.4)**	(127.9)	**(34.6)**	(139.5)
Capital items	**(12.7)**	(16.3)	**(7.8)**	(10.2)
Business acquisition costs (refer to note 33.1)	**(4.9)**	(1.8)		
Costs on potential acquisitions (refer to note 33.4)	**(7.8)**	(14.5)	**(7.8)**	(10.2)
Total other non-operating items	**(28.1)**	(144.2)	**(42.4)**	(149.7)
6. NET INTEREST				
6.1 Interest income				
Bank deposits	**25.9**	26.3	**16.2**	19.6
Loans	**23.0**	13.7	**21.4**	12.8
Block discounting loans	**70.0**	69.5	**70.0**	69.5
Overdue debtors	**55.1**	47.6	**47.9**	41.8
Other	**11.5**	12.2	**4.9**	4.2
Total interest income	**185.5**	169.3	**160.4**	147.9
6.2 Interest expense				
Security deposits	**(7.4)**	(6.4)	**(7.5)**	(6.4)
Loans	**(64.6)**	(69.2)		
Block discounting loans	**(63.1)**	(62.7)	**(63.1)**	(62.8)
Bank overdraft	**(64.0)**	(49.2)	**(60.7)**	(45.8)
Other	**(2.5)**	(5.4)	**(2.5)**	(5.3)
Total interest expense	**(201.6)**	(192.9)	**(133.8)**	(120.3)
6.3 Finance costs on financial liabilities at amortised cost				
Finance costs	**(22.5)**	(14.3)		
Foreign exchange gains and (losses)	**(37.1)**	(2.9)		
Total finance costs on financial liabilities at amortised cost	**(59.6)**	(17.2)	**–**	–
6.4 Finance costs on financial liabilities at fair value through profit or loss				
Finance costs	**(76.3)**	(78.7)	**(69.1)**	(72.3)
Foreign exchange gains and (losses)	**(6.4)**	(40.6)	**(6.4)**	(40.6)
Finance costs on financial liabilities at fair value through profit or loss	**(82.7)**	(119.3)	**(75.5)**	(112.9)
Total finance costs including foreign exchange gains and losses				
Finance costs on financial liabilities	**(98.8)**	(93.0)	**(69.1)**	(72.3)
Foreign exchange gains and (losses) on financial liabilities	**(43.5)**	(43.5)	**(6.4)**	(40.6)
Total finance costs	**(142.3)**	(136.5)	**(75.5)**	(112.9)
Net interest expense	**(158.4)**	(160.1)	**(48.9)**	(85.3)

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

7. INCOME TAX EXPENSE

Current taxation				
– Current year	**733.4**	616.2	**626.3**	528.3
– Prior year	**(3.3)**	(3.5)	**(1.5)**	0.9
Deferred taxation				
– Current year	**(12.4)**	22.2	**(6.7)**	17.4
– Prior year	**(49.2)**	0.6	**(34.1)**	(1.8)
– Change in tax rate	**(52.7)**			
Withholding income tax	**2.6**	1.4	**2.6**	1.4
Total income tax expense	**618.4**	636.9	**586.6**	546.2
Reconciliation of effective taxation rate (%)				
South African current income tax rate at 28% (2018: 28%)	**28.0**	28.0	**28.0**	28.0
Change in tax rate in Switzerland[1]	**(1.9)**			
Dividend income			**(0.6)**	(0.6)
Contribution to employee share trust[2]		(1.4)		(1.9)
Expected future profits, foreign exchange and finance cost adjustments on financial liabilities[3]	**1.6**	3.1	**1.5**	3.8
Non-deductible business acquisition costs	**0.1**	0.2	**0.1**	0.2
Non-deductible impairment of goodwill and assets	**0.1**	0.1	**0.1**	0.1
Other non-deductible operating costs	**0.2**	0.4	**0.1**	0.2
Assets not eligible for capital allowances	**0.1**	0.1		
Non-deductible – IFRS 9 loan provision	**0.1**		**1.0**	
Income tax allowances	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Withholding income tax	**0.1**	0.1	**0.1**	0.1
Prior year income tax (over)/under provision	**(1.8)**	(0.1)	**(1.7)**	
Effect of foreign income tax rates	**(4.3)**	(4.3)		
Timing difference not provided for		(0.1)		
Effective rate of taxation	**22.2**	25.9	**28.5**	29.7

[1] Change in the corporate tax rate in Switzerland from 18.0% to 14.5% effective 1 January 2020.
[2] Contribution to employee share trusts treated as a timing difference from the 2019 financial year with a deferred tax asset recorded accordingly for this change in treatment. This gave rise to a prior year under provision of the deferred tax asset which is reflected in the above reconciling item – prior year income tax (over)/under provision.
[3] Relating to Ireland, Switzerland and S Buys.

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 192 460 461 (2018: 192 563 180). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 193 399 541 (2018: 193 934 172).

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

		GROUP 2019	GROUP 2018
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders)	Rmillion	**2 163.4**	1 827.2
Earnings per share:			
Basic	cents	**1 124.1**	948.9
Diluted	cents	**1 118.6**	942.2
Number of shares			
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	'000	**192 460**	192 563
Effect of diluted potential ordinary shares:			
Share options and contingently issuable ordinary shares	'000	**940**	1 371
Weighted average number of ordinary shares (net of treasury shares) for the purposes of diluted earnings per share	'000	**193 400**	193 934

Rmillion		GROUP 2019	GROUP 2018
9. HEADLINE EARNINGS			
Profit for the year attributable to ordinary shareholders		**2 163.4**	1 827.2
Adjusted for:			
Loss on sale of property, plant and equipment		**0.6**	34.2
Gross		**1.4**	37.2
Tax effect		**(0.8)**	(3.0)
Profit on disposal of assets held for sale			(4.4)
Fair value adjustment to assets held for sale		**3.9**	
Impairment of goodwill		**5.0**	12.3
Loss/(profit) on disposal of businesses		**0.1**	(9.7)
Headline earnings		**2 173.0**	1 859.6
Adjusted for exceptional items:			
Expected future profits adjustment to financial liabilities (refer to note 28)		**15.4**	127.9
Foreign exchange losses on financial liabilities (refer to note 28)		**43.5**	43.5
Business acquisition costs		**12.7**	16.3
Normalised headline earnings		**2 244.6**	2 047.3
Headline earnings per share:			
Basic	cents	**1 129.1**	965.7
Diluted	cents	**1 123.6**	958.9
Normalised headline earnings per share	cents	**1 166.3**	1 063.2

Normalised headline earnings are 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 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
10. DIVIDENDS PAID					
2018 final dividend declared 13 November 2018 – Paid 10 December 2018		**883.9**	837.8	**883.9**	837.8
2019 interim dividend per share declared 14 May 2019 – Paid 10 June 2019		**546.6**	520.0	**546.6**	520.0
Total dividends		**1 430.5**	1 357.8	**1 430.5**	1 357.8
2018 final dividend declared 13 November 2018 – Paid 10 December 2018	cents	**459.0**	435.0	**459.0**	435.0
2019 interim dividend per share declared 14 May 2019 – Paid 10 June 2019	cents	**284.0**	270.0	**284.0**	270.0
Total dividends per share	cents	**743.0**	705.0	**743.0**	705.0

The final dividend for the year ended 30 September 2019 of 516 cents per share declared on 12 November 2019 and payable on 9 December 2019 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. These geographical segments also represent operating segments as they meet the quantitative thresholds.

The Chief Executive Officer (the Chief Operating Decision-Maker) (CODM) 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, Switzerland and Poland 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, Switzerland and Poland. 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. These assets and liabilities are all directly attributable to the segments.

The principal activities of the operating segments are the wholesale and distribution of goods and services to SPAR grocery stores and multiple other branded group retail outlets.

The group deals with a broad spread of customers, with no single customer exceeding 10% of the group's revenue.

Analysis per reportable segment

Rmillion	Southern Africa	Ireland	Switzerland	Poland	Consolidated total
2019					
Statement of profit or loss					
Revenue from contracts with customers	**75 090.8**	**25 296.4**	**11 195.3**	**1.2**	**111 583.7**
Operating profit	**2 240.0**	**686.1**	**83.3**	**(30.5)**	**2 978.9**
Profit before tax	**2 151.3**	**657.2**	**2.8**	**(29.5)**	**2 781.8**
Interest income	**167.1**	**10.0**	**5.3**	**3.1**	**185.5**
Interest expense	**137.6**	**35.7**	**26.2**	**2.1**	**201.6**
Depreciation and amortisation	**237.8**	**274.1**	**242.8**		**754.7**
Statement of financial position					
Total assets	**17 451.9**	**10 636.2**	**5 487.8**	**477.0**	**34 052.9**
Total liabilities	**13 686.8**	**7 645.4**	**4 749.0**	**504.4**	**26 585.6**
2018 restated*					
Statement of profit or loss					
Revenue from contracts with customers	69 556.9	22 931.5	10 567.1		103 055.5
Operating profit	2 080.3	574.4	124.6		2 779.3
Profit before tax	1 841.6	537.9	84.6		2 464.1
Interest income	155.1	11.0	3.2		169.3
Interest expense	124.0	42.9	26.0		192.9
Depreciation and amortisation	216.8	236.3	245.0		698.1
Statement of financial position					
Total assets	16 436.1	9 777.5	5 041.9		31 255.5
Total liabilities	12 718.1	7 263.5	4 164.1		24 145.7

Material non-cash items relating to the movement in the group's financial liabilities are presented in note 28.

* *Restated for the impact relating to the adoption of the new standards refer to note 42 for further details.*

Rmillion	GROUP 2019	GROUP 2018
11. SEGMENT REPORTING continued		
Disaggregated Revenue		
Southern Africa		
Revenue – sale of merchandise	**74 283.7**	68 753.4
SPAR	**57 566.2**	53 804.3
TOPS at SPAR	**7 646.9**	6 504.3
Build it	**8 035.1**	7 514.5
S Buys	**1 035.5**	930.3
Revenue – Other	**807.1**	803.5
Revenue from contracts with customers	**75 090.8**	69 556.9
Ireland		
Revenue – sale of merchandise	**24 835.2**	22 495.5
BWG	**22 044.0**	19 760.5
Appleby westward	**2 791.2**	2 735.0
Revenue – Other	**461.2**	436.0
Revenue from contracts with customers	**25 296.4**	22 931.5
Switzerland		
Revenue – sale of merchandise	**10 357.0**	9 769.1
Wholesale	**4 588.1**	4 214.4
TopCC	**4 109.4**	3 859.7
Retail	**1 659.5**	1 695.0
Revenue – Other	**838.3**	798.0
Revenue from contracts with customers	**11 195.3**	10 567.1
Poland		
Revenue – sale of merchandise	**1.2**	
Wholesale	**1.2**	
Revenue – Other	**–**	
Revenue from contracts with customers	**1.2**	
Total Revenue – sale of merchandise	**109 477.1**	101 018.0
Total Revenue – other	**2 106.6**	2 037.5
Total Revenue from contracts with customers	**111 583.7**	103 055.5

12. PROPERTY, PLANT AND EQUIPMENT

Rmillion	Land and buildings	Leasehold buildings	Motor vehicles	Internal transport, plant and equipment	Office equipment, fixtures and fittings	Computer equipment	Total
GROUP							
Carrying value at 30 September 2017*	3 478.4	55.8	417.0	1 240.8	920.6	163.9	6 276.5
Cost	3 576.1	61.6	829.3	2 068.8	831.1	646.5	8 013.4
Accumulated depreciation	(97.7)	(5.8)	(412.3)	(828.0)	89.5	(482.6)	(1 736.9)
Additions	47.6	3.3	69.2	376.9	130.2	88.4	715.6
Expansions	46.3	2.9	8.5	199.2	96.6	(2.2)	351.3
Replacements	1.3	0.4	60.7	177.7	33.6	90.6	364.3
Additions through business acquisitions	165.0	32.3	1.2	26.0	4.8	2.3	231.6
Disposals at net book value	(1.9)	(3.6)	(14.4)	(5.8)	(47.7)	(0.4)	(73.8)
Disposal through sale of business		(0.4)		(9.7)	(0.8)	(0.6)	(11.5)
Depreciation	(8.3)	(1.9)	(73.1)	(278.9)	(199.0)	(59.8)	(621.0)
Effect of foreign currency exchange differences	70.6	3.0	1.3	32.7	21.3	3.4	132.3
Reclassified as assets held for sale				2.1			2.1
Carrying value at 30 September 2018*	3 751.4	88.5	401.2	1 384.1	829.4	197.2	6 651.8
Cost	3 857.9	95.9	852.6	2 477.4	944.6	721.4	8 949.8
Accumulated depreciation	(106.5)	(7.4)	(451.4)	(1 093.3)	(115.2)	(524.2)	(2 298.0)
Additions	**262.1**	**3.8**	**105.6**	**412.7**	**212.0**	**40.2**	**1 036.4**
Expansions	**261.6**	**3.7**	**12.8**	**194.9**	**151.0**	**(26.8)**	**597.2**
Replacements	**0.5**	**0.1**	**92.8**	**217.8**	**61.0**	**67.0**	**439.2**
Additions through business acquisitions			**2.6**	**61.4**	**9.2**	**8.4**	**81.6**
Disposals at net book value	**(4.5)**	**(1.1)**	**(16.6)**	**(12.1)**	**(17.2)**		**(51.5)**
Disposal through sale of business				**(6.7)**	**(1.1)**	**(0.1)**	**(7.9)**
Depreciation	**(8.7)**	**(1.5)**	**(77.5)**	**(323.0)**	**(193.8)**	**(63.9)**	**(668.4)**
Effect of foreign currency exchange differences	**94.7**	**0.4**	**2.1**	**8.7**	**34.8**	**1.5**	**142.2**
Carrying value at 30 September 2019	**4 095.0**	**90.1**	**417.4**	**1 525.1**	**873.3**	**183.3**	**7 184.2**
Cost	**4 210.6**	**98.4**	**915.7**	**2 854.0**	**1 200.1**	**737.8**	**10 016.6**
Accumulated depreciation	**(115.6)**	**(8.3)**	**(498.3)**	**(1 328.9)**	**(326.8)**	**(554.5)**	**(2 832.4)**

* *Refer to restatement note 43.*

12. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY

Rmillion	Land and buildings	Leasehold buildings	Motor vehicles	Internal transport, plant and equipment	Office equipment, fixtures and fittings	Computer equipment	Total
Carrying value at 30 September 2017*	1 330.4	9.8	377.2	336.0	36.2	82.9	2 172.5
Cost	1 413.9	13.1	740.1	810.1	114.4	244.0	3 335.6
Accumulated depreciation	(83.5)	(3.3)	(362.9)	(474.1)	(78.2)	(161.1)	(1 163.1)
Additions	3.3	1.8	46.7	77.9	13.2	43.9	186.8
Expansions	3.3	1.5	6.0	52.0	11.2	28.6	102.6
Replacements		0.3	40.7	25.9	2.0	15.3	84.2
Additions through business acquisitions			0.2	24.8	4.4	1.7	31.1
Disposals at net book value		(0.6)	(6.0)	(0.9)		(0.3)	(7.8)
Reclassified from assets held for sale				2.0			2.0
Depreciation		(0.5)	(61.4)	(79.0)	(12.8)	(28.5)	(182.2)
Carrying value at 30 September 2018*	1 333.7	10.5	356.7	360.8	41.0	99.7	2 202.4
Cost	1 417.2	14.2	754.2	905.4	131.5	256.2	3 478.7
Accumulated depreciation	(83.5)	(3.7)	(397.5)	(544.6)	(90.5)	(156.5)	(1 276.3)
Additions	**6.6**	**0.2**	**73.2**	**102.2**	**21.8**	**15.5**	**219.5**
Expansions	**6.6**	**0.1**	**11.7**	**61.3**	**13.6**	**0.8**	**94.1**
Replacements		**0.1**	**61.5**	**40.9**	**8.2**	**14.7**	**125.4**
Additions through business acquisitions			**2.5**	**52.3**	**8.7**	**8.3**	**71.8**
Disposals at net book value		**(1.0)**	**(4.1)**	**(0.6)**	**(0.4)**	**(0.1)**	**(6.2)**
Disposal through sale of businesses				**(6.7)**	**(1.1)**	**(0.1)**	**(7.9)**
Depreciation		**(0.3)**	**(63.2)**	**(89.1)**	**(15.5)**	**(34.7)**	**(202.8)**
Carrying value at 30 September 2019	**1 340.3**	**9.4**	**365.1**	**418.9**	**54.5**	**88.6**	**2 276.8**
Cost	**1 423.8**	**13.2**	**805.1**	**985.2**	**149.6**	**242.0**	**3 618.9**
Accumulated depreciation	**(83.5)**	**(3.8)**	**(440.0)**	**(566.3)**	**(95.1)**	**(153.4)**	**(1 342.1)**

Carrying value of fixed property encumbered as security for borrowings set out in note 29 is R2 074.4 million (2018: R1 669.0 million).

* *Refer to restatement note 43.*

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
13. GOODWILL AND INTANGIBLE ASSETS				
Goodwill				
Balance at beginning of year	**2 648.7**	2 428.3	**505.5**	458.0
Impairment	**(5.0)**	(12.3)	**(5.0)**	(6.5)
Goodwill derecognised on disposal of business	**(12.3)**	(33.7)	**(12.3)**	
Reclassified from/(to) assets held for sale		1.6		1.6
Business combination	**312.5**	204.5	**125.3**	52.4
Measurement period adjustment	**(23.6)**			
Foreign exchange translation	**11.3**	60.3		
Balance at end of year	**2 931.6**	2 648.7	**613.5**	505.5
Analysed as follows:				
Cost	**2 973.1**	2 685.2	**636.7**	523.7
Accumulated impairment	**(41.5)**	(36.5)	**(23.2)**	(18.2)
CGUs with significant goodwill				
SPAR distribution centres and retail stores	**681.3**	573.3	**613.5**	505.5
TIL JV Limited (BWG and Gilletts)	**1 860.0**	1 686.2		
SPAR Holding AG	**326.8**	325.7		
S Buys Holdings (Pty) Ltd	**63.5**	63.5		
Closing balance of goodwill	**2 931.6**	2 648.7	**613.5**	505.5
Indefinite useful life intangible assets				
Balance at beginning of year	**1 787.9**	1 733.9		
Foreign exchange translation	**6.1**	54.0		
Balance at end of year	**1 794.0**	1 787.9	**–**	–
Analysed as follows:				
Cost	**1 794.0**	1 787.9		
Total goodwill and indefinite useful life intangible assets	**4 725.6**	4 436.6	**613.5**	505.5
Analysed as follows:				
Cost	**4 767.1**	4 473.1	**636.7**	523.7
Accumulated impairment	**(41.5)**	(36.5)	**(23.2)**	(18.2)

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

13.1 Goodwill and indefinite useful life intangible asset impairment testing

Goodwill is allocated to the group's cash-generating units. These CGUs are determined as the group of assets acquired as part of a business combination to which the goodwill can be allocated, and which generates largely independent cash flows and will benefit from synergies of the combination. Retail stores acquired in South Africa are assessed as a group of CGUs in combination with the associated distribution centre. The recoverable amount of a CGU is determined based on the value-in-use calculations.

Indefinite useful life 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 amounts to R1 794.0 million (2018: R1 787.9 million).

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.

The following assumptions were applied in determining the value in use of the southern African entities (SPAR distribution centres, retail stores and S Buys):

	GROUP	
	2019 %	2018 %
Discount rate	**15.6**	13.3
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 (BWG and Gilletts):		
Discount rate	**9.5**	8.5
Sales growth rate	**1.0**	2.0
Terminal value growth rate	**1.0**	2.0
The following assumptions were applied in determining the value in use of the Swiss entity (SPAR Holding AG):		
Discount rate	**5.7**	4.5
Sales growth rate	**0.5 – 2.8**	(1.1) – 1
Terminal value growth rate	**1.5**	1.5

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

13. GOODWILL AND INTANGIBLE ASSETS continued

13.2 Definite useful lives intangible assets

Computer software

Rmillion	GROUP Computer Software	GROUP WIP	GROUP Total	COMPANY Computer Software	COMPANY WIP	COMPANY Total
Carrying value at 30 September 2017*	268.3	9.1	277.4	152.9	9.1	162.0
Cost	581.1	9.1	590.2	222.1	9.1	231.2
Accumulated amortisation and impairment	(312.8)		(312.8)	(69.2)		(69.2)
Additions	73.9	35.8	109.7	4.8	35.8	40.6
Amortisation	(77.1)		(77.1)	(27.4)		(27.4)
Transfers between categories	7.1	(7.1)	–	7.1	(7.1)	–
Foreign exchange	5.1		5.1			–
Carrying value at 30 September 2018*	277.3	37.8	315.1	137.4	37.8	175.2
Cost	675.3	37.8	713.1	234.0	37.8	271.8
Accumulated amortisation and impairment	(398.0)		(398.0)	(96.6)		(96.6)
Additions	**61.7**	**43.3**	**105.0**	**0.1**	**43.3**	**43.4**
Amortisation	**(86.3)**		**(86.3)**	**(28.0)**		**(28.0)**
Transfers between categories	**6.4**	**(6.4)**	**–**	**6.4**	**(6.4)**	**–**
Foreign exchange	**4.6**		**4.6**			**–**
Carrying value at 30 September 2019*	**263.7**	**74.7**	**338.4**	**115.9**	**74.7**	**190.6**
Cost	**759.4**	**74.7**	**834.1**	**240.5**	**74.7**	**315.2**
Accumulated amortisation and impairment	**(495.7)**		**(495.7)**	**(124.6)**		**(124.6)**

13.3 Total goodwill and indefinite and definite useful life intangible assets

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Analysed as follows:	**5 064.0**	4 751.7	**804.1**	680.7
Cost	**5 601.2**	5 186.2	**951.9**	795.5
Accumulated amortisation and impairment	**(537.2)**	(434.5)	**(147.8)**	(114.8)

* *Refer to restatement note 43.*

Rmillion	COMPANY 2019	COMPANY 2018
14. INVESTMENT IN SUBSIDIARIES		
Balance at beginning of year	**1 941.6**	1 682.5
Investments in subsidiaries	**4.2**	259.1
Transfer of loan to subsidiaries to loans and other receivables	**(384.6)**	
Balance at end of year	**1 561.2**	1 941.6

14. INVESTMENT IN SUBSIDIARIES continued

	Principal place of business	Issued share capital 2019 Rmillion	Issued share capital 2018 Rmillion	Effective holding 2019 %	Effective holding 2018 %	Cost of investment 2019 Rmillion	Cost of investment 2018 Rmillion
Details of the group's shareholding and carrying value by 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		
SPAR Retail Stores (Pty) Ltd[1][5]	South Africa			**100**	100		181.2
Kaplian Trading (Pty) Ltd[1][5]	South Africa			**100**	100		15.0
SPAR Mopani Rural Hub (Pty) Ltd[1]	South Africa			**100**	100		
Annison 45 (Pty) Ltd[1]	South Africa			**60**	60		
SPAR Lowveld (Pty) Ltd[1]#	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[3][5]	South Africa			**100**	100		184.2
S Buys Holdings (Pty) Ltd[4]##	South Africa	**79.8**		**60**	60	**74.9**	74.9
Spar Trading (Pty) Ltd[4] (Registered in eSwatini)	eSwatini			**100**	100		
New Polish Investments Sp. z o.o.(registered in Poland)	Poland			**80**			
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						**1 561.2**	1 941.6

* *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.*

\# *SPAR Ikhwezi Rural Hub (Pty) Ltd changed its name to SPAR Lowveld (Pty) Ltd during current financial year.*

\## *Fifth Season Investments (Pty) Ltd changed its name to S Buys Holdings (Pty) Ltd during current financial year.*

(1) *Operating company or entity.*

(2) *Dormant.*

(3) *Property owning company.*

(4) *Holding company.*

(5) *IFRS 9 transfer of balances relating to loans, from investment in subsidiaries to loans and other receivables.*

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

15. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

Balance at beginning of year	**156.7**	117.3	**172.0**	121.6
Share of (losses)/income for the year	**(10.6)**	(10.9)		
Investment in associates and joint ventures	**11.1**	37.8	**11.1**	35.3
Loans advanced to associates		16.9		16.9
Repayment of loans during the year	**(3.6)**	(1.8)	**(3.6)**	(1.8)
Payment of dividends	**(2.5)**	(2.9)		
Transfer of balances relating to loans – adoption of IFRS 9	**(48.0)**		**(48.0)**	
Foreign currency translation		0.3		
Balance at end of year	**103.1**	156.7	**131.5**	172.0

Summarised financial statements of the group's share of associates and joint ventures

Rmillion	GROUP 2019	GROUP 2018
Statement of profit or loss		
Revenue	**740.6**	622.8
(Losses)/income for the year attributable to ordinary shareholders	**(10.6)**	(10.9)
Statement of financial position		
Total assets	**248.3**	210.9
Total liabilities	**(209.4)**	(161.2)
Net assets	**38.9**	49.7

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 associates and joint venture

		Shareholding in associates and joint venture 2019 (%)	Shareholding in associates and joint venture 2018 (%)	GROUP 2019 Rmillion	GROUP 2018 Rmillion	COMPANY 2019 Rmillion	COMPANY 2018 Rmillion
SPAR Harare (Pvt) Ltd	(associate)	**35.0**	35.0				
Gezaro Retailers (Pty) Ltd	(associate)	**40.0**	40.0	**3.2**	14.6	**5.5**	17.4
Monteagle Merchandising Services (Pty) Ltd	(associate)	**50.0**	50.0	**29.7**	26.2	**9.7**	9.7
SPAR Zambia Ltd	(associate)	**47.9**	47.9	**11.4**	51.0	**41.6**	73.5
SPAR SL (Pvt) Ltd	(joint venture)	**50.0**	50.0	**26.1**	27.6	**47.2**	37.4
Tradefirm 15 (Pty) Ltd	(associate)	**48.3**	48.3	**11.8**	18.7	**11.1**	18.9
Dendostax (Pty) Ltd	(associate)	**48.3**	48.3	**15.1**	15.1	**15.1**	15.1
JB Retail 2401 (Pty) Ltd – Richdens	(associate)	**40.0**		**0.6**		**1.3**	
Fresh Opportunities Ltd	(associate)	**38.0**	38.0	**5.2**	3.5		
				103.1	156.7	**131.5**	172.0

15. INVESTMENT IN ASSOCIATES AND JOINT VENTURE continued

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

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 to nil.

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

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 (Pvt) 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. On 18 April 2018, the group increased its shareholding to 48.3%, through a share rearrangement agreement.

On 18 April 2018 the group invested R13.7 million to acquire additional shares in Dendostax (Pty) Ltd, which holds property from which Eastmans SUPERSPAR and TOPS operates. This increased the shareholding from 14.3% to 48.3%.

On 23 April 2018 BWG acquired a 38% shareholding in Fresh Opportunities Ltd, which owns and operates five retail stores in Ireland.

On 1 October 2018 the group invested in a 40% shareholding of JB Retail 2401 (Pty) Ltd, which owns and operates Richdens SUPERSPAR and TOPS in Durban.

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
16. OTHER INVESTMENTS				
Balance at beginning of year	**57.9**	57.7	**3.2**	4.8
Additional investments during the year	**15.0**		**3.9**	
Fair value adjustments	**1.5**	(0.1)	**0.3**	
Transfer to Investment in Associate		(1.4)		(1.4)
Disposals	**(55.2)**	(0.2)		(0.2)
Foreign exchange differences	**0.6**	1.9		
Balance at end of year	**19.8**	57.9	**7.4**	3.2
Analysed as follows:				
Group Risk Holdings (Pty) Ltd	**2.5**	2.2	**2.5**	2.2
Hypo Vorarlberg bank security deposit		54.1		
Adtrac Ltd	**0.4**			
Vitertia Ltd	**11.4**			
Schnellimmo Ltd	**0.6**	0.6		
B.V. BIGS (Buying International Group SPAR)	**0.9**		**0.9**	
Investment in The SA SME Fund Ltd	**4.0**	1.0	**4.0**	1.0

The investment held at Hypo Vorarlberg bank consists of a rental security deposit. This is a portfolio of shares and bonds in Switzerland. In the current year this investment was disposed of.

SPAR Switzerland holds a 25% interest in Vitertia AG, which is a buying cooperation in the process of being setup in order to share best buying practices and utilise combined volumes to ensure better landed costs.

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
17. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	**328.7**	258.7	**331.0**	264.2
Less: Current portion	**(59.6)**	(50.4)	**(59.6)**	(50.4)
Non-current operating lease receivables	**269.1**	208.3	**271.4**	213.8
Operating lease payables	**357.6**	282.5	**357.6**	282.5
Less: Current portion	**(59.2)**	(51.5)	**(59.2)**	(51.5)
Non-current operating lease payables	**298.4**	231.0	**298.4**	231.0

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 sublet 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 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
18. LOANS AND OTHER RECEIVABLES				
– Retailer loans advanced by SPAR	**805.2**	804.4	**512.8**	488.8
– Retailer loans advanced by Guild*	**59.0**			
– Loan to Piotr i Pawel Group#	**456.4**			
– Loans to subsidiaries, joint ventures and associates	**48.0**		**471.1**	
– Advance to The SPAR Group Ltd Employee Share Trust (2004)			**23.9**	10.0
– Loan to Group Risk Holdings (Pty) Ltd	**0.5**	0.4	**0.5**	0.4
Total	**1 369.1**	804.8	**1 008.3**	499.2
Less: Current portion of retailer loans	**(134.9)**	(97.9)	**(101.9)**	(44.6)
Loss allowance	**(102.4)**	(10.5)	**(72.3)**	
Non-current loans	**1 131.8**	696.4	**834.1**	454.6

* *In the prior year the long-term receivable has been disclosed in trade and other receivables.*
\# *Refer to note 44 for further detail on the Piotr i Pawel Group.*

Retailer loans advanced by SPAR

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

The recoverability of amounts owed by retailers is regularly reviewed and assessed on an individual basis (refer to note 39).

Retailer loans advanced by Guild

The retailers contribute to a development member fund, which is utilised to issue out loans to retailers for store revamps. As at 30 September 2019 members' cumulative contributions are in excess of the loans advanced through to members. These loans are unsecured, bear no interest and have set repayment terms.

Advance to The SPAR Group Ltd Employee Share Trust (2004)

The advance to The SPAR Group Ltd Employee Share Trust (2004) is unsecured, bears no interest and has no set repayment terms. The company advanced money to the trust to enable it to finance the repurchase of the company's shares (refer to note 25). This advance constitutes a loan and a contribution. The loan portion is recoverable from the trust upon exercise of share options to the extent of the sum of option strike prices of options exercised. The contribution portion will be the difference between the cost price of treasury shares and the option strike prices of the equivalent number of treasury shares utilised to satisfy option holders who exercise their option rights.

NOTES TO THE FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
19. DEFERRED TAXATION				
Asset				
Deferred taxation asset analysed by major category:				
Property, plant and equipment	**(204.6)**	(0.1)	**(204.4)**	
Provisions, claims and prepayments	**280.0**	14.5	**263.2**	
Balance at end of year	**75.4**	14.4	**58.8**	–
Reconciliation of deferred taxation asset:				
Balance at beginning of year	**14.4**	21.4	**–**	9.8
Adoption of new standards – IFRS 9	**6.5**		**6.3**	
Employee share plan equity	**16.7**		**16.7**	
Business acquisition		4.9		
Profit or loss effect	**37.1**	(12.0)	**35.1**	(9.9)
Other comprehensive income effect	**0.7**	0.1	**0.7**	0.1
Balance at end of year	**75.4**	14.4	**58.8**	–
Liability				
Deferred taxation liability analysed by major category:				
Property, plant and equipment and intangible assets	**(398.8)**	(639.9)		(193.8)
Defined benefit obligations	**154.0**	102.0		
Provisions, claims and prepayments	**(52.5)**	124.8		188.1
Balance at end of year	**(297.3)**	(413.1)	**–**	(5.7)
Reconciliation of deferred taxation liability:				
Balance at beginning of year	**(413.1)**	(361.2)	**(5.7)**	
Profit or loss effect	**24.5**	(10.8)	**5.7**	(5.7)
Change in tax rate – profit or loss effect	**(23.8)**			
Change in tax rate – other comprehensive income effect	**52.7**			
Exchange rate translation	**(7.1)**	(14.1)		
Other comprehensive income effect	**69.5**	(27.0)		
Balance at end of year	**(297.3)**	(413.1)	**–**	(5.7)
Total net (liability)/asset	**(221.9)**	(398.7)	**58.8**	(5.7)

The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
20. INVENTORIES				
Merchandise	**4 522.9**	4 016.6	**2 137.5**	1 815.7
Less: Provision for obsolescence	**(75.9)**	(83.5)	**(34.0)**	(26.4)
Total inventories	**4 447.0**	3 933.1	**2 103.5**	1 789.3
Shrinkages and damages written off	**135.9**	141.4	**45.6**	37.9

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

21. TRADE AND OTHER RECEIVABLES

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Trade receivables	**12 564.7**	11 230.8	**8 568.2**	7 776.0
Less: Loss allowance	**(664.5)**	(628.5)	**(238.9)**	(137.1)
Net trade receivables	**11 900.2**	10 602.3	**8 329.3**	7 638.9
Other receivables	**1 222.5**	1 532.1	**928.9**	884.1
Total trade and other receivables	**13 122.7**	12 134.4	**9 258.2**	8 523.0

The other receivables balance includes loans made by the SPAR Guild of Southern Africa to SPAR retail members. In the current year, the non-current portion of these loans has been presented in loans and other receivables (refer to note 18).

Reconciliation of loss allowance:	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Balance at beginning of year	**(628.5)**	(602.7)	**(137.1)**	(169.4)
Amounts restated through opening retained earnings	**(23.8)**		**(21.8)**	
Loss allowance raised during the year	**(196.0)**	(196.2)	**(127.6)**	(60.3)
Loss allowance reversed during the year	**186.2**	211.7	**47.6**	92.6
Business acquisition		(25.6)		
Exchange rate translation	**(2.4)**	(15.7)		
Balance at end of year	**(664.5)**	(628.5)	**(238.9)**	(137.1)
Irrecoverable debts written off net of recoveries	**97.5**	140.2	**66.2**	110.0

Trade receivables

The group provides trade credit facilities to its independent retailers. The recoverability of amounts owing by members to the group is regularly reviewed and assessed on an individual basis. The loss allowance 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 and forward looking risk factors to determine the expected credit loss. Further information regarding risk assessment for these receivables have been detailed in note 39. 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 R633.0 million (2018: R543.9 million) which are past due at a group level and R422.4 million (2018: R320.5 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 values.

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

22. TAXATION PAID

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Payable at beginning of year	**95.4**	87.7	**24.1**	15.4
Business acquisition (refer to note 33)		(0.4)		
Exchange rate translation	**1.1**	2.8		
Charge to profit or loss (refer to note 7)	**732.6**	614.1	**627.4**	530.5
Net payable at end of year	**(142.2)**	(95.4)	**(61.0)**	(24.1)
Total taxation paid	**686.9**	608.8	**590.5**	521.8

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 bank balances of SPAR, Guild and trust bank balances. Guild balances comprise retailer funds and other cash deposits attributable to the SPAR Guild of Southern Africa, and the Build it Guild of Southern Africa. Deposits received by the SPAR Guild of Southern Africa from the SPAR retail members are included in other payables. Trust balances comprise cash on hand at year-end held by the BBBEE trusts pending payment to beneficiaries (refer to note 4). The liability to the beneficiaries is included in trade and other payables.

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

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
Bank balances – guilds and employee share trust	**198.7**	188.5		
Bank balances– BBBEE trusts	**36.7**	40.8		
Bank balances – guilds and trusts	**235.4**	229.3	**–**	–
Bank balances – SPAR	**1 250.9**	1 377.6	**23.5**	306.9
Bank overdrafts – SPAR	**(1 553.7)**	(8.7)	**(1 673.9)**	
Net cash balances	**(67.4)**	1 598.2	**(1 650.4)**	306.9

24. ASSETS HELD FOR SALE

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
Freehold properties held for sale (24.1)	**9.6**	9.6		
Assets related to retail stores (24.2)	**64.0**		**25.5**	
Assets held for sale	**73.6**	9.6	**25.5**	–

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 for buyers is underway.

No impairment loss was recognised at 30 September 2019 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 prior year pertain to property which was sold for net proceeds of R8.9 million.

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
Reconciliation of freehold properties held for sale				
Balance at beginning of year	**9.6**	14.0	**–**	–
Disposals		(4.5)		
Translation differences		0.1		
Balance at end of year	**9.6**	9.6	**–**	–

24.2 As at 30 September 2019 the group intends to dispose of four SPAR stores in eSwatini as well as a Build it store in Zululand. These stores were purchased and immediately classified as non-current assets held for sale as negotiations with interested parties were nearing conclusion. The eSwatini stores were fair value adjusted for a change in the fair value less costs to sell in the current financial year.

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
Assets of stores classified as held for sale				
Balance at beginning of year	**–**	3.7	**–**	3.7
Acquired for resale	**67.9**	(3.7)	**25.5**	(3.7)
Fair value adjustment	**(3.9)**			
Balance at end of year	**64.0**	–	**25.5**	–

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

25. STATED CAPITAL

25.1 Authorised

250 000 000 (2018: 250 000 000) ordinary shares				
Issued and fully paid				
192 602 355 (2018: 192 602 355) ordinary shares	**2 231.5**	2 231.5	**2 231.5**	2 231.5
	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**	192 602 355	**192 602 355**	192 602 355
Outstanding at end of year	**192 602 355**	192 602 355	**192 602 355**	192 602 355

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 2019	Number of shares under option 2018
R50.23	11 November 2018		1 092
R66.42	10 November 2019	**66 000**	191 700
R95.11	16 November 2020	**145 400**	172 700
R99.91	8 December 2020	**75 000**	75 000
R96.46	8 November 2021	**331 100**	365 800
R122.81	13 November 2022	**376 200**	448 000
R126.43	12 November 2023	**431 100**	552 100
R124.22	7 February 2024	**50 000**	50 000
		1 474 800	1 856 392

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

26. TREASURY SHARES

During the year The SPAR Group Ltd Employee Share Trust (2004) purchased 418 119 (2018: 1 115 227) shares in the company at an average purchase price per share of R192.12 (2018: R197.68). 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 149 036 shares (2018: 297 791) (refer to note 38.3) at an average purchase price per share of R192.10 (2018: R200.48) amounting to R29.8 million (2018: R59.7 million). This was done to settle participants considered as 'good leavers' in terms of The SPAR Group Ltd Conditional Share Plan (CSP).

	GROUP	
Rmillion	**2019**	**2018**
Cost of shares		
Balance at beginning of year	**10.0**	16.1
Share repurchases	**110.1**	281.1
Settlement of share-based payments	**(29.8)**	(59.7)
Shares sold to option holders on exercise of share option rights	**(66.4)**	(227.5)
Balance at end of year	**23.9**	10.0

Number of shares held	**2019**	**2018**
Shares held in trust		
Balance at beginning of year	**53 200**	96 473
Share repurchases	**418 119**	1 115 227
Shares sold to option holders on exercise of share option rights	**(345 800)**	(1 158 500)
Balance at end of year	**125 519**	53 200

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS

27.1 Retirement benefit funds

	The SPAR Group Ltd defined benefit pension fund		The BWG Group retirement funds		The SPAR Handels AG retirement funds		Total	
Rmillion	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fair value of fund assets								
Balance at beginning of year	**6.8**	21.7	**992.8**	974.4	**1 609.0**	1 610.6	**2 608.6**	2 606.7
Expected return on fund assets		1.3					**–**	1.3
Interest income on plan assets			**21.1**	19.3	**16.2**	10.4	**37.3**	29.7
Remeasurement – return on plan assets (excluding interest income)			**60.9**	30.2	**77.2**	27.7	**138.1**	57.9
Contributions			**50.2**	48.4	**81.9**	89.2	**132.1**	137.6
Benefits paid	**(6.8)**	(16.1)	**(37.3)**	(109.2)	**(52.4)**	(181.0)	**(96.5)**	(306.3)
Actuarial gain/(loss)		(0.1)					**–**	(0.1)
Exchange rate translation			**5.4**	29.7	**88.6**	52.1	**94.0**	81.8
Balance at end of year	**–**	6.8	**1 093.1**	992.8	**1 820.5**	1 609.0	**2 913.6**	2 608.6
Present value of defined benefit obligation								
Balance at beginning of year	**–**	(15.2)	**(1 243.1)**	(1 261.6)	**(1 983.2)**	(2 108.6)	**(3 226.3)**	(3 385.4)
Interest cost		(0.9)	**(25.9)**	(24.7)	**(20.0)**	(12.7)	**(45.9)**	(38.3)
Remeasurement (effect of changes in financial assumptions)					**(340.2)**	101.3	**(340.2)**	101.3
Current service cost			**(22.2)**	(24.6)	**(48.0)**	(56.7)	**(70.2)**	(81.3)
Benefits paid/accrued to be paid		16.1	**37.3**	109.2	**52.4**	181.0	**89.7**	306.3
Plan participants contributions			**(4.0)**	(3.9)	**(40.9)**	(44.6)	**(44.9)**	(48.5)
Past service costs						16.4	**–**	16.4
Actuarial gain/(loss)			**(238.8)**	(1.3)			**(238.8)**	(1.3)
Exchange rate translation			**(9.6)**	(36.2)	**(122.1)**	(59.3)	**(131.7)**	(95.5)
Balance at end of year	**–**	–	**(1 506.3)**	(1 243.1)	**(2 502.0)**	(1 983.2)	**(4 008.3)**	(3 226.3)

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS continued

27.1 Retirement benefit funds continued

Rmillion		The SPAR Group Ltd defined benefit pension fund 2019	The SPAR Group Ltd defined benefit pension fund 2018	The BWG Group retirement funds 2019	The BWG Group retirement funds 2018	The SPAR handels AG retirement funds 2019	The SPAR handels AG retirement funds 2018	Total 2019	Total 2018
Amounts recognised on the statements of financial position									
Present value of fund obligations				**(1 506.3)**	(1 243.1)	**(2 502.0)**	(1 983.2)	**(4 008.3)**	(3 226.3)
Fair value of plan assets				**1 093.1**	992.8	**1 820.5**	1 609.0	**2 913.6**	2 601.8
Net liability recognised in the statement of financial position		**–**	–	**(413.2)**	(250.3)	**(681.5)**	(374.2)	**(1 094.7)**	(624.5)
Amounts recognised on the statement of profit or loss and other comprehensive income									
Statement of profit or loss		**–**	–	**(27.0)**	(30.0)	**(51.8)**	(42.6)	**(78.8)**	(72.6)
Current service cost				**(22.2)**	(24.6)	**(48.0)**	(56.7)	**(70.2)**	(81.3)
Past service costs							16.4	**–**	16.4
Net interest on obligation				**(4.8)**	(5.4)	**(3.8)**	(2.3)	**(8.6)**	(7.7)
Other comprehensive income		**–**	–	**(177.9)**	28.9	**(263.0)**	129.0	**(440.9)**	157.9
Remeasurement – return on plan assets (excluding interest income)				**60.9**	30.2	**77.2**	27.7	**138.1**	57.9
Remeasurement – defined benefit obligation (changes in assumptions)						**(340.2)**	101.3	**(340.2)**	101.3
Net actuarial gains/(losses) recognised in the current year				**(238.8)**	(1.3)			**(238.8)**	(1.3)
The fair value of plan assets at end of period for each category are as follows:									
Cash and cash equivalents	%			**0.2**	2.8	**3.1**	0.5		
Equities	%		93.0	**48.6**	53.5	**33.5**	34.7		
Property	%		7.0	**5.7**	7.5	**25.6**	27.6		
Fixed interest bonds	%			**45.5**	36.2	**37.8**	37.2		
		–	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			**(150.6)**	(118.1)	**(232.9)**	(158.3)		
Defined benefit obligation	(0.5)			**176.2**	136.7	**270.2**	182.8		
The key actuarial assumptions applied in the determination of fair values include:									
Inflation rate	%			**1.10**	1.70	**0.50**	0.70		
Salary escalation rate	%			**1.10**	1.70	**1.00**	1.00		
Discount rate	%			**0.95**	2.15	**0.00**	1.00		
Expected rate of return on plan assets	%			**0.95**	2.10	**2.00**	2.70		

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.

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS continued

27.1 Retirement benefit funds continued

The SPAR Group Ltd retirement funds (southern Africa)

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

All funds are governed by the Pension Funds Act, 1956. The funds are managed by appointed administrators and investment managers, and their assets remain independent of the company.

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 R135.1 million (2018: R124.1 million) and R133.2 million (2018: R121.8 million) were expensed for the group and company respectively during the year.

The SPAR Group Ltd Defined Benefit Pension Fund

In the prior year, all active members of The SPAR Group Ltd Defined Benefit Pension Fund had been transferred to the Old Mutual Superfund Pension and Provident Fund respectively, as selected by the members, after approval had been received from the Financial Services Board. The employer surplus of R6.8 million was utilised in the current year to take an employer contribution holiday in respect of the Old Mutual Superfund Defined Contribution Provident Fund.

The BWG Group retirement funds (Ireland)

The BWG Group contributes towards retirement benefits for approximately 995 (2018: 1 012) 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, 1990 (as amended per Irish statute). The bulk of the funds is 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 group.

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 credit and net expense or income are recognised to profit or loss. The defined benefit pension schemes obligations were valued at R1 506.3 million (2018: R1 243.0 million) using the projected unit credit method and the funds were found to be in a sound financial position. At that date the actuarial fair value of the plan assets represented 73.0% (2018: 80.0%) of the plan liabilities.

The next actuarial valuation of the defined benefit schemes will take place on 1 January 2020. 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 R21.1 million (2018: R15.9 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 and 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 1 281 (2018: 1 268) current and former employees.

The next actuarial valuation of the defined benefit schemes will take place on 31 March or 30 September 2020.

These schemes are closed to further membership.

Rmillion		GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS continued

27.2 POST-RETIREMENT MEDICAL AID PROVISION

Rmillion		GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Balance – actuarial valuation at beginning of year		**(163.1)**	(155.0)	**(163.1)**	(155.0)
Recognised as an expense during the current year		**(17.7)**	(16.3)	**(17.7)**	(16.3)
Interest cost		**(15.1)**	(13.5)	**(15.1)**	(13.5)
Current service cost		**(2.6)**	(2.8)	**(2.6)**	(2.8)
Employer contributions		**9.6**	8.5	**9.6**	8.5
Actuarial gain/(loss)		**(2.6)**	(0.3)	**(2.6)**	(0.3)
Balance at end of year		**(173.8)**	(163.1)	**(173.8)**	(163.1)
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate – in service members	%	**9.8**	10.0	**9.8**	10.0
Discount rate – continuation members	%	**8.5**	9.3	**8.5**	9.3
Medical inflation – in service members	%	**7.0**	7.7	**7.0**	7.7
Medical inflation – continuation members	%	**6.5**	7.3	**6.5**	7.3
Average retirement age	years	**63/65**	63/65	**63/65**	63/65

The obligation of the group to pay medical aid contributions after retirement is not part of the conditions of employment for employees engaged after 1 March 1997. There are 257 (2018: 265) pensioners and current employees who remain entitled to this benefit. The expected payments to retired employees for the next financial year is R10.9 million (2018: R9.6 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 2019	Discount rate 2018	Medical inflation 2019	Medical inflation 2018
Defined benefit obligation	1.0	**(20.8)**	(16.1)	**20.0**	20.0
Defined benefit obligation	(1.0)	**14.3**	19.4	**(17.0)**	(17.0)

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 2019 and the next valuation is expected to be performed during the 2020 financial year.

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
28. FINANCIAL LIABILITIES				
Present value				
TIL JV Ltd	**1 326.3**	1 216.2	**1 326.3**	1 216.2
SPAR Holding AG	**840.9**	777.5		
S Buys Holdings (Pty) Ltd	**37.2**	49.2		
Total financial liabilities	**2 204.4**	2 042.9	**1 326.3**	1 216.2
Less: Short-term portion of financial liabilities	**(683.3)**	–	**(683.3)**	–
Long-term portion of financial liabilities	**1 521.1**	2 042.9	**643.0**	1 216.2
Undiscounted value				
TIL JV Ltd	**1 434.3**	1 389.2	**1 434.3**	1 389.2
SPAR Holding AG	**854.8**	813.2		
S Buys Holdings (Pty) Ltd	**55.9**	86.2		
	2 345.0	2 288.6	**1 434.3**	1 389.2
Difference between undiscounted value and the carrying amount of the financial liabilities	**140.6**	245.7	**108.0**	173.0

The undiscounted value of the financial liabilities represents the amount the group is contractually required to pay at maturity to the holder of the obligation.

On 1 August 2014 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. 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 interest's share of the expected purchase value and discounted from the expected exercise dates to the reporting date. As at 30 September 2019 the financial liability was valued at R1 326.3 million (2018: R1 216.2 million) based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

Repayments will commence in December 2019 and continue in 2020 and 2022. The December 2019 repayment has been disclosed as the current portion of the financial liability.

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 both 2019 and 2018 a expected future profits adjustment was made to the TIL JV Ltd financial liability.

On 1 April 2016 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. 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 CHF40.3million. 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.

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.

On 1 October 2017 The SPAR Group Ltd acquired a 60% shareholding in S Buys Holdings (Pty) Ltd which trades as S Buys. The SPAR Group Ltd agreed to purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of 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. 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. As at 30 September 2019, the financial liability was valued at R37.2 million (2018: R49.2 million) based on management's expectation of future profit performance.

28. FINANCIAL LIABILITIES continued

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. 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.

The following tables show a reconciliation of the opening and closing balances of the financial liabilities:

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
Movements in financial liabilities held at fair value				
TIL JV Ltd				
Balance at beginning of year	**1 216.2**	963.8	**1 216.2**	963.8
Finance costs recognised in profit or loss	**69.1**	72.3	**69.1**	72.3
Net exchange differences arising during the period	**6.4**	40.6	**6.4**	40.6
Expected future profits adjustment	**34.6**	139.5	**34.6**	139.5
Balance at end of year	**1 326.3**	1 216.2	**1 326.3**	1 216.2
S Buys Holdings (Pty) Ltd				
Balance at beginning of year	**49.2**	–		
Initial recognition	**–**	54.4		
Initial recognition reducing non-controlling interest balance		27.6		
Initial recognition in equity reserve		26.8		
Finance costs recognised in profit or loss	**7.2**	6.4		
Expected future profits adjustment	**(19.2)**	(11.6)		
Balance at end of year	**37.2**	49.2	**–**	–
Movements in financial liabilities held at amortised cost				
SPAR Holding AG				
Balance at beginning of year	**777.5**	736.3		
Finance costs recognised in profit or loss	**22.5**	14.3		
Net exchange differences arising during the period	**37.1**	2.9		
Foreign exchange translation	**3.8**	24.0		
Balance at end of year	**840.9**	777.5	**–**	–
Total financial liabilities	**2 204.4**	2 042.9	**1 326.3**	1 216.2

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
29. BORROWINGS				
Foreign				
Loans secured by mortgage bonds over fixed property	**3 815.9**	3 529.2		
Syndicated bank term loans	**1 348.9**	880.9		
Total borrowings at amortised cost	**5 164.8**	4 410.1		
Less: Short-term portion of borrowings	**(529.5)**	(433.6)		
Long-term portion of borrowings	**4 635.3**	3 976.5	**–**	–
Schedule of repayment of borrowings				
Year to September 2019		435.0		
Year to September 2020	**536.2**	513.7		
Year to September 2021	**2 072.0**	2 086.6		
Year to September 2022	**8.3**	1.3		
Year to September 2023	**7.5**	1 382.1		
Year to September 2024 onwards	**2 574.6**			
	5 198.6	4 418.7	**–**	–

TIL JV Ltd has undrawn committed facilities of R537.0 million (2018 : R878.3 million) as at 30 September 2019. SPAR Holding AG has undrawn banking facilities of R352.1 million (2018: R464.9 million) as at 30 September 2019. S Buys Holdings (Pty) Ltd has undrawn banking facilities of R31.4 million as 30 September 2019. New Polish Investments Sp z.o.o has undrawn banking facilities of R162.3 million as at 30 September 2019.

Terms and debt repayment schedule

	Currency	Year-end nominal interest rate 2019 %	Year-end nominal interest rate 2018 %	Year of maturity 2019	Year of maturity 2018	Carrying value 2019 Rmillion	Carrying value 2018 Rmillion
Terms and conditions of outstanding loans were:							
Secured borrowings	EUR	**1.3**	1.5	**2021**	2020	**2 489.1**	2 591.6
Secured borrowings	CHF	**0.6 – 2.3**	0.6 – 2.3	**2019 – 2027**	2018 – 2025	**1 326.8**	937.6
Unsecured borrowings	CHF	**0.8 – 2.0**	0.8 – 2.0	**2019 – 2024**	2018 – 2024	**849.9**	880.9
Unsecured borrowings	EUR	**1.2**	–	**2020 – 2024**	–	**499.0**	–
						5 164.8	4 410.1

The loans are secured by certain fixed and current assets held by the BWG Group and SPAR Holding AG.

The expected maturity dates are not expected to differ from the contractual maturity dates.

Refer to note 39 for further disclosure.

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

30. TRADE AND OTHER PAYABLES

Trade payables	**11 552.6**	11 704.4	**6 856.0**	7 453.4
Other payables	**3 360.2**	3 531.6	**1 804.2**	1 863.2
Trade and other payables	**14 912.8**	15 236.0	**8 660.2**	9 316.6

The directors consider the carrying amount of trade and other payables to approximate their fair values due to their short-term duration. Further information regarding risk assessment for these payables have been detailed in note 39.

31. PROVISIONS

Rmillion	Supplier claims	Termination of leases	Onerous lease provisions	Total
2019				
GROUP				
Balance at beginning of year	9.6	60.5	2.4	72.5
Provisions raised/(reversed)	9.6	(32.5)	(0.7)	(23.6)
Provisions utilised		(4.9)		(4.9)
Exchange rate translation		(0.6)		(0.6)
Balance at end of year	19.2	22.5	1.7	43.4
Analysed as follows:				
Non-current provisions		7.3	1.0	8.3
Current provisions	19.2	15.2	0.7	35.1
COMPANY				
Balance at beginning of year	9.7	–	–	9.7
Provisions raised	9.4			9.4
Provisions utilised	–			–
Balance at end of year	19.1	–	–	19.1
Analysed as follows:				
Current provisions	19.1			19.1

Rmillion	Supplier claims	Termination of leases	Onerous lease provisions	Total
31. PROVISIONS continued				
2018				
GROUP				
Balance at beginning of year	5.4	75.4	6.4	87.2
Provisions raised/(reversed)	4.2	6.3	(0.8)	9.7
Acquired through business acquisition				–
Provisions utilised		(22.6)	(3.2)	(25.8)
Exchange rate translation		1.4		1.4
Balance at end of year	9.6	60.5	2.4	72.5
Analysed as follows:				
Non-current provisions		27.6	1.7	29.3
Current provisions	9.6	32.9	0.7	43.2
COMPANY				
Balance at beginning of year	5.4	–	–	5.4
Provisions raised	4.3			4.3
Provisions utilised				–
Balance at end of year	9.7	–	–	9.7
Analysed as follows:				
Current provisions	9.7			9.7

The provisions for supplier claims, termination of leases and onerous leases represent 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 represent 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 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
32. CASH GENERATED FROM OPERATIONS				
32.1 Cash generated from operations				
Operating profit	**2 978.9**	2 779.3	**2 148.2**	2 074.4
Depreciation	**754.7**	698.1	**231.0**	209.6
Net loss on disposal of property, plant and equipment	**1.4**	37.2	**(0.6)**	1.8
Net profit on assets held for sale		(4.4)		
Post-retirement medical aid provision	**8.1**	7.8	**8.1**	7.8
Retirement benefit fund provision	**(8.4)**	(16.6)		
Share-based payments	**22.0**	23.9	**22.0**	23.9
Provision against loans and trade receivables	**121.6**	7.6	**177.0**	(32.2)
Amortisation of prepaid cost		8.6		
Lease smoothing adjustment	**(28.0)**	11.2	**8.2**	9.5
Loss/(profit) on disposal of businesses	**0.1**	(9.7)	**0.1**	
Impairment of goodwill	**5.1**	12.3	**5.1**	6.5
Fair value adjustment	**2.3**	0.1	**(0.3)**	
Exchange rate translation			**(1.6)**	(6.5)
Cash generated from operations before:	**3 857.8**	3 555.4	**2 597.2**	2 294.8
Net working capital changes	**(2 016.3)**	416.3	**(1 962.1)**	488.2
(Increase)/decrease in inventories	**(425.5)**	94.7	**(311.8)**	102.5
Increase in trade and other receivables	**(1 110.3)**	(1 094.0)	**(1 001.9)**	(868.1)
(Decrease)/increase in trade payables and provisions	**(480.5)**	1 415.6	**(648.4)**	1 253.8
Cash generated from operations	**1 841.5**	3 971.7	**635.1**	2 783.0

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018

32. CASH GENERATED FROM OPERATIONS continued

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
32.2 Net movement in loans and investments	**(416.1)**	(303.0)	**(84.6)**	(575.2)
Cash inflows on loans and investments	**470.3**	398.8	**328.5**	310.7
Proceeds from disposal of other investments	**55.2**	0.2		0.2
Advances on block discounting loans from Wesbank	**123.9**	282.3	**123.9**	282.3
Dividends from associates	**2.5**	2.9		
Repayments of retailer and subsidiary loans	**285.1**	113.3	**201.0**	28.1
Repayments of loans from related parties	**3.6**	0.1	**3.6**	0.1
Cash outflows of loans and investments	**(886.4)**	(701.8)	**(413.1)**	(885.9)
Advances on block discounting loans to retailers	**(123.9)**	(282.3)	**(123.9)**	(282.3)
Other investments acquired	**(15.0)**		**(3.9)**	
Advances on retailer and subsidiary loans	**(736.4)**	(368.0)	**(229.5)**	(438.3)
Investment in associates	**(11.1)**	(36.3)	**(11.1)**	(33.8)
Loan to The SPAR Group Ltd Employee Share Trust (2004)			**(44.7)**	(116.3)
Loan to associate		(15.2)		(15.2)

The cash flows associated with the block discounting loans were previously presented on a net basis in the company and have now been presented on a gross basis.

32.3 Net debt reconciliation	GROUP 2019	GROUP 2018
Balance at beginning of year	**4 410.1**	4 524.8
Proceeds from borrowings	**748.9**	
Repayments of borrowings	**(116.8)**	(252.0)
Foreign exchange adjustments	**115.8**	128.8
Other changes	**6.8**	8.5
Balance at end of year	**5 164.8**	4 410.1

33. BUSINESS COMBINATIONS

33.1 Acquisition of Roadfield Holdings Ltd

The BWG Group purchased the entire shareholding of Roadfield Holdings Ltd (trading as Corrib Food Products), a wholesaler of predominantly chilled and frozen sectors in Ireland. The business operates from a major distribution centre based near Athenry, Co. Galway, and other distribution depots in Dublin. Approval for the transaction was received from the Competition and Consumer Protection Commission on 31 October 2018 representing the effective date. This wholesaler was purchased in order to expand operations in Ireland, and the goodwill arising on the business combination is an indication of future profit expected to be made by the group as a result. The contingent consideration is based on 12 months post-acquisition performance and is expected to be paid in full.

Retail stores acquired

During the course of the financial year, the group acquired the assets of thirteen (2018: seven) retail stores in South Africa and GCL 2016 Ltd (Gilletts), a subsidiary of the BWG Group, acquired the assets of two (2018: two) retail stores in the United Kingdom (UK). The principal activity of these acquisitions is that of retail trade and all its aspects. These stores were purchased in order to protect strategic sites, and the goodwill arising on the business combinations is an indication of future turnover expected to be made by the group as a result of these acquisitions. These acquisitions were funded from available cash resources.

Assets acquired and liabilities assumed at date of acquisition

	GROUP 2019			
Rmillion	Corrib Food Products	SA retail stores	UK retail stores	Total
Assets	**158.9**	**152.1**	**1.6**	**312.6**
Property, plant and equipment	9.4	71.8	0.4	81.6
Goodwill				–
Deferred tax asset				–
Inventories	25.9	2.6	0.8	29.3
Other financial assets				–
Current tax receivable				–
Trade and other receivables	69.1	7.8	0.4	77.3
Non-current assets held for sale		67.9		67.9
Cash and cash equivalents	54.5	2.0		56.5
Liabilities	**(72.9)**	**(4.8)**	**–**	**(77.7)**
Finance lease liability				–
Trade and other payables	(66.1)	(4.8)		(70.9)
Loans	(6.8)			(6.8)
Income tax liability				–
Bank overdraft				–
Total identifiable net assets at fair value	86.0	147.3	1.6	234.9
Goodwill arising from acquisition	178.2	125.3	8.3	311.8
Non-controlling interest				–
Purchase consideration transferred	264.2	272.6	9.9	546.7
Paid in cash	240.0	272.6	9.9	522.5
Contingent consideration	24.2			24.2
Cash and cash equivalents acquired	(54.5)	(2.0)		(56.5)
Business acquisition costs	4.9			4.9
Contingent consideration	(24.2)			(24.2)
Net cash outflow on acquisition	**190.4**	**270.6**	**9.9**	**470.9**

GROUP						COMPANY	
2018						**2019**	2018
S Buys Holdings (Pty) Ltd	Knowles Shopping Centre Investments (Pty) Ltd	4 Aces Wholesale	SA retail stores	UK retail stores	Total	SA retail stores	SA retail stores
196.8	165.0	234.7	32.7	58.5	687.7	**109.7**	32.7
2.8	165.0		31.1	32.7	231.6	**71.8**	31.1
30.0					30.0		
4.9					4.9		
73.2		63.7	1.5	6.7	145.1	**2.6**	1.5
0.4					0.4		
0.1		0.5			0.6		
84.1		110.1		2.0	196.2	**7.8**	
						25.5	
1.3		60.4	0.1	17.1	78.9	**2.0**	0.1
(127.8)	–	(134.8)	(1.6)	(14.0)	(278.2)	**(4.8)**	(1.6)
(0.4)					(0.4)		
(126.5)		(134.8)	(1.6)	(13.9)	(276.8)	**(4.8)**	(1.6)
(0.1)				(0.1)	(0.2)		
(0.8)					(0.8)		
69.0	165.0	99.9	31.1	44.5	409.5	**104.9**	31.1
33.5		81.5	52.4	7.1	174.5	**125.3**	52.4
(27.6)					(27.6)		
74.9	165.0	181.4	83.5	51.6	556.4	**230.2**	83.5
74.9	165.0	150.2	83.5	41.4	515.0	**230.2**	83.5
		31.2		10.2	41.4		
(0.5)		(60.4)	(0.1)	(17.1)	(78.1)	**(2.0)**	(0.1)
	0.7	1.1			1.8		
		(31.2)		(10.2)	(41.4)		
74.4	165.7	90.9	83.4	24.3	438.7	**228.2**	83.4

33. BUSINESS COMBINATIONS continued

33.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to two South African retail stores (2018: four retail stores and previously disclosed as non-current assets held for sale relating to ADM Londis in the UK).

Rmillion	GROUP 2019 SA retail stores	GROUP 2019 Total	GROUP 2018 ADM Londis	GROUP 2018 SA retail stores
Non-current assets	**20.2**	**20.2**	101.7	45.2
Property, plant and equipment	**7.9**	**7.9**		11.5
Non-current assets held for sale		**–**	101.7	
Goodwill	**12.3**	**12.3**		33.7
Current liabilities	**–**	**–**	(108.9)	–
Trade and other payables		**–**	(7.4)	
Deferred consideration payable for ADM Londis		**–**	(101.5)	
Profit on disposal of businesses	**(0.1)**	**(0.1)**	7.2	2.5
Proceeds	**20.1**	**20.1**	–	47.7

33.3 Contribution to results for the year

Rmillion	GROUP 2019 Corrib Food Products	GROUP 2019 SA retail stores	GROUP 2019 UK retail stores	GROUP 2019 Total
Revenue	**489.7**	**253.4**	**19.6**	**762.7**
Trading profit/(losses) before acquisition costs	**27.4**	**(4.9)**	**1.4**	**23.9**

33.4 Cash flow on acquisition of business/subsidiaries

The cash flow on acquisition of business/subsidiaries is noted as being the amount disclosed in note 33.1 and other similar business acquisition costs incurred relating to prospective business acquisitions as disclosed in note 5.

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Net cash outflow (refer to note 33.1)	**470.9**	438.7	**228.2**	83.4
Investment in subsidiary				74.9
4 Aces contingent consideration cash outflow	**8.7**			
Costs on potential acquisitions (refer to note 5)	**7.8**	14.5	**7.8**	10.2
Total net cash outflow relating to acquisitions	**487.4**	453.2	**236.0**	168.5

The 4 Aces acquisition included a provision for contingent consideration. The cash outflow relates to the settlement of the contingent consideration which was adjusted for amounts not payable as targets were not met and reclamation of VAT on bad debts written off. No further fair value adjustments have been made to the net identifiable assets acquired, the 12-month adjustment window for which expired on 11 May 2019.

	COMPANY	
	2019	2018
Total	SA retail stores	SA retail stores
146.9	**20.2**	–
11.5	**7.9**	–
101.7		
33.7	**12.3**	–
(108.9)	**–**	–
(7.4)		
(101.5)		
9.7	**(0.1)**	–
47.7	**20.1**	–

GROUP					
2018					
S Buys Holdings (Pty) Ltd	Knowles Shopping Centre Investments (Pty) Ltd	4 Aces Wholesale	SA retail stores	UK retail stores	Total
952.7	17.5	328.6	319.0	17.2	1 635.0
17.9	8.3	(22.9)	5.5	0.2	9.0

34. FINANCIAL GUARANTEES

Financial guarantees may be provided by the group to subsidiaries and affiliates. These financial guarantees are accounted for under IFRS 4 and initially measured at cost and subsequently in terms of IAS 37 which requires the best estimate of the expenditure to settle the present obligation. Management has assessed that the amount it would rationally pay to settle the obligation is nil.

Management's assessment is based on the ability of subsidiaries and affiliates having sufficient cash resources, in country, to service the underlying debt instrument's obligations as and when these become due.

The risk relating to financial guarantees is managed per geographical region through review of cash flow forecasts, budgets and monitoring of covenants.

The board has limited the guarantee facility to R190.0 million (2018: R190.0 million) relating to Numlite (Pty) Ltd. 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 to Numlite (Pty) Ltd, who in turn raises finance via a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility, exposing the group to credit risk in the event that Numlite (Pty) Ltd defaults on its loan facility payments. At year-end, 1 014 SPAR stores (2018: 979), 654 TOPS at SPAR stores (2018: 595), 69 Pharmacy at SPAR stores (2018: 41) and 49 Build it stores (2018: 26) were participants in the IT retail scheme, with an average debt of R96 340 (2018: R103 414) per store.

The company has also provided a financial guarantee on the TIL JV Ltd bank facilities to the value of EUR185.1 million (2018: EUR213.0 million), and the SPAR Holding AG borrowing facilities to the value of CHF25 million (2018: CHF30 million).

The company has also provided a financial guarantee on the NPI Sp z.o.o bank facilities to the value of EUR40 million for more details on the loan refer to note 18.

Loans extended to retailers by Wesbank are guaranteed by SPAR.

The company has guaranteed the finance obligations of SPAR Retail Stores (Pty) Ltd and Kaplian Trading (Pty) Ltd, Annison 45 (Pty) Ltd and Sun Village (Pty) Ltd to its bankers. These guarantees commenced 15 April 2011, 25 July 2011, 29 September 2015 and 13 December 2016 respectively and are for an indefinite period.

The table below represents the full exposure of the group in relation to these financial guarantees:

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
– Guarantee of TIL JV Ltd borrowing facilities			**2 489.1**	2 591.6
– Guarantee of SPAR Holding AG borrowing facilities			**379.4**	433.2
– Guarantee of Sun Village Supermarket (Pty) Ltd finance obligations			**9.4**	15.4
– Guarantee of Kaplian Trading (Pty) Ltd finance obligations			**0.5**	
– Guarantee of Annison 45 (Pty) Ltd finance obligations			**1.3**	1.5
– Guarantee of SPAR Mopani Rural Hub (Pty) Ltd finance obligations			**4.1**	5.1
– Guarantee of SPAR Lowveld (Pty) Ltd finance obligations			**3.7**	5.8
– Guarantee of Wesbank loan agreements	**201.4**		**201.4**	
– Guarantee of NPI Investment Sp z.o.o			**498.3**	
– Guarantee of Numlite (Pty) Ltd finance obligations	**172.1**	169.7	**172.1**	169.7
	373.5	169.7	**3 759.3**	3 222.3

Rmillion	GROUP Land and buildings	GROUP Other	COMPANY Land and buildings	COMPANY Other

35. COMMITMENTS

35.1 Operating lease commitments

Rmillion	GROUP Land and buildings	GROUP Other	COMPANY Land and buildings	COMPANY Other
Future minimum lease payments				
2019				
Payable within one year	**1 817.1**	**71.6**	**1 118.7**	**2.7**
Payable later than one year but not later than five years	**6 401.8**	**130.9**	**4 104.5**	**4.2**
Payable later than five years	**4 916.3**	**26.8**	**2 719.1**	
Total	**13 135.2**	**229.3**	**7 942.3**	**6.9**
2018				
Payable within one year	1 623.6	78.2	943.4	2.7
Payable later than one year but not later than five years	5 434.0	124.8	3 329.5	2.5
Payable later than five years	4 023.9	13.9	2 028.0	
Total	11 081.5	216.9	6 300.9	5.2

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
35.2 Operating lease receivables				
Future minimum sublease receivables				
Receivable within one year	**1 060.8**	952.7	**940.3**	847.2
Receivable later than one year but not later than five years	**3 524.2**	3 132.3	**3 462.4**	3 060.7
Receivable later than five years	**2 289.0**	1 938.4	**2 234.0**	1 909.8
Total operating lease receivables	**6 874.0**	6 023.4	**6 636.7**	5 817.7

Future minimum lease payments relate to obligations under non-cancellable lease contracts.

35.3 Capital commitments

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Contracted	**258.0**	200.5	**189.4**	64.4
Approved but not contracted	**91.7**	143.5	**22.2**	92.7
Total capital commitments	**349.7**	344.0	**211.6**	157.1

Capital commitments will be financed from group resources.

36. DIRECTORS' REMUNERATION AND INTERESTS REPORT

36.1 Emoluments

R'000	Salary	Per-formance-related bonus	Retirement funding contri-butions	Travel allowance and other benefits[(1)]	Share option gains	Total
2019						
Executive directors						
GO O'Connor	**6 735**	**6 525**	**787**	**545**		**14 592**
WA Hook	**3 407**	**1 599**	**427**	**1 467**		**6 900**
MW Godfrey	**4 451**	**4 267**	**528**	**533**	**1 509**	**11 288**
R Venter	**3 185**	**3 000**	**400**	**924**		**7 509**
Total emoluments	**17 778**	**15 391**	**2 142**	**3 469**	**1 509**	**40 289**
2018						
Executive directors						
GO O'Connor	5 850	4 374	687	468		11 379
WA Hook	3 407	1 747	425	474	14 037	20 090
MW Godfrey	4 042	3 022	481	476	1 589	9 610
R Venter	3 063	2 236	384	1 360	2 694	9 737
Total emoluments	16 362	11 379	1 977	2 778	18 320	50 816

(1) *Other benefits include medical aid contributions and a long service award.*
(2) *The performance-related bonuses relate to amounts earned in the current year.*

R'000	GROUP 2019	GROUP 2018
36.2 Fees for services as non-executive directors		
MJ Hankinson (Chairman)[b]	**1 385**	1 319
MP Madi	**213**	498
M Mashologu[a]	**544**	515
HK Mehta[abc]	**848**	805
P Mnganga[bd]	**741**	704
CF Wells[acd]	**875**	831
AG Waller[ac]	**631**	358
LM Koyana	**185**	
Total fees	**5 422**	5 030

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

Number of shares	GROUP 2019	GROUP 2018
36.3 Directors' interests in the share capital of the company		
Executive directors		
GO O'Connor – direct beneficial holding	**53 634**	22 986
WA Hook – direct beneficial holding	**77 817**	74 110
MW Godfrey – direct beneficial holding	**18 967**	13 530
R Venter – direct beneficial holding	**18 275**	13 530
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
AG Waller – direct beneficial	**3 200**	3 200

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

36. DIRECTORS' REMUNERATION AND INTERESTS REPORT continued

36.4 Declaration of disclosure

The company enters into transactions in the ordinary course of business with certain entities in which directors CF Wells and GO O'Connor, or their direct family members, have a significant influence. These interests are in the form of shareholdings in food service and retail entities and are disclosed in an annual declaration of directors' interests to the company. The transactions between these entities and the group were insignificant in terms of the group's total operations for the year.

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 2019.

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.

	Date of option issue	Option price Rand	Number of options held 2019	Number of options held 2018
37.1 Options held over shares in The SPAR Group Ltd				
Executive directors				
GO O'Connor	7/2/2014	124,22	**50 000**	50 000
Total			**50 000**	50 000
WA Hook	10/11/2009	66,42	**50 000**	50 000
	8/12/2010	99,91	**50 000**	50 000
	8/11/2011	96,46	**55 000**	55 000
	13/11/2012	122,81	**60 000**	60 000
Total			**215 000**	215 000
R Venter	8/11/2011	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			**71 800**	71 800
MW Godfrey	10/11/2009	66,42		12 000
	8/12/2010	99,91	**25 000**	25 000
	8/11/2011	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			**120 000**	132 000

	Date of options exercised	Number of options exercised	Option price Rand	Market price on exercise	Gain R'000
37.2 Options exercised					
MW Godfrey	**27/9/2019**	**12 000**	**66.42**	**192.19**	**1 509**

37. DIRECTORS' SHARE SCHEME INTERESTS

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

In terms of the conditional share plan, the group has granted shares to executives, senior management and key talent specifically identified in the form of performance share awards. These shares vest over a period of three years subject to performance conditions at year-end. No exercise price is allocated to these awards.

Awards to participants in terms of the conditional share plan are as follows:

	Award date	Share price on date of grant Rand	Number of shares 2019	2018
Executive directors				
GO O'Connor	9/2/2016	180.11		20 000
GO O'Connor	7/2/2017	183.55	**14 600**	14 600
GO O'Connor	7/2/2018	190.25	**30 700**	30 700
GO O'Connor	12/2/2019	190.21	**33 100**	
WA Hook	9/2/2016	180.11		7 500
WA Hook	7/2/2017	183.55	**7 500**	7 500
WA Hook	7/2/2018	190.25	**13 000**	13 000
WA Hook	12/2/2019	190.21	**15 800**	
R Venter	9/2/2016	180.11		9 600
R Venter	7/2/2017	183.55	**7 500**	7 500
R Venter	7/2/2018	190.25	**15 000**	15 000
R Venter	12/2/2019	190.21	**20 800**	
MW Godfrey	9/2/2016	180.11		11 000
MW Godfrey	7/2/2017	183.55	**9 000**	9 000
MW Godfrey	7/2/2018	190.25	**17 500**	17 500
MW Godfrey	12/2/2019	190.21	**20 800**	
			205 300	162 900

38. SHARE-BASED PAYMENTS

38.1 Share option scheme

The company has a share option scheme in place 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	2019	2018
Balance at beginning of year	**1 856 392**	2 973 800
Options exercised and paid in full	**(356 092)**	(1 091 700)
Options exercised and unpaid	**(25 500)**	(25 708)
Balance at end of year	**1 474 800**	1 856 392
Weighted average grant price of options exercised during the year	**100.80**	91.68
Weighted average selling price of options exercised during the year	**191.39**	197.27

No further issues of options have been granted under the share option scheme. Refer to the conditional share plan in 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 R0.2 million (2018: R2.0 million). The fair value of these options was calculated using a binomial model.

38.2 BBBEE deal

The BBBEE deal vested in 2016 (refer to note 4).

38. SHARE-BASED PAYMENTS continued

38.3 Conditional share plan

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

In terms of the conditional share plan, the group has granted shares to executives, senior management and key talent specifically identified in the form of performance share awards. Awards can comprise shares (restricted shares) that are subject to the condition that the participants remain employed with the group (employment condition) and/or shares (performance shares) that are subject to an employment condition and company-related performance conditions (performance condition) over a predetermined period (performance period). The award will only be settled after the vesting date and the participant will not have any shareholder or voting rights prior to the vesting date. Participants do not receive dividends during the vesting period and will only begin receiving dividends if and after the awards have vested.

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

Participants terminating employment due to death, retirement, retrenchment, ill health, disability, injury or sale of SPAR will be classified as good leavers and a portion of all unvested awards will vest on the date as soon as reasonably possible after the date of termination of employment.

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

1) Headline earnings per share (HEPS) growth
2) Return on net assets (RONA)
3) Total shareholder return (TSR)

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

Model inputs and assumptions as at 30 September 2019

	2019 November 2018 grant	**2018 November 2017 grant**	**2017 November 2016 grant**
Grant date	**13 November 2018**	14 November 2017	15 November 2016
Vesting date	**14 February 2022**	8 February 2021	7 February 2020
Performance period for TSR condition	**1 October 2018 to 30 September 2021**	1 October 2017 to 30 September 2020	1 October 2016 to 30 September 2019
Total number of units granted	**312 900**	307 100	231 700
Total number of retention units granted*	**100 000**	101 100	
Fair value of retention shares vesting 8 February 2021	**148.26**	145.86	
Fair value of retention shares vesting 8 February 2022	**139.94**	139.14	
Fair value of retention shares vesting 8 February 2023	**133.67**	132.72	
Total number of units outstanding at 30 September 2019	**412 900**	387 000	216 700
Share price at grant date	**R175.20**	R170.70	R175.10
Expected total CPI over the performance period	**14.17%**	14.20%	14.80%
Risk-free rate	**Term structure used**	Term structure used	Term structure used
Dividend yield	**Term structure used**	Term structure used	Term structure used
Volatility	**Varies by company**	Varies by company	Varies by company
Correlation with SPAR	**60.00%**	60.00%	60.00%
Forfeiture rate	**5.00% p.a.**	5.00% p.a.	5.00% p.a.

* *Retention units*

38. SHARE-BASED PAYMENTS continued

38.3 Conditional share plan continued

In addition, SPAR granted its employees retention shares in November 2017 which are not subject to the above performance conditions. These share options will vest and expire in three equal tranches, three, four and five years from the allocation date of the instruments. The employees are not entitled to dividends on these awards before the vesting dates.

Movement in the number of full share grants awarded in terms of the CSP

Number of shares		GROUP 2019	GROUP 2018
Balance at beginning of year		**940 900**	1 024 599
Shares granted during the year		**412 900**	408 200
Shares forfeited during the year		**(188 164)**	(194 108)
Shares vested during the year (refer to note 26)		**(149 036)**	(297 791)
Balance at end of year		**1 016 600**	940 900
Charge to profit or loss for the year	Rmillion	**21.8**	21.9

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
39. FINANCIAL RISK MANAGEMENT				
Financial instruments classification				
Financial assets held at amortised cost[(1)]				
Net bank balances	**(67.4)**	1 598.2	**(1 650.4)**	306.9
Loans and other receivables	**1 266.7**	794.3	**936.0**	499.2
Block discounting loan receivable	**623.1**	768.2	**623.1**	768.2
Trade and other receivables	**13 122.7**	12 134.4	**9 258.2**	8 523.0
Financial liabilities at amortised cost[(2)]				
Block discounting loan payable	**(637.2)**	(785.9)	**(637.2)**	(785.9)
Trade and other payables	**(14 912.8)**	(15 236.0)	**(8 660.2)**	(9 316.6)
Borrowings	**(5 164.8)**	(4 410.1)		
Financial liabilities at amortised cost	**(840.9)**	(777.5)		
Financial assets and liabilities at fair value through profit or loss[(3)]				
Other equity investments	**19.8**	57.9	**7.4**	3.2
Foreign exchange contract asset	**0.4**	0.3	**0.4**	0.3
Financial liabilities at fair value through profit or loss	**(1 363.5)**	(1 265.4)	**(1 326.3)**	(1 216.2)
Designated hedging instrument[(4)]				
Interest rate swap liability	**(2.8)**	(3.3)		

(1) *Classified under IFRS 9 as financial assets at amortised cost. Previously classified under IAS 39 as loans and receivables.*
(2) *Classified under IFRS 9 as financial liabilities at amortised cost. Previously classified under IAS 39 as financial liabilities measured at amortised cost.*
(3) *Classified under IFRS 9 and previously under IAS 39 as financial assets or liabilities at fair value through profit or loss.*
(4) *Designated as a hedging instrument.*

The company and group's financial instruments primarily consist of bank balances and overdraft funding from banks, trade payables, loans and other receivables, block discounting loans, borrowings, financial liabilities and trade receivables. The carrying amount of trade receivables, after accounting for the expected credit losses 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.

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

39. FINANCIAL RISK MANAGEMENT continued

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.

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.

Southern Africa: Import of merchandise

It is the group's policy to cover its material foreign currency exposure which amounted to R16.9 million at year-end (2018: R49.4 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 (FEC) of currency risk at year-end are as follows:

	GROUP AND COMPANY			
	Average contract rate	Commitment Rm	Fair value of FEC 2019 Rm	Fair value of FEC 2018 Rm
Imports				
US dollar	**15.02**	**15.9**	**0.4**	0.3
Euro	**16.39**	**1.0**		

Ireland: Financial liabilities

The settlement of the financial liabilities (purchase obligation of non-controlling interest, refer to note 28) is denominated in euros. Management considers this financial liability denominated in foreign currencies to be a concentration of risk. 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.

Sensitivity analysis

The group has its most significant exposure to the euro through its Ireland operations, being its controlling shareholding in TIL JV Ltd, the holding company of BWG Foods and the related financial liabilities. If the rand:euro rate had been 0.5% higher or lower and all other variables held constant, the group's profit before tax for the year would (decrease)/increase by:

	GROUP		
Rmillion	Sensitivity % change	2019	2018
Profit before tax	0.5	**(66.3)**	(37.0)
Profit before tax	(0.5)	**66.3**	36.9

Interest rate risk

The group is exposed to interest rate risk on its cash deposits, loan receivables and loan payables which impacts the cash flow arising from these instruments. In the current year, net interest paid on cash deposits net of overdraft was R38.1 million (2018: R22.9 million net interest received), interest received from loans was R23.0 million (2018: R13.7 million) and interest paid on loans was R64.6 million (2018: R69.2 million). The exposure of cash deposits and overdrafts to interest rate risk is managed through the group's cash management system which enables the group to maximise returns while minimising risk. Loan receivables are funded from the group's cash resources.

The group is not exposed to interest rate risk on the block discounting loan receivable and payable balances, as the loan receivable at the prime interest rate is immediately sold at prime less one to an approved financial institution.

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. Swaps currently in place cover approximately 24% and 25% of the respective loans (2018: 26 % and 28%). The fixed interest rate of the swaps is 0.343% (2018: 0.329%) and the contract interest rates of the loans are 0.00% and 0.07% (2018: 0.00% and 0.07%). These hedging instruments represent an insignificant portion of the group's financial instruments and amounted to a net liability of R2.9 million in the current year (2018: R3.3 million).

39. FINANCIAL RISK MANAGEMENT continued

Sensitivity analysis

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 overdraft balances of R67.4 million (2018: R1 598.2 million net cash balances) expose the group to interest rate risk. The sensitivity of these short-term balances are assessed below:

Southern Africa

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

		GROUP	
Rmillion	Sensitivity % change	2019	2018
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 0.1% higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:

		GROUP	
Rmillion	Sensitivity % change	2019	2018
Profit before tax	0.1	**(12.4)**	(2.6)
Profit before tax	(0.1)	**12.4**	2.6

Switzerland

If interest rates relating to Swiss loans had been 0.1% higher/lower and all other variables held constant, the group's profit before tax for the year would decrease/increase by:

		GROUP	
Rmillion	Sensitivity % change	2019	2018
Profit before tax	0.1	**(10.9)**	(1.8)
Profit before tax	(0.1)	**10.9**	1.8

Credit risk

Trade receivables, lease receivables, short-term investments, loans and guarantees to retailers represent the significant categories of the group's financial instruments exposed to credit risk amounting to R15 164.2 million (2018: R13 768.9 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, S Buys customer debts

Ireland: Central billing customer and value centre debts

Switzerland: Retailers, wholesale and TopCC clients

Overdue trade receivables balances, representing 10.2% (2018: 10.6%) of the total trade receivables balance, amounted to R1 271.2 million (2018: R1 196.0 million) at the reporting date. Expected credit losses totalling R664.5 million (2018: R628.5 million) have been raised against overdue balances.

Loans to retailers may be discounted with approved financial institutions under standard conditions with recourse block discounting agreements, (refer to note 41).

39. FINANCIAL RISK MANAGEMENT continued

Impairment of financial assets

The group has four types of financial assets that are impacted by IFRS 9's expected credit loss model:

1) Trade and other receivables
2) Loans provided by The SPAR Group
3) Block discounting loans
4) Cash and cash equivalents

Expected credit losses on cash and cash equivalents are calculated in terms of the general model for impairment. All cash and cash equivalents were determined to be in stage 1 as counterparties have a low risk of default and a strong capacity to meet contractual cash flows. There was no significant increase in credit risk relating to the cash and cash equivalents. The expected credit losses were therefore limited to 12-month expected losses and the identified impairment loss was immaterial.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables making use of a provision matrix.

To measure the expected credit losses, trade and other receivable balances have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses are based on the payment profiles of historical sales for customers and associated write-offs. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables. The group has identified the inflation rate, fuel cost, prime rate fluctuations and the unemployment rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. Management considers these the most significant factors which affect the business's operations, and their ability to service trade debt as the group's customers are independent retailers who heavily rely on the disposal income of end-consumers.

Credit impaired financial assets are defined as financial assets for which there is any level of non-performance in terms of contractual arrangements and the group has exposure after taking into consideration the financial assets security held. SPAR assesses the ability of each retailer individually by store to service their debt. SPAR holds close relationships with its retailers so that all factors are understood, including macroeconomic factors which have different effects on different stores consumers.

Trade receivables are written off when there is no reasonable expectation of recovery. Debt is considered to be irrecoverable if continuous attempts to collect outstanding amounts are unsuccessful, which have been handed over to legal for collection or if management has identified a specific financial issue with the customer.

The loss allowance is calculated using the matrix approach based on the total trade receivables balance, segregated for the below:

Rmillion	GROUP 2019	COMPANY 2019
Total trade receivables and other receivables	**13 787.2**	9 497.1
Excluded due to low risk nature of other receivables	**(631.7)**	(428.8)
Trade receivables with specific financial issues – these are credit impaired financial assets which have been specifically identified.	**(1 064.6)**	(490.4)
Remaining balance subject to matrix approach	**12 090.9**	8 577.9

Other receivables include supplier rebates, guild loan balances and bridging loans which have been extended to retailers awaiting Wesbank funding. These are considered to have low credit risk as the supplier rebates could be credited against payable balances, guilds are in a cash surplus position and bridging loans are supported by acknowledgement of debts as well as notarial bonds which give the ability to recover the full amount.

39. FINANCIAL RISK MANAGEMENT continued

On that basis, the loss allowance as at the 30 September 2019 and 01 October 2018 for trade receivables

Rmillion	GROUP 1-4 Weeks	5-8 Weeks	8+ Weeks	Total
30 September 2019				
Expected loss rate	**0.2% – 2.2%**	**0.3% – 3.4%**	**3.5% – 88%**	
Gross carrying amount – trade receivables	**10 499.0**	**947.6**	**644.4**	**12 091.0**
Loss allowance excluding VAT	**22.1**	**2.8**	**302.0**	**326.9**
Specific allowances raised				**337.6**
Total loss allowance				**664.5**
1 October 2018				
Expected loss rate	0.1% – 2.41%	0.3% – 4.2%	3.6% – 88%	
Gross carrying amount – trade receivables	9 391.0	1 361.7	510.8	11 263.5
Loss allowance excluding VAT	22.8	4.7	315.9	343.4
Specific allowances raised				308.9
Total loss allowance				652.3

Rmillion	COMPANY 1-4 Weeks	5-8 Weeks	8+ Weeks	Total
30 September 2019				
Expected loss rate	**0.2%**	**0.3%**	**3.5%**	
Gross carrying amount – trade receivables	**7 462.1**	**866.7**	**249.1**	**8 577.9**
Loss allowance excluding VAT	**15.1**	**1.9**	**7.5**	**24.5**
Specific allowances raised				**214.4**
Total loss allowance				**238.9**
1 October 2018				
Expected loss rate	0.2%	0.3%	3.6%	
Gross carrying amount – trade receivables	7 367.8	1 090.4	25.7	8 483.9
Loss allowance excluding VAT	18.0	2.9	0.9	21.8
Specific allowances raised				137.1
Total loss allowance				158.9

Reconciliation of loss allowance

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
At beginning of year	**628.5**	602.7	**137.1**	169.4
Amounts restated through opening retained earnings	**23.8**		**21.8**	
1 October 2018 balance at beginning of year under IFRS 9	**652.3**	602.7	**158.9**	169.4
Increase in loss allowance recognised in profit or loss during the year	**196.0**	196.2	**146.2**	77.7
Decrease in loss allowance recognised in profit or loss during the year	**(88.7)**	(71.5)		
Amounts written off during the year net of recoveries	**(97.5)**	(140.2)	**(66.2)**	(110.0)
Acquired as part of business acquisition		25.6		
Foreign exchange difference	**2.4**	15.7		
Balance at end of year	**664.5**	628.5	**238.9**	137.1

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 such as significant actual or expected changes in the operating results or business conditions of the retailer. To the extent considered irrecoverable, debts are written off.

It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure on trade receivable balances. Trade receivable balances are secured by general and specific notarial bonds over movable assets, deeds of suretyship, cession and pledge of shares and in some instances, lease options. General notarial bonds constitute the majority of the security held, which provide the group with a preferential claim over the movable assets. This bond can be perfected when the retailers' account is in arrears. As at 30 September 2019 security to the value of R9 612.7 million (2018: R8 744.8 million) was held by the group. Ongoing credit evaluations are performed including regular reviews of security cover held (refer to note 21).

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

39. FINANCIAL RISK MANAGEMENT continued

The entity is also exposed to credit risk in relation to the other investments which are held at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments is R19.8 million (2018: R57.9 million).

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.

Loans receivables and block discounting loans:

The group extends loans to retailers in the form of block discounting loans (refer to note 41) and retailer loans (refer to note 18). These loans are fully secured, and as such the group has not incurred a loss on these balances in the past five years.

The group has adopted the general approach for loans receivable, which involves a three-stage approach to the recognition of credit losses and interest.

The group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward looking information.

A significant increase in credit risk has not been presumed if a debtor is more than 30 days past due in making a contractual payment, but has been treated as an indicator for further investigation of credit risk assessment.

Three categories of loans have been determined which reflect the credit risk profile based on default and timely payment history as follows:

Category	Company definition of category	Basis for recognition of expected credit losses
Performing	Loans whose credit risk is in line with original expectations, no defaults or late payments recorded in previous 12-month period.	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due, which is defined as a late payment but no default.	Lifetime expected losses (stage 2).
Non-performing	Interest and/or principal repayments are 90 days past due, i.e. three consecutive missed payments or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off.

The expected credit losses have been determined using the formula:

Probability of default (PD) x loss given default (LGD) x exposure at default (EAD)

PD is considered on initial recognition of an asset and credit risk is assessed throughout each reporting period for significant increases. To assess whether a significant increase has occurred, the group will compare the credit risk at the reporting date with that of the credit risk at initial recognition, taking into account macroeconomic conditions and supportable forward looking information. These mirror the factors in the trade receivables section above.

LGD is the loss which is expected to arise at the date of default. The group has securities over the financial assets which are preferential to the settlement of any trade debts, management has applied judgement in determining an amount which could be recorded as a loss should a default event occur.

EAD is the outstanding balance at reporting date.

39. FINANCIAL RISK MANAGEMENT continued

Over the term of the loans, the group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considered historical loss rates for each category of loans, which includes the leverage ratios of the lender, and adjusts for forward looking macroeconomic data. The group provides for credit losses against loans to customers as follows:

	GROUP				COMPANY
Rmillion	Southern Africa	Ireland	Switzerland	Poland	
Category of expected credit loss and rates					
Performing	**0.06%**	**5.0% – 30.0%**	**0.40%**	**3.93%**	**0.06%**
Under performing	**2.38%**	**20.0% – 50.0%**	**49.13%**	**–**	**2.38%**
Non-performing	**–**	**100.0%**	**97.56%**	**–**	**–**
Gross carrying amounts					
Performing	**1 238.2**	**75.2**	**72.9**	**456.4**	**1 431.0**
Under performing	**4.4**	**114.1**	**8.7**	**–**	**4.2**
Non-performing	**–**	**15.2**	**5.6**	**–**	**196.2**
	1 242.6	**204.5**	**87.2**	**456.4**	**1 631.4**

The loss allowance for loans to customers as at 30 September 2019 and 2018 reconciles to the opening loss allowance for that provision as follows:

	GROUP				COMPANY			
Rmillion	Perfor-ming	Under-perfor-ming	Non-perfor-ming	Total	Perfor-ming	Under-perfor-ming	Non-perfor-ming	Total
Loss allowance as at 30 September 2018	15.4	4.1	47.3	66.8	–	–	–	–
Amounts restated through opening retained earnings	0.8	0.1		0.9	0.8	0.1		0.9
Opening loss allowance as at 1 October 2018	16.2	4.2	47.3	67.7	0.8	0.1	–	0.9
Change in expected credit loss (%)	**(5.2)**	**6.7**	**7.0**	**8.5**				**–**
Individual financial assets transferred from under performing	**1.2**	**(1.2)**		**–**				**–**
Transferred to credit impaired financial assets		**(4.2)**	**4.2**	**–**			**71.4**	**71.4**
New financial assets	**19.5**	**4.0**	**3.7**	**27.2**				**–**
Recoveries	**(0.2)**	**(0.9)**		**(1.1)**				**–**
Write-offs			**(0.9)**	**(0.9)**				**–**
Foreign exchange differences		**41.7**	**(40.7)**	**1.0**				**–**
Loss allowance as at 30 September 2019	**31.5**	**50.3**	**20.6**	**102.4**	**0.8**	**0.1**	**71.4**	**72.3**

39. FINANCIAL RISK MANAGEMENT continued

The gross carrying amount of loans receivables, and thus the maximum exposure to loss, is as follows:

Rmillion	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Performing	**1 843.3**	1 422.6	**1 431.0**	1 681.2
Under performing	**127.2**	74.4	**4.2**	18.1
Non-performing	**21.7**	127.6	**196.2**	
Loans written off	**0.9**			
Total gross loan receivables	**1 993.1**	1 624.6	**1 631.4**	1 699.3
Less: Loan loss allowance	**(102.4)**	(11.4)	**(72.3)**	(0.9)
Less: Write-off	**(0.9)**			
Loan receivables net of expected credit losses	**1 889.8**	1 613.2	**1 559.1**	1 698.4

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. Concentrations of risk are assessed by considering financial instruments with similar maturity profiles and those which are payable in foreign currencies. The group has the following overdraft/call facilities at its disposal:

Rmillion	SOUTHERN AFRICA 2019	SOUTHERN AFRICA 2018	IRELAND 2019	IRELAND 2018	SWITZERLAND 2019	SWITZERLAND 2018	S BUYS 2019	S BUYS 2018
Unsecured bank overdraft facilities, reviewed annually, and at call:								
– Utilised as at year-end	**1 953.0**		**2 520.4**	2 626.6			**15.6**	13.5
– Unutilised	**447.0**	2 400.0	**537.0**	878.3	**352.1**	464.9	**31.4**	33.5
Total available overdraft/call and borrowing facilities	**2 400.0**	2 400.0	**3 057.4**	3 504.9	**352.1**	464.9	**47.0**	47.0

Rmillion	2019 Less than 1 year	2019 Between 2 and 5 years	2019 More than 5 years	2018 Less than 1 year	2018 Between 2 and 5 years	2018 More than 5 years
Maturity analysis of group financial liabilities						
Trade payables	**11 552.6**			11 704.4		
Block discounting loans	**258.1**	**467.3**		285.8	566.4	
Borrowings	**536.2**	**2 087.8**	**2 574.6**	435.0	2 601.6	1 382.1
Financial liabilities relating to non-controlling interest	**683.3**	**1 661.7**			2 288.6	

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 trade 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 further disclosures, refer to note 29.

The group intends to settle the financial liabilities relating to purchase obligations for non-controlling interest using banking facilities in the relevant countries.

Refer to note 34 financial guarantees, for the group's exposure relating to guarantees.

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.

Level 2 financial instruments are those valued using techniques primarily based 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 comprise 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 are carried at fair value and are further categorised into the appropriate fair value hierarchy:

Financial instruments

Rmillion	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3
2019				
Other equity investments	**2.5**		**2.5**	
Interest rate swap	**(2.8)**		**(2.8)**	
FEC asset at fair value through profit or loss	**0.4**		**0.4**	
Financial liabilities at fair value through profit or loss	**(1 363.5)**			**(1 363.5)**
Total	**(1 363.4)**	**–**	**0.1**	**(1 363.5)**
2018				
Other equity investments	56.9		56.9	
Interest rate swap	(3.3)		(3.3)	
FEC asset at fair value through profit or loss	0.3		0.3	
Financial liabilities at fair value through profit or loss	(1 265.4)			(1 265.4)
Total	(1 211.5)	–	53.9	(1 265.4)

Level 2 valuation methods 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 363.5 million (2018: R1 265.4 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth. In September 2019, the estimated future profit target for TIL JV Ltd was adjusted upward by 3.1% (2018: upward by 12.4%), and the estimated future profit target for S Buys Holdings (Pty) Ltd was adjusted downward by 35.1% (2018: downward by 12.9%).

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 discount rate if the discount rate increase or decrease by 0.5%:

	Discount rate %	Sensitivity % change	Liability Rmillion
TIL JV Ltd			
2019			
Financial liability	**8.0**	**0.5**	**(6.2)**
Financial liability	**8.0**	**(0.5)**	**6.3**
2018			
Financial liability	6.7	0.5	(11.7)
Financial liability	6.7	(0.5)	11.9
S Buys Holdings (Pty) Ltd			
2019			
Financial liability	**12.6**	**0.5**	**(0.6)**
Financial liability	**12.6**	**(0.5)**	**0.6**
2018			
Financial liability	13.3	0.5	(1.0)
Financial liability	13.3	(0.5)	1.0

The following tables show how the fair value of the level 3 financial liabilities would change in relation to changes in the estimated future profit targets by 5.0%:

	Sensitivity % change	Liability Rmillion
TIL JV Ltd		
2019		
Financial liability	**5.0**	**66.3**
Financial liability	**(5.0)**	**(66.3)**
2018		
Financial liability	5.0	59.2
Financial liability	(5.0)	(59.1)
S Buys Holdings (Pty) Ltd		
2019		
Financial liability	**5.0**	**1.9**
Financial liability	**(5.0)**	**(1.9)**
2018		
Financial liability	5.0	2.3
Financial liability	(5.0)	(2.3)

Refer to note 28 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.

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 2019. 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 to 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 R24.6 million (2018: R23.2 million) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R17.7 million (2018: R16.7 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 2019 amounted to R70.0 million (2018: R73.0 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 (2018: R17.0 million) and R7.5 million (2018: R5.9 million) and management fees of R7.8 million (2018: R5.8 million) and R0.8 million (2018: R0.8 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 2019 amounted to R48.8 million (2018: R23.7 million) and R3.1 million (2018: R24.4 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 did not declare a dividend to The SPAR Group Ltd during the year (2018: Rnil). The intercompany liability due to The SPAR Group Ltd as at 30 September 2019 amounted to R5.2 million (2018: R5.0 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 R9.6 million (2018: R9.1 million) were paid to the SPAR Guild of Southern Africa. The intercompany asset/(liability) with The SPAR Group Ltd as at 30 September 2019 amounted to a liability of R61.9 million (2018: a liability of R83.6 million) and a liability of R5.5 million (2018: an asset of R5.2 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 2019, funds had been advanced by the company to the trust to the amount of R23.9 million (2018: R10.0 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 R99.4 million (2018: R283.1 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2019 amounted to R183.8 million (2018: R183.8 million). The liability is interest-free, unsecured and no date has been set for repayment.
- Kaplian Trading (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year The SPAR Group Ltd made sales to Kaplian Trading (Pty) Ltd to the value of R52.9 million (2018: R52.4 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2019 amounted to R15.0 million (2018: 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 R31.4 million (2018: R27.1 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 R124.4 million (2018: R113.3 million).
- 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 R13.1 million (2018: R10.1 million).
- SPAR Lowveld (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year SPAR Lowveld (Pty) Ltd made sales to The SPAR Group Ltd to the value of R2.8 million (2018: R3.4 million).
- TIL JV Ltd is a subsidiary of The SPAR Group Ltd. During the current year an intercompany guarantee fee of R48.5 million (2018: R47.6 million) was charged by The SPAR Group Ltd to TIL JV Ltd. The balance outstanding on this payable is R224.3 million (2018: R174.1 million). The liability is interest-free, unsecured and no date has been set for repayment.
- S Buys Holdings (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the current year The SPAR Group Ltd made sales to S Buys Holdings (Pty) Ltd to the value of R2.8 million (2018: R1.3 million). During the current year marketing fees of R3.7 million were paid to The SPAR Group Ltd. The intercompany liability due to The SPAR Group Ltd is R0.3 million (2018: R0.2 million) and due from The SPAR Group Ltd R0.2 million.

40. RELATED-PARTY TRANSACTIONS continued

40.1 **Company** continued

Between the company and its associates:

- Monteagle Merchandising Services (Pty) Ltd is an associate of The SPAR Group Ltd. During the year dividends of R2.5 million (2018: R2.9 million) were paid to The SPAR Group Ltd by Monteagle Merchandising Services (Pty) Ltd, and promotional expenses of R6.4 million (2018: R15.2 million) were paid by The SPAR Group Ltd to Monteagle Merchandising Services (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 Zevenwacht SUPERSPAR in Kuilsrivier. During the year sales of R204.0 million (2018: R191.0 million) were made to 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 Eastmans SUPERSPAR in Durban. During the year sales of R126.4 million (2018: R112.5 million) were made to Eastmans SUPERSPAR.
- The SPAR Group Ltd entered into an associate agreement with SPAR Zambia Ltd during the 2017 financial year. The associate relates to a group of Zambian SPAR retail stores. During the year sales of R18.2 million (2018: R21.9 million) were made to SPAR Zambia Ltd.
- The SPAR Group Ltd entered into an associate agreement with JB Retail 2401 (Pty) Ltd during the 2019 financial year. The associate relates to Richdens SUPERSPAR and TOPS in Durban. During the year sales of R92.7 million were made to Richdens SUPERSPAR and TOPS.

40.2 Investment in subsidiaries

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

40.3 Investment in associates and joint ventures

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

40.4 Key management personnel

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group. No key management personnel had a material interest in any contract with any group company during the year under review. Details of directors' emoluments and shareholding in the company are disclosed in notes 36 and 37 as well as in the directors' statutory report. The board has determined that there are no prescribed officers in accordance with the Companies Act.

Company Key management personnel remuneration comprises:

	GROUP	
Rmillion	2019	2018
Directors' fees	**5.3**	5.6
Remuneration for management services	**50.3**	40.1
Retirement contributions	**5.6**	4.9
Medical aid contributions	**1.5**	1.3
Performance bonuses	**26.5**	24.6
Fringe and other benefits	**2.0**	0.3
Expense relating to share options granted	**14.7**	60.7
Total	**105.9**	137.5

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

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
41. BLOCK DISCOUNTING LOANS				
Block discounting loan receivable	**365.0**	542.4	**365.0**	542.4
Current portion of block discounting loan receivable	**258.1**	225.8	**258.1**	225.8
Total block discounting loan receivable	**623.1**	768.2	**623.1**	768.2
Block discounting loan payable	**373.6**	553.6	**373.6**	553.6
Current portion of block discounting loan payable	**263.6**	232.3	**263.6**	232.3
Total block discounting loan payable	**637.2**	785.9	**637.2**	785.9

SPAR gives out loans at the prime interest rate to retailers which are immediately sold at prime less 1% to an approved financial institution under a block discounting agreement with recourse. The financial institution fulfils all administrative activities relating to the repayment of these loans, and will only revert to SPAR in the unusual instance of default on the part of the retailer.

As these loans have been discounted to the financial institution with full recourse, resulting in SPAR still being exposed to the credit risk on this transaction, it has been concluded that these loan receivables do not meet the derecognition criteria for financial assets in terms of IFRS 9. This has resulted in the recognition of a financial asset held at amortised cost which represents the amount owing by the retailer, and a financial liability held at amortised cost which represents the amount owing to the financial institution.

Retailer loans are secured by notarial bonds over assets, deeds of suretyship, cession and pledge of shares and in some instances, lease options. The recoverability of amounts owed by retailers is regularly reviewed and assessed on an individual basis. A provision will be raised to the extent a loan is no longer considered recoverable. No provision has been raised at year-end as no material amounts are past due at year-end. This is estimated considering past experience and additional risk factors such as significant actual or expected changes in the operating results or business conditions of the retailer. To the extent that a loan is considered irrecoverable, the debt is written off. Refer to note 39 for the credit risk assessment of these receivable balances.

Schedule of repayment of borrowings

	GROUP		COMPANY	
Rmillion	2019	2018	2019	2018
Year to September 2019		285.8		285.8
Year to September 2020	**258.1**	236.7	**258.1**	236.7
Year to September 2021	**204.0**	177.5	**204.0**	177.5
Year to September 2022	**150.0**	114.7	**150.0**	114.7
Year to September 2023	**76.8**	37.5	**76.8**	37.5
Year to September 2024 onwards	**36.5**		**36.5**	
	725.4	852.2	**725.4**	852.2

The schedule of borrowings represents the repayments that the retailer will make directly to the financial institution with whom the loans have been discounted.

42. ADOPTION OF NEW ACCOUNTING STANDARDS

42.1 Effect of adopting IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The group has elected not to restate its comparative information as permitted by IFRS 9. Therefore, the impact of IFRS 9 will be applied retrospectively with an adjustment to opening retained earnings. The comparative information in the prior year annual financial statements will not be amended for the impact of IFRS 9.

The total impact on the group's retained earnings as at 1 October 2018 is as follows:

Rmillion	Notes	GROUP	COMPANY
Closing retained earnings 30 September 2018 as previously reported		5 211.6	3 474.5
Adjustment to retained earnings from adoption of IFRS 9 on 1 October 2018		(18.2)	(16.4)
Increase in provision for trade receivables	42.1.3	(23.8)	(21.8)
Increase in provision for loans at amortised cost	42.1.3	(0.9)	(0.9)
Increase in net deferred tax assets relating to impairment provisions		6.5	6.3
Opening retained earnings 1 October 2018		5 193.4	3 458.1

42.1.1 Classification and measurement of financial instruments

(a) Financial assets

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The group has the following types of financial assets that are subject to IFRS 9:

- Loans receivables
- Block discounting loans receivable
- Trade and other receivables
- Cash and cash equivalents

On 1 October 2018 (the date of initial application of IFRS 9), management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories.

Management is satisfied that these financial assets will be measured at amortised cost under IFRS 9 since the group has a business model to hold these financial assets to collect contractual cash flows and the characteristics of the contractual cash flows are solely that of payments of the principal amount and interest received.

Loan receivables, block discounting loan receivables, trade and other receivables and cash and cash equivalents were classified under IAS 39 as loans and receivables. Under IFRS 9 these are classified as financial assets at amortised cost. This classification is as a result of the assets' contractual cash flows being solely principal and interest and the business model's objective is achieved by holding the assets to collect the contractual cash flows. There was no impact on the amounts recognised in relation to these assets as a result of the classification of these balances on adoption of IFRS 9.

(b) Other equity investments

Equity investments previously held at fair value through profit or loss (FVPL) under IAS 39 are still required to be held at FVPL under IFRS 9 as the business model for these assets is neither held-to-collect nor held-to-collect and for sale, and the collection of contractual cash flows is incidental to the business model. There was no impact on the classification or amounts recognised in relation to these assets from the adoption of IFRS 9.

(c) Other current financial assets

FEC assets within other current financial assets previously held as FVPL under IAS 39 are still required to be held at FVPL under IFRS 9. There was no impact on the classification or amounts recognised in relation to these assets from the adoption of IFRS 9.

42. ADOPTION OF NEW ACCOUNTING STANDARDS continued

42.1 Effect of adopting IFRS 9 Financial Instruments continued

42.1.1 Classification and measurement of financial instruments continued

(d) Financial liabilities

Financial liabilities previously classified at FVPL under IAS 39, maintain this classification under IFRS 9. This reduces recognition and measurement inconsistencies that would arise if these were measured on different basis. The financial liabilities are managed and performance evaluated on a fair value basis based on information provided internally to key management personnel. Initially the group assessed this as having no impact on the amounts recognised in relation to these liabilities as a result of the classification of these balances on adoption of IFRS 9. However post-interim the group identified that fixed value financial liability obligations are to be classified as obligations classified as amortised cost financial instruments.

The main effects resulting from this reclassification are as follows:

Rmillion	GROUP FVPL	Loans and receivables	Amortised cost	Investment in subsidiary/ associate
GROUP				
Assets				
Closing balance at 30 September 2018 – IAS 39	58.2	15 295.1	–	156.7
Reclassify cash and cash equivalents from loans and receivables to amortised cost		(1 598.2)	1 598.2	
Reclassify loans from loans and receivables to amortised cost		(794.3)	794.3	
Reclassify block discounting loan receivable from loans and receivables to amortised cost		(768.2)	768.2	
Reclassify trade and other receivables from loans and receivables to amortised cost		(12 134.4)	12 134.4	
Reclassify investment in subsidiary/associate to loans at amortised cost			51.7	(51.7)
Opening balance on 1 October 2018 – IFRS 9	58.2	–	15 346.8	105.0
Liabilities				
Closing balance at 30 September 2018 – IAS 39	2 042.9	–	20 432.0	–
Reclassification of financial liabilities from FVPL to Amortised cost	(777.5)		777.5	
Opening balance on 1 October 2018 – IFRS 9	1 265.4	–	21 209.5	–
COMPANY				
Assets				
Closing balance at 30 September 2018 – IAS 39	3.5	10 097.3		2 113.6
Reclassify cash and cash equivalents from loans and receivables to amortised cost		(306.9)	306.9	
Reclassify loans from loans and receivables to amortised cost		(499.2)	499.2	
Reclassify block discounting loan receivable from loans and receivables to amortised cost		(768.2)	768.2	
Reclassify trade and other receivables from loans and receivables to amortised cost		(8 523.0)	8 523.0	
Reclassify investment in subsidiary/associate to loans at amortised cost			431.9	(431.9)
Opening balance on 1 October 2018 – IFRS 9	3.5	–	10 529.2	1 681.7
Liabilities				
Closing balance at 30 September 2018 – IAS 39	1 216.2		10 102.5	
Opening balance on 1 October 2018 – IFRS 9	1 216.2	–	10 102.5	–

42. ADOPTION OF NEW ACCOUNTING STANDARDS continued

42.1 Effect of adopting IFRS 9 Financial Instruments continued

42.1.2 Impairment of financial assets under the expected credit loss model

The group has four types of financial assets that are impacted by IFRS 9's new expected credit loss model:

1) Trade and other receivables
2) Loans provided by SPAR
3) Block discounting loan receivables
4) Cash and cash equivalents

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in note 42.1.1 above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The group has adopted the general approach for loan receivables, which involves a three-stage approach to the recognition of credit losses and interest.

The group assesses exposure on specific customers taking into consideration the security held.

The group has established a provision matrix that is based on historical credit loss experience, adjusted for forward looking factors specific to such trade and other receivables and the economic environment.

Trade receivables and loan receivables are written off when there is no reasonable expectation of recovery. Debt is considered to be irrecoverable if continuous attempts to collect outstanding amounts are unsuccessful, which have been handed over to legal for collection or if management has identified a specific financial issue with a customer.

The expected loss allowance 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 such as significant actual or expected changes in the operating results or business conditions of the retailer. To the extent considered irrecoverable, debts are written off.

42.1.3 Impact on the statement of financial position

	GROUP		
Rmillion	Audited year ended September 2018 previously reported	IFRS 9 restatement adjustment	1 October 2018
GROUP			
Trade and other receivables	12 134.4	(23.8)	12 110.6
Loans and other receivables	696.4	(0.9)	695.5
Deferred tax assets	(14.4)	(6.5)	(20.9)
Retained earnings	5 211.6	(18.2)	5 193.4
COMPANY			
Trade and other receivables	8 523.0	(21.8)	8 501.2
Loans and other receivables	454.6	(0.9)	453.7
Deferred tax liability/(asset)	5.7	(6.3)	(0.6)
Retained earnings	3 474.5	(16.4)	3 458.1

42. ADOPTION OF NEW ACCOUNTING STANDARDS continued

42.2 Effect of adopting IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

The core principle of IFRS 15 is that an entity recognises revenue from contracts with customers to depict the transfer of control of promised goods or services to customers for an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. The standard provides a single, principles based five-step approach to account for revenue from contracts with customers, based on the principle that revenue is recognised either over time or at a point in time, as or when the group satisfies performance obligations and transfers control of goods or services to its customers.

The adoption of IFRS 15 with effect from 1 October 2018 resulted in changes in accounting policies and adjustments to the presentation in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new standard retrospectively and has restated comparatives for the 2018 financial year.

The group assessed all income streams in terms of IFRS 15 and this evaluation has resulted in the group classifying its income in terms of three categories:

1) **Revenue – sale of merchandise:** this represents revenue from the group's main trading activities being from the sale of goods which mainly comprises wholesale sales to independent retailers, and to a small degree retail sales of stores owned by the group.
2) **Revenue – other:** this relates to ancillary sales and services which comprise marketing and promotional activities provided by the group. The group is satisfied that these services are distinct within the context of the relevant contracts.
3) **Other income:** this represents income that is derived from activities that are incidental to the group's main trading activities and ancillary services offered. These include dividend income, rental income and incidental marketing income.

Agent versus principal

The IFRS 15 principles dictate that revenue is recognised as and when the control over goods and services is transferred to customers. The group has assessed its dropshipment sales which are recorded on a gross principal basis and has concluded that this will continue to be recognised on a gross basis having satisfied the requirements of principal accounting under IFRS 15. The group has assessed the marketing and advertising income in the guilds which is recorded on a net agency basis. This net amount is then included in the group's consolidated statement of profit and loss and other comprehensive income.

The implementation of the new standard has not impacted the measurement and timing of revenue recognition; however, it had the following impact on the presentation of the statement of comprehensive income:

An amount of R1870.1 million (company: R613.7 million) for the year ended 30 September 2018 previously treated as other income and R167.4 million (company: R167.4 million) previously offset against operating expenses has been reclassified to Revenue – other due to clarity provided by IFRS 15 regarding distinct goods and services being identifiable and separable not provided by IAS 18.

42. ADOPTION OF NEW ACCOUNTING STANDARDS continued

42.3 Impact on the consolidated financial statements

The following tables set out the impact of the changes in accounting policies and prior period restatements recognised for each individual line item affected in the consolidated financial statements.

IFRS 15 was adopted with the comparative information being restated and the impact is reflected in the restated comparatives.

The aggregate effect of the changes in accounting policies and prior period restatements on the annual financial statements and interim results presented is as follows:

42.3.1 Impact on the statement of profit or loss and other comprehensive income

	GROUP		
Rmillion	Audited year ended September 2018 previously reported	IFRS 15 restatement adjustment	Restated audited year ended September 2018
Revenue – sale of merchandise	101 018.0		101 018.0
Cost of sales	(90 225.0)		(90 225.0)
Gross profit	10 793.0	–	10 793.0
Revenue – other	–	2 037.5	2 037.5
Other income	1 989.5	(1 870.1)	119.4
Net operating expenses	(10 003.2)	(167.4)	(10 170.6)
Warehousing and distribution expenses	(3 149.4)	(5.0)	(3 154.4)
Marketing and selling expenses	(4 763.0)	(162.4)	(4 925.4)
Administration and information technology expenses	(2 090.8)		(2 090.8)
Operating profit	2 779.3	–	2 779.3
Other non-operating items	(144.2)		(144.2)
Interest income	169.3		169.3
Interest expense	(192.9)		(192.9)
Finance costs including foreign exchange gains and losses	(136.5)		(136.5)
Share of equity-accounted associate losses	(10.9)		(10.9)
Profit before taxation	2 464.1	–	2 464.1
Income tax expense	(636.9)		(636.9)
Profit for the period attributable to ordinary shareholders	1 827.2	–	1 827.2

42. ADOPTION OF NEW ACCOUNTING STANDARDS continued

42.3 Impact on the consolidated financial statements continued

42.3.1 Impact on the statement of profit or loss and other comprehensive income continued

Rmillion	COMPANY Audited year ended September 2018 previously reported	IFRS 15 restatement adjustment	Restated audited year ended September 2018
Revenue – sale of merchandise	65 805.4		65 805.4
Cost of sales	(59 870.1)		(59 870.1)
Gross profit	5 935.3	–	5 935.3
Revenue – other	–	781.1	781.1
Other income	717.4	(613.7)	103.7
Net operating expenses	(4 578.3)	(167.4)	(4 745.7)
Warehousing and distribution expenses	(1 800.4)	(5.0)	(1 805.4)
Marketing and selling expenses	(1 781.4)	(162.4)	(1 943.8)
Administration and information technology expenses	(996.5)		(996.5)
Operating profit	2 074.4	–	2 074.4
Other non-operating items	(149.7)		(149.7)
Interest income	147.9		147.9
Interest expense	(120.3)		(120.3)
Finance costs including foreign exchange gains and losses	(112.9)		(112.9)
Share of equity accounted associate losses	–	–	–
Profit before taxation	1 839.4	–	1 839.4
Income tax expense	(546.2)		(546.2)
Profit for the period attributable to ordinary shareholders	1 293.2	–	1 293.2

43. PRIOR PERIOD RESTATEMENT

43.1 Prior period restatement

SPAR has identified that intangible assets relating to computer software was erroneously disclosed in the property, plant and equipment financial statement line item. SPAR in recent years has embarked on modernisation projects which required significant investment in SAP software. SPAR enhanced the disclosure surrounding the categories of property, plant and equipment in the current year and through this process identified the software asset which is required to be disclosed as an intangible asset.

43.2 Prior period restatement impact on statement of financial position

Rmillion	GROUP 30 September 2018 Originally presented	Effect of restatement	30 September 2018 restated	30 September 2017 Originally presented	Effect of restatement	30 September 2017 restated
GROUP						
Property, plant and equipment	6 966.9	(315.1)	6 651.8	6 553.9	(277.4)	6 276.5
Goodwill and intangible assets	4 436.6	315.1	4 751.7	4 162.2	277.4	4 439.6
COMPANY						
Property, plant and equipment	2 377.6	(175.2)	2 202.4	2 334.5	(162.0)	2 172.5
Goodwill and intangible assets	505.5	175.2	680.7	458.0	162.0	620.0

44. EVENTS AFTER THE REPORTING DATE

44.1 Acquisition of Piotr i Pawel Group

On 1 October 2019 SPAR acquired an 80% stake in Piotr i Pawel Sp. z o.o. (PiP) for a consideration of EUR1. PiP is a retail chain of 77 delicatessen and supermarket stores, together with a wholesale distribution network. PiP is currently subject to a legally supervised debt restructuring process similar to South African Business Rescue. These sanitation proceedings were still in progress at the acquisition date but do not impact SPAR's ability to control the relevant activities of the acquired entity. Due to the uncertainty around the finalisation of the debt restructuring and the proximity of the acquisition date to year-end, we are therefore unable to reasonably estimate the fair value of assets and liabilities at acquisition date.

44.2 Acquisition of Monteagle Africa Ltd

The SPAR Group Ltd has purchased a 50% shareholding of Monteagle Africa Ltd subject to the approval of the Competition Commission. Monteagle Africa Ltd is a wholesaler in the food retail sector, operating in southern Africa. Monteagle Africa Ltd is a supplier to SPAR for its private label products.

44.3 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.