



THE SPAR GROUP LTD

ANNUAL FINANCIAL
STATEMENTS 2018

CONTENTS

The full integrated report is available online and reflects our transition to digital reporting as a way to increase access, usability and transparency for all our stakeholders. Our digital reporting platform enables us to address and elaborate on a variety of strategic and sustainability aspects that are important to different interest groups. We encourage you to view the full online report to gauge the prospects and future trajectory of SPAR's value creation abilities.

Please visit http://investor-relations.spar.co.za/ir2018 for the full 2018 SPAR integrated report.

Directors' approval of the annual financial statements

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. The group's independent external auditors, PricewaterhouseCoopers, have audited the financial statements and their unmodified report is enclosed.

The directors are also responsible for the systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In preparing the financial statements, the company and group have used appropriate accounting policies, supported by reasonable judgements and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group as at 30 September 2018 and the results of their operations and cash flows for the year under review.

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company or the group will not remain a going concern for the foreseeable future.

The annual financial statements were approved by the board of directors on 13 November 2018 and are signed on its behalf by:

MJ Hankinson
Chairman

GO O'Connor
Chief Executive Officer

13 November 2018

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission all such returns and notices that are required of a public company in terms of the Companies Act, in respect of the financial year ended 30 September 2018, and that all such returns and notices are true, correct and up to date.

MJ Hogan
Company Secretary

13 November 2018

Independent auditor's report to the shareholders of the SPAR Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of The SPAR Group Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

The SPAR Group Limited's consolidated and separate financial statements set out on pages 12 to 76 comprise:

- the consolidated and separate statements of financial position as at 30 September 2018;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year ended 30 September 2018;
- the consolidated and separate statements of changes in equity for the year ended 30 September 2018;
- the consolidated and separate statements of cash flow for the year ended 30 September 2018; and
- notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

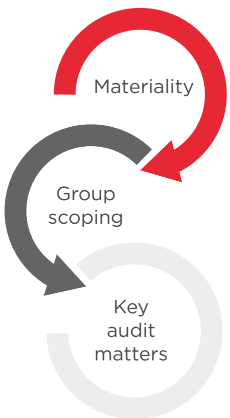
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R123 200 000, which represents 5% of profit before tax.

Group audit scope

- The Group audit scope was determined based on indicators such as the contribution from each component to consolidated assets, consolidated revenue and consolidated profit before tax. A combination of full scope audits, audits of specific financial statement line items and specified audit procedures were performed.

Key audit matters

- Valuation of the financial liability relating to TIL JV Ltd.
- Presentation of the income and expenses of the SPAR Guild and Build It Guild.
- Classification of supplier rebates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R123 200 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is arranged around three geographical segments in Southern Africa, Ireland and Switzerland. Each component within these geographical segments is an aggregation of a number of business units.

Based on our Group scoping assessment, all three geographical segments were considered to be financially significant and further scoping assessments were performed over components within each geographic segment. Full scope audits were performed over all components in Ireland and Switzerland. The Southern African segment is comprised of seven distribution centres, a central office function, various statutory entities and equity-accounted associates. Full scope audits were performed on the central office function and four distribution centres. Audits of specific financial statement line items were performed on one additional distribution centre and two statutory entities. Specified audit procedures were performed on the other distribution centres and analytical procedures were performed over all remaining components.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by the Group engagement team, component auditors from the local PwC network firm and non-PwC firms operating under our instruction. The Group engagement team was directly responsible for the audit of the Group consolidation, the central office function and one distribution centre which was subject to a full scope audit. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained. We had various interactions with our component teams in which we discussed and evaluated recent developments, audit risks, materiality, the scope and findings of the work performed and the reports issued by the component teams. The Group engagement leader visited the component audit teams responsible for the audit of the Ireland and Switzerland segments.

Key audit matters

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

Independent auditor's report to the shareholders of the SPAR Group Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of the financial liability relating to TIL JV Ltd (Group and Company) *Refer to the accounting policy note 1.19 on financial instruments and note 28 and 39 to the consolidated financial statements for the related disclosures.* Included in the Group's net assets at year end are financial liabilities amounting to R2.0 billion (Company: R1.2 billion) which arose on previous acquisitions and relate to agreements to acquire the remaining shareholding from non-controlling shareholders at specified future dates. Specifically, we considered the valuation of the financial liability which arose on the acquisition of TIL JV Ltd (Incorporated in Ireland) to be a matter of most significance to our audit due to the size of this financial liability (R1.2 billion) and the significant estimation involved in its valuation. Management's valuation of the financial liability involved the use of two key estimates, being: • the estimated future net profit after tax of the TIL JV Ltd Group for financial years 2019, 2020 and 2022, which represent the years during which the contractual repayments will occur; and • the discount rate which is based on the cost of equity in respect of the Irish operations.	We obtained an understanding of the methodology applied by management in performing its valuation of the financial liability and found this to be in line with the requirements of IFRS 13: Fair Value Measurement. We tested the mathematical accuracy of management's model and where applicable, we agreed the inputs used in the model to the contractual agreements. We assessed the ZAR/Euro exchange rate used by management in the valuation model by comparing the exchange rate to external sources. We found the inputs used by management to be in line with the contractual agreements and the exchange rate used by management to be reasonable. We compared the 2019 profit forecast to the TIL JV Ltd board approved 2019 budget and we assessed whether the estimated net profit after tax used for the years 2020 and 2022 were in line with the underlying assumptions included in TIL JV Ltd's most recent business plan. We found management's forecasts to be in line with the approved business plan. To assess the reasonableness of management's forecasts, we considered the level of precision with which management had historically prepared their forecasts by comparing them to actual performance. Management provided appropriate explanations to support the forecasts used in the model. We made use of our valuation expertise to assess the appropriateness of the discount rate applied by management. Our assessment regarding the discount rate included recalculating the inputs with reference to independent market data. This included risk-free rates, betas and market risk premiums. We found the discount rate applied by management to be within a reasonable range. We performed our own sensitivity analysis on the discount rate and profit forecasts to better understand the impact of changes to the key inputs on the measurement of the financial liability.
Presentation of the income and expenses of the SPAR Guild and Build It Guild (Group) *Refer to the accounting policy note 1.24 on the significant management judgement applied in the presentation of the Guilds in the preparation of the consolidated financial statements.* The SPAR Guild and Build It Guild of Southern Africa ("the Guilds") are separate companies which have been set up to promote and regulate the voluntary trading groups. 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 basis. This net amount is then included in the Group's consolidated statement of profit or loss and other comprehensive income. Management's assessment of whether the Guilds act as an agent, performed in accordance with the requirements of IAS 18: Revenue, involved the use of management judgement in determining whether the Guilds have exposure to the significant risks and rewards associated with rendering services to the independent retailers. We considered the assessment of the presentation of the income and expenses of the SPAR Guild and Build It Guild to be a matter of most significance to our audit due to the size of the related Guilds' activities and the judgement applied by management in reaching their conclusion.	We obtained an understanding of the functions and activities of the Guilds through enquiries of management and inspection of documentation supporting the Guilds activities. We inspected the relevant agreements relating to the Guilds and found these to be consistent with the details of management's assessment. We used our accounting specialists to evaluate the key principles forming part of management's conclusion and assessed these for reasonableness against the requirements of IAS 18: Revenue. We found management's conclusions to be reasonable. We assessed the disclosure included in note 1.24 against the requirements to disclose significant judgements in terms of IAS 1: Presentation of financial statements. We found the disclosure to be in line with the requirements of IAS 1.

Key audit matter	How our audit addressed the key audit matter
Classification of supplier rebates (Group and Company) *Refer to the accounting policy note 1.24 on the significant management judgements applied in the classification of the supplier rebates and note 42 of the financial statements on the restatement of the classification of supplier rebates received.* The Group has agreements with suppliers in which volume-related rebates, promotional and marketing allowances and various other fees and discounts, are received in connection with the purchase of goods or for the provision of services. 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. The classification of supplier rebates and other income in the prior year was restated to reflect the outcome of management's assessment in the current year. We considered the assessment of the classification of supplier rebates to be a matter of most significance to our audit due to the magnitude of supplier income across the Group, the complexity in understanding the contractual terms of various supplier arrangements and the judgements applied by management in concluding on the appropriate presentation.	We obtained an understanding of the nature of rebates and other income by examining supplier contracts and through discussions with management. The basis for management's judgements applied in the classification of supplier income was understood and evaluated. We assessed the nature of a sample of rebates and other income in relation to the terms of supplier contracts. We used our accounting specialists in considering management's assessment of the presentation of rebates and other income as a reduction of cost of sales, as other income or as an offset in expenses. We found the conclusions reached by management to be appropriate. We evaluated the presentation and disclosure relating to the restatement of the supplier income included in note 42 in terms of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. We found the disclosure to be in line with the requirements of IAS 8. We assessed the disclosure included in note 1.24 to ensure compliance with the requirements to disclose significant judgements in terms of IAS 1: Presentation of financial statements. We found the disclosure to be in line with the requirements of IAS 1.

Other information

The directors are responsible for the other information. The other information comprises the information included in *The SPAR Group Limited Annual Financial Statements 2018*, which includes the Directors' Statutory Report, the Audit Committee's Report and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and *The SPAR Group Limited Integrated Annual Report 2018*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report
to the shareholders of the SPAR Group Limited (continued)

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of The SPAR Group Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SF Randelhoff
Registered Auditor

Durban
13 November 2018

Directors' statutory report

The board of directors of The SPAR Group Ltd (SPAR, the company or the group) have the pleasure in submitting their report on the annual financial statements of the company for the year ended 30 September 2018.

NATURE OF BUSINESS

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

There were no material changes to the nature of the group's business for the 2018 financial year.

DIRECTORATE

Details of the directors of the company at the date of this report are disclosed in the online integrated report. Andrew Waller was appointed as a director of the company at the 2018 annual general meeting. There were no further changes to the directorate for the 2018 financial year.

At 30 September 2018, the directors beneficially held 140 456 (2017: 38 900) shares in the company and unexercised options to acquire a total of 468 800 (2017: 604 000) ordinary shares in the company.

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

FINANCIAL RESULTS

The net profit attributable to ordinary shareholders for the year ended 30 September 2018 amounted to R1 827.2 million (2017: R1 820.6 million). This translates into headline earnings per share of 965.7 cents (2017: 952.8 cents) and normalised headline earnings per share of 1 063.2 cents (2017: 976.0 cents), based on the weighted average number of shares (net of treasury shares) in issue during the year. Normalised headline earnings represent headline earnings excluding business-defined exceptional items.

STATED CAPITAL

Details of the authorised and issued stated capital of the company are set out in note 25.

GOING CONCERN

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

TREASURY SHARES

During the year, The SPAR Group Ltd Employee Share Trust (2004) purchased 1 115 227 (2017: 710 086) shares in the company for R221.4 million (2017: R128.4 million). A total of 1 158 500 (2017: 708 034) shares were reissued to option holders who exercised their option rights. At year-end, 53 200 (2017: 96 473) shares in the company were held by the trust. At the 2018 annual general meeting, a general authority was granted by shareholders to allow the company to acquire its own shares in terms of the Companies Act. The directors consider it will be advantageous for the company for this general authority to continue. Such authority will be used if the directors consider that it is in the best interests of the company and shareholders to effect such share purchases having regard to prevailing circumstances and the cash resources of the company at the time. Shareholders will be asked to consider a similar special resolution to this effect at the forthcoming annual general meeting.

DIVIDENDS

A final dividend of 435.0 cents in respect of 2017 was declared on 14 November 2017 and paid on 11 December 2017. An interim dividend of 270.0 cents per share was declared on 30 May 2018 and paid on 25 June 2018. A final dividend of 459.0 per share was declared on 13 November 2018. The salient dates for the payment of the final dividend are:

Last day to trade cum-dividend	Tuesday, 4 December 2018
Shares to commence trading ex-dividend	Wednesday, 5 December 2018
Record date	Friday, 7 December 2018
Payment of dividend	Monday, 10 December 2018

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 5 December 2018 and Friday, 7 December 2018, both days inclusive.

SHARE SCHEME

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

Directors' statutory report (continued)

SUBSIDIARIES

The interest of the company in the aggregate net profit/loss after taxation of subsidiaries was a profit of R523.5 million (2017: profit of R418.4 million). Details of the company's principal subsidiaries are set out in note 14.

CORPORATE GOVERNANCE

The directors subscribe to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) as disclosed in the King IV™ register contained in our online report.

The Audit committee report is set out on pages 9 to 11. The committee reports are disclosed in the online report as follows:

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

The directors reviewed various corporate governance reports, policies and procedures during the 2018 financial year with no issues identified.

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

SPECIAL RESOLUTIONS

The company passed the following special resolutions at the annual general meeting held on Tuesday, 7 February 2018:

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

LITIGATION STATEMENT

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

In respect of the Competition Commission's Grocery Retail Sector Market Inquiry, SPAR has made a presentation on an informal basis and submitted written submissions to the Commission, particularly dealing with the issue of exclusivity and suppliers. It has been gazetted that the report into the inquiry will be provided in September 2019.

EVENTS AFTER THE REPORTING DATE

Matters or circumstances arising since the end of the 2018 financial year, which have or may significantly affect the financial position of the company or the results of its operations are disclosed in note 43.

Audit Committee report

The Audit Committee (the committee) presents the following report pursuant to the requirements of section 94(7)(f) of the Companies Act, 71 of 2008, as amended (the Companies Act) to shareholders for the 2018 financial year.

COMMITTEE GOVERNANCE

The committee has specific statutory responsibilities to the shareholders of the company in terms of the Companies Act and assists the board by advising and making recommendations on financial reporting, internal financial controls, internal and external audit functions and regulatory compliance.

Composition

Members are appointed by shareholders on the recommendation of the Nomination Committee and the board. Shareholders will again be requested to approve the appointment of the committee members for the 2019 financial year at the company's AGM to be held on Tuesday, 12 February 2019.

The members of the committee for the 2018 financial year were independent non-executive directors, Chris Wells (Chairman), Marang Mashologu and Harish Mehta. Andrew Waller who was appointed to the Board on 7 February 2018 attended meetings by invitation in his capacity as an independent non-executive director.

The Nomination Committee and the board have nominated for re-election at the 2019 AGM, Chris Wells (Chairman), Marang Mashologu and Harish Mehta and for election Andrew Waller as members of the committee. Their qualifications and experience are available on the online integrated report.

Meetings

Permanent invitees at committee meetings are the CEO, the Group Financial Director, the Group Internal Audit Manager, the external auditors and the Company Secretary (who acts as the secretary of the committee).

The committee met three times during the 2018 financial year. Members' attendance at meetings was as follows:

		Attendance		
Member	**Status**	**13 Nov 2017**	**28 May 2018**	**6 Aug 2018**
Chris Wells (Chairman)	Independent non-executive	✓	✓	✓
Harish Mehta	Independent non-executive	✓	✓	✓
Marang Mashologu	Independent non-executive	✓	✓	✓

Members' attendance was 100%.

Terms of reference

The committee executes its responsibilities in accordance with a formal terms of reference, which is reviewed annually and is aligned with King IV™ recommendations. No changes were made to the terms of reference since its last review in 2017.

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

The committee received assurance on all relevant matters within its terms of reference from the following committees during the 2018 financial year:

- Risk Committee
- Social and Ethics Committee

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Role and responsibilities

The committee has an independent role with accountability to both the board and shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, requirements of the JSE Listings requirements, activities recommended by King IV™, as well as responsibilities assigned to it by the board.

Details of the committee's duties are contained in its terms of reference.

The effectiveness of the committee is assessed by way of a self-evaluation review every two years and will be performed again in 2019.

KEY FOCUS AREAS

In addition to the key areas of focus detailed below, the committee, during the 2018 financial year, reviewed the:

- unaudited interim results report and associated reports and announcements;
- summarised information issued to shareholders;
- appropriateness of the accounting policies, disclosure policies and the effectiveness of internal controls;
- disclosure of sustainability issues to ensure that they were reliable and did not conflict with the financial information;
- changes to the JSE Listings Requirements which pertain to the committee's responsibilities;
- JSE proactive monitoring of financial statements report;
- company's banking facilities;
- 2019 budget guidelines and assumptions;
- King IV™ recommendations;
- property lease arrangements entered into by the company;
- policies which fall under the committee's control and oversight. The group's delegation of authority policy, fraud prevention policy and whistle-blowing policy were reviewed and recommended to the board for approval. In line with King IV™ requirements, management is in the process of drafting a tax policy, which will be presented to the board for approval;
- external auditor's audit report and key audit matters;
- internal auditor's report and key audit matters and findings; and
- whistle-blowing complaints.

Significant matters

Key audit matters identified by the external auditors are included in the report on pages 4 and 5. These matters have been discussed and agreed with management and were presented to the committee.

Annual Financial Statements

The committee reviewed the annual financial statements for the year ended 30 September 2018 and is of the view that in all material aspects, they comply with the relevant provision of IFRS and the Companies Act. The committee also reviewed the integrity of the 2018 Integrated Annual Report and recommended both to the board for approval. The board subsequently approved the annual financial statements and 2018 Integrated Annual Report, which will be open for discussion at the 2019 annual general meeting.

Going concern status

The committee reviewed the solvency and liquidity assessment as part of the going concern status of the company and, based on this detailed review, recommended to the board that the company adopt the going concern concept in preparation of the financial statements.

External audit

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

As a result of the proposed implementation of an audit firm rotation process and following an extensive tender process undertaken by the committee in 2017, PwC was appointed by shareholders as the company's external auditor at the 2018 AGM in place of Deloitte & Touche.

In the execution of its statutory duties and based on the processes followed and assurances received, the committee:

- has assessed the suitability for appointment of the external auditor and designated audit partner in accordance with the appropriate audit quality indicators and their independence against the criteria specified by the Independent Regulatory Board for Auditors, the South African Institute of Chartered Accountants and international regulatory bodies and JSE Listings Requirements;
- has no concerns regarding the external auditor's performance or independence and accordingly recommended to the board, the re-election of PwC as external auditor and Sharalene Randelhoff as the designated audit partner for the 2019 financial year. PwC has been the company's external auditor for one year and is required to rotate the designated audit partner every five years. Accordingly, Sharalene Randelhoff will be required to rotate as the designated audit partner in 2023.
- determined the terms of engagement and fees paid to PwC as disclosed in note 3; and
- determined the nature and extent of the non-audit services that PwC provide to the company as disclosed in note 3.

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

Non-audit services policy

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

Internal audit

The company has an internal audit department consisting of three permanent employees. The internal audit function is independent and has the necessary standing and authority to enable it to discharge its duties. The Group Internal Audit Manager, Samesh Naidoo, and the Chairman of the committee meet on a regular basis to discuss internal audit's performance and any concerns.

During the 2018 financial year, the committee:

- approved the internal audit plan and any variations thereof;
- reviewed and recommended to the board for approval the internal audit charter. No changes were made to the internal audit charter since its last review in 2017;
- satisfied itself that the Group Internal Audit Manager is competent and possesses the appropriate expertise and experience to act in this capacity;
- confirmed that the company's internal audit function met its objectives and that adequate procedures were in place to ensure that the company complies with its legal, regulatory and other responsibilities; and
- ensured that appropriate financial reporting procedures exist and were working.

The committee is of the opinion that the company's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. This opinion is based on the results of the formal documented review of the company's system of internal controls and risk management - including the design, implementation and effectiveness of internal financial controls conducted by the internal audit function during the 2018 financial year - and considering information and explanations given by management and discussions with the external auditor on the results of the external audit, assessed by the committee. The committee's opinion is supported by the board.

Group Financial Director and finance function

The committee is satisfied that Mark Godfrey has the appropriate expertise and experience to meet the responsibilities of his appointed position as the Group Financial Director. His qualifications and experience are available on the online integrated report.

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

During the 2018 financial year, the company appointed Laurence Balcomb as the Finance Executive responsible for overseeing the financial management of the South African business.

Risk management

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

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

Combined assurance

The integrated assurance policy and framework was reviewed and approved by the board on 7 August 2018 and is in the process of being implemented. The implementation of the framework will help support corporate governance guidelines to provide appropriate assurance and, in addition, evidence of integrated/combined assurance.

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

Chris Wells
Chairman of the Audit Committee

13 November 2018

Statements of profit or loss and other comprehensive income

for the year ended 30 September 2018

Rmillion	Notes	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
Revenue	2	**103 007.5**	97 209.3	**66 522.8**	63 158.3
Turnover		**101 018.0**	95 373.1	**65 805.4**	62 464.6
Cost of sales		**(90 225.0)**	(85 163.3)	**(59 870.1)**	(56 917.9)
Gross profit		**10 793.0**	10 209.8	**5 935.3**	5 546.7
Other income	2	**1 989.5**	1 836.2	**717.4**	693.7
Net operating expenses	3	**(10 001.8)**	(9 469.0)	**(4 576.9)**	(4 219.3)
Warehousing and distribution expenses		**(3 149.4)**	(2 955.0)	**(1 800.4)**	(1 685.1)
Marketing and selling expenses		**(4 763.0)**	(4 578.4)	**(1 781.4)**	(1 605.2)
Administration and information technology expenses		**(2 089.4)**	(1 935.6)	**(995.1)**	(929.0)
Trading profit		**2 780.7**	2 577.0	**2 075.8**	2 021.1
BBBEE transactions	4	**(1.4)**	(0.9)	**(1.4)**	(0.9)
Operating profit		**2 779.3**	2 576.1	**2 074.4**	2 020.2
Other non-operating items	5	**(144.2)**	(54.6)	**(149.7)**	(51.6)
Interest income	6	**169.3**	193.7	**147.9**	177.0
Interest expense	6	**(192.9)**	(176.6)	**(120.3)**	(95.1)
Finance costs including foreign exchange gains and losses	6	**(136.5)**	(64.4)	**(112.9)**	(87.8)
Share of equity accounted associate (losses)/income	15	**(10.9)**	(8.8)		
Profit before taxation		**2 464.1**	2 465.4	**1 839.4**	1 962.7
Income tax expense	7	**(636.9)**	(644.8)	**(546.2)**	(560.5)
Profit for the year attributable to ordinary shareholders		**1 827.2**	1 820.6	**1 293.2**	1 402.2
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of post-retirement medical aid	27.2	**(0.3)**	11.4	**(0.3)**	11.4
Deferred tax relating to remeasurement of post-retirement medical aid		**0.1**	(3.2)	**0.1**	(3.2)
Remeasurement of retirement funds	27.1	**157.9**	432.1		
Deferred tax relating to remeasurement of retirement funds		**(26.8)**	(67.9)		
Items that may be reclassified subsequently to profit or loss:					
Gain/(loss) on cash flow hedge		**1.6**	(4.6)		
Tax relating to gain/(loss) on cash flow hedge		**(0.2)**	0.6		
Exchange differences from translation of foreign operations		**131.9**	42.0		
Total comprehensive income		**2 091.4**	2 231.0	**1 293.0**	1 410.4
Earnings per share (cents)	8				
Basic		**948.9**	945.5		
Diluted		**942.2**	939.4		

* *Refer to restatement note 42.*

Statements of financial position

as at 30 September 2018

Rmillion	Notes	GROUP 2018	GROUP 2017 Restated*	GROUP 2016 Restated*	COMPANY 2018	COMPANY 2017 Restated*	COMPANY 2016 Restated*
ASSETS							
Non-current assets		**13 079.6**	11 956.3	11 137.8	**6 210.7**	5 502.1	4 925.9
Property, plant and equipment	12	**6 966.9**	6 553.9	6 160.3	**2 377.6**	2 334.5	2 007.6
Goodwill and intangible assets	13	**4 436.6**	4 162.2	4 008.3	**505.5**	458.0	421.5
Investment in subsidiaries	14				**1 941.6**	1 682.5	1 682.5
Investment in associates and joint ventures	15	**156.7**	117.3	38.4	**172.0**	121.6	32.4
Other investments	16	**57.9**	57.7	54.2	**3.2**	4.8	1.6
Operating lease receivables	17	**208.3**	125.4	100.5	**213.8**	134.8	87.0
Loans	18	**696.4**	406.2	217.8	**454.6**	243.9	148.6
Block discounting loan receivable	41	**542.4**	512.2	521.5	**542.4**	512.2	521.5
Deferred taxation asset	19	**14.4**	21.4	36.8		9.8	23.2
Current assets		**18 166.3**	16 879.5	16 806.9	**11 000.0**	10 314.3	10 061.8
Inventories	20	**3 933.1**	3 816.4	3 810.9	**1 789.3**	1 890.3	1 776.8
Trade and other receivables	21	**12 134.4**	10 814.3	10 544.0	**8 523.0**	7 626.3	7 313.0
Prepayments		**109.8**	78.1	75.4	**59.7**	43.9	38.9
Operating lease receivables	17	**50.4**	60.7	63.4	**50.4**	60.7	63.4
Loans	18	**97.9**	116.9	46.8	**44.6**	35.3	51.9
Current portion of block discounting loan receivable	41	**225.8**	248.3	222.2	**225.8**	248.3	222.2
Income tax recoverable	22	**7.7**	4.1	4.2			
Other current financial assets		**0.3**	0.2		**0.3**	0.2	
Cash and cash equivalents – SPAR	23	**1 377.6**	1 565.6	1 611.8	**306.9**	409.3	595.6
Cash and cash equivalents – Guilds and trusts	23	**229.3**	174.9	428.2			
Assets held for sale	24	**9.6**	141.0	160.7	**–**	3.7	7.2
Total assets		**31 255.5**	28 976.8	28 105.4	**17 210.7**	15 820.1	14 994.9
EQUITY AND LIABILITIES							
Capital and reserves		**7 109.8**	6 560.4	5 627.8	**5 406.9**	5 629.9	5 516.5
Stated capital	25	**2 231.5**	2 231.5	2 231.5	**2 231.5**	2 231.5	2 231.5
Treasury shares	26	**(10.0)**	(16.1)	(18.7)			
Currency translation reserve		**181.8**	49.9	7.9			
Share-based payment reserve		**274.8**	293.0	261.1	**274.8**	293.0	261.1
Equity reserve		**(749.1)**	(717.0)	(713.0)	**(545.7)**	(545.7)	(545.7)
Hedging reserve		**(30.8)**	(32.2)	(28.2)	**(28.2)**	(28.2)	(28.2)
Retained earnings		**5 211.6**	4 751.3	3 887.2	**3 474.5**	3 679.3	3 597.8
Non-current liabilities		**8 037.3**	7 875.2	8 126.5	**2 169.6**	1 785.3	1 606.2
Deferred taxation liability	19	**413.1**	361.2	290.7	**5.7**		
Post employment benefit obligations	27	**787.6**	940.2	1 392.2	**163.1**	155.0	156.4
Financial liabilities	28	**2 042.9**	1 700.1	1 568.0	**1 216.2**	963.8	824.4
Long-term borrowings	29	**3 976.5**	4 160.4	4 164.3			
Block discounting loan payable	41	**553.6**	525.1	536.4	**553.6**	525.1	536.4
Operating lease payables	17	**231.0**	141.4	116.0	**231.0**	141.4	89.0
Other non-current financial liabilities		**3.3**	4.9				
Long-term provisions	31	**29.3**	41.9	58.9			
Current liabilities		**16 108.4**	14 541.2	14 351.1	**9 634.2**	8 404.9	7 872.2
Trade and other payables	30	**15 236.0**	13 452.7	13 162.5	**9 316.6**	8 065.6	7 546.8
Current portion of long-term borrowings	29	**433.6**	364.4	265.9			
Current portion of block discounting loan payable	41	**232.3**	255.7	228.3	**232.3**	255.7	228.3
Operating lease payables	17	**51.5**	62.8	65.6	**51.5**	62.8	65.6
Provisions	31	**43.2**	45.3	38.0	**9.7**	5.4	3.0
Income tax liability	22	**103.1**	91.8	83.7	**24.1**	15.4	28.5
Bank overdrafts	23	**8.7**	268.5	507.1			
Total equity and liabilities		**31 255.5**	28 976.8	28 105.4	**17 210.7**	15 820.1	14 994.9

* *Refer to restatement note 42.*

Statements of changes in equity

for the year ended 30 September 2018

Rmillion	Notes	Stated capital	Treasury shares	Currency translation reserve
GROUP				
Capital and reserves at 30 September 2016		2 231.5	(18.7)	7.9
Effect of restatement				
Restated capital and reserves at 30 September 2016*		2 231.5	(18.7)	7.9
Profit for the year attributable to ordinary shareholders				
Loss on cash flow hedge				
Remeasurement of post-retirement medical aid	27			
Remeasurement of retirement funds	27			
Recognition of share-based payments	3			
Take-up of share options	26		131.0	
Transfer arising from take-up of share options				
Settlement of share-based payments			1.4	
Share repurchases	26		(129.8)	
Dividends paid	10			
Exchange rate translation				42.0
Restated capital and reserves at 30 September 2017*		2 231.5	(16.1)	49.9
Profit for the year attributable to ordinary shareholders				
Gain on cash flow hedge				
Remeasurement of post-retirement medical aid	27			
Remeasurement of retirement funds	27			
Recognition of share-based payments	3			
Take-up of share options	26		**227.5**	
Transfer arising from take-up of share options				
Settlement of share-based payments			**59.7**	
Share repurchases	26		**(281.1)**	
Dividends paid	10			
Reserves arising on business acquisition				
Non-controlling interest arising on business acquisition				
Purchase obligation of non-controlling interest				
Exchange rate translation				**131.9**
Capital and reserves at 30 September 2018		**2 231.5**	**(10.0)**	**181.8**
COMPANY				
Capital and reserves at 30 September 2016		2 231.5	–	–
Effect of restatement				
Restated capital and reserves at 30 September 2016		2 231.5	–	–
Profit for the year attributable to ordinary shareholders				
Remeasurement of post-retirement medical aid	27			
Recognition of share-based payments	3			
Contribution to employee share trust				
Transfer arising from take-up of share options				
Settlement of share-based payments			1.4	
Share repurchases	26		(1.4)	
Dividends paid	10			
Restated capital and reserves at 30 September 2017		2 231.5	–	–
Profit for the year attributable to ordinary shareholders				
Remeasurement of post-retirement medical aid	27			
Recognition of share-based payments	3			
Contribution to employee share trust				
Transfer arising from take-up of share options				
Settlement of share-based payments			**59.7**	
Share repurchases	26		**(59.7)**	
Dividends paid	10			
Capital and reserves at 30 September 2018		**2 231.5**	**–**	**–**

* *Refer to restatement note 42.*

Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
261.1	3 902.3	(713.0)	(28.2)	–	5 642.9
	(15.1)				(15.1)
261.1	3 887.2	(713.0)	(28.2)	–	5 627.8
	1 820.6				1 820.6
			(4.0)		(4.0)
	8.2				8.2
	364.2				364.2
33.3					33.3
(77.2)					53.8
77.2	(77.2)				–
(1.4)					–
					(129.8)
	(1 251.7)				(1 251.7)
		(4.0)			38.0
293.0	4 751.3	(717.0)	(32.2)	–	6 560.4
	1 827.2				**1 827.2**
			1.4		**1.4**
	(0.2)				**(0.2)**
	131.1				**131.1**
23.9					**23.9**
(122.4)					**105.1**
122.4	**(122.4)**				**–**
(42.1)	**(17.6)**				**–**
					(281.1)
	(1 357.8)				**(1 357.8)**
					–
				27.6	**27.6**
		(26.8)		**(27.6)**	**(54.4)**
		(5.3)			**126.6**
274.8	**5 211.6**	**(749.1)**	**(30.8)**	**–**	**7 109.8**

Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Attributable to ordinary shareholders
261.1	3 612.9	(545.7)	(28.2)	–	5 531.6
	(15.1)				(15.1)
261.1	3 597.8	(545.7)	(28.2)	–	5 516.5
	1 402.2				1 402.2
	8.2				8.2
33.3					33.3
(77.2)					(77.2)
77.2	(77.2)				–
(1.4)					–
					(1.4)
	(1 251.7)				(1 251.7)
293.0	3 679.3	(545.7)	(28.2)	–	5 629.9
	1 293.2				**1 293.2**
	(0.2)				**(0.2)**
23.9					**23.9**
(122.4)					**(122.4)**
122.4	**(122.4)**				**–**
(42.1)	**(17.6)**				**–**
					(59.7)
	(1 357.8)				**(1 357.8)**
274.8	**3 474.5**	**(545.7)**	**(28.2)**	**–**	**5 406.9**

Statements of cash flow

for the year ended 30 September 2018

Rmillion	Notes	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES		**1 975.8**	1 411.2	**922.4**	622.6
Cash generated from operations	32	**3 971.7**	3 285.7	**2 783.0**	2 361.1
Interest received		**94.0**	109.9	**72.4**	101.9
Interest paid		**(123.3)**	(106.1)	**(53.4)**	(25.3)
Taxation paid	22	**(608.8)**	(626.6)	**(521.8)**	(563.4)
Dividends paid	10	**(1 357.8)**	(1 251.7)	**(1 357.8)**	(1 251.7)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 453.3)**	(1 496.0)	**(965.1)**	(807.5)
Acquisition of businesses/subsidiaries	33.4	**(453.2)**	(142.7)	**(168.5)**	(94.0)
Proceeds from disposal of businesses	33.2	**47.7**	48.0	**–**	48.0
Proceeds on disposal of assets held for sale		**27.5**	25.9		
Investment to expand operations		**(456.1)**	(842.1)	**(143.2)**	(459.9)
Investment to maintain operations		**(316.2)**	(248.8)	**(78.2)**	(48.5)
– Replacement of property, plant and equipment		**(352.9)**	(330.0)	**(84.2)**	(92.7)
– Proceeds on disposal of property, plant and equipment		**36.7**	81.2	**6.0**	44.2
Proceeds on loans and investments#	32.2	**398.8**	450.9	**28.4**	25.8
Repayments of loans and investments#	32.2	**(701.8)**	(787.2)	**(603.6)**	(278.9)
CASH FLOWS FROM FINANCING ACTIVITIES		**(428.0)**	3.4	**(59.7)**	(1.4)
Proceeds from exercise of share options		**105.1**	53.8		
Proceeds from borrowings#		**–**	156.2		
Repayments of borrowings#		**(252.0)**	(76.8)		
Share repurchases	26	**(281.1)**	(129.8)	**(59.7)**	(1.4)
Net movement in cash and cash equivalents		**94.5**	(81.4)	**(102.4)**	(186.3)
Net cash balances at beginning of year		**1 472.0**	1 532.9	**409.3**	595.6
Exchange rate translation		**31.7**	20.5		
Net cash balances at end of year	23	**1 598.2**	1 472.0	**306.9**	409.3

* *Refer to restatement note 42.*

Restatements to the presentation of these line items are detailed in note 32.

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 2018, and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 71 of 2008, as amended.

1.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments, the valuation of share-based payments and the post-retirement obligations. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies are consistent with those of the previous year. The group has considered and adopted all new standards, interpretations and amendments to existing standards that are effective as at year-end. These amendments had no material impact on the financial statements. The following new standards or amendments, which are not yet effective, have not yet been adopted by the directors. The directors continue to assess the impact thereof.

New standards	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Amendments to existing standards		
IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
IAS 40	Amendments clarifying the requirements on transfers to, or from, investment property	1 January 2018
IFRS 2	Amendment to Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Various IFRS 1, IAS 28	Annual Improvements 2014 – 2016 cycle	1 January 2018
Various IFRS 3, IFRS 11, IAS 12	Annual Improvements 2015 – 2017 cycle	1 January 2019
Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

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

IFRS 9 Financial Instruments replaces existing guidance in IAS 39 on the classification and measurement of financial instruments.

In relation to the impairment of financial assets, IFRS 9 introduces an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Entities will recognise either 12 months or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. For certain trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised. Since the number of financial assets to which lifetime expected credit losses applies will likely be larger than the number of assets to which incurred credit losses applies, the resulting impairment charge and impairment provision is likely to be more volatile and larger than assessed under IAS 39.

IFRS 9 also includes new general hedge accounting requirements which retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. While this may affect the measurement of hedge effectiveness, the impact on the financial results of the group is likely to be immaterial, as these transactions are not significant within the group.

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Basis of preparation (continued)

IFRS 9 requires that changes to the fair value of a financial liability designated as fair value through profit and loss, that arise as a result of changes in the entity's own credit risk, are taken to other comprehensive income. While the group does hold some financial liabilities at fair value through profit and loss, changes in the fair value of these liabilities as a result of changes in the entity's own credit risk are not expected to occur. Therefore this change is not expected to have a material impact on the financial results of the group.

Enhanced disclosure requirements about an entity's risk management activities have also been introduced, which are expected to change the nature and extent of disclosures regarding financial instruments. IFRS 9 also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

It is currently estimated that the introduction of this standard will not have a material impact on trading profit. The group continues to assess the potential impact on its group financial statements regarding the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers establishes a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 a new five-step approach requires revenue to be recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15, thus the nature and extent of disclosures relating to revenue are expected to change.

This new standard may affect agent versus principle accounting and the manner in which certain income streams relating to ancillary sales and services are accounted for. The group currently records dropshipment sales on a gross basis in terms of principal accounting, and is in the process of assessing the extent to which these may have to be disclosed on a net basis in terms of agent accounting under the new guidance provided by IFRS 15. As the terms of dropshipment sale contracts vary between different divisions of the group, so too will the impact of IFRS 15 vary on the accounting treatment of different dropshipment income streams.

Due to the clarification and additional guidance on the recognition and classification of revenue, it is anticipated that a change in the classification of statement of comprehensive income disclosure line items, such as revenue, turnover and other income, will occur.

However, it is currently estimated that this will not have a material impact on trading profit, and will mainly constitute a movement between statement of comprehensive income line items. The group continues to assess the potential impact on its group financial statements regarding the application of IFRS 15.

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 its right to use 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. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The group has an extensive operating lease portfolio, acting as both lessor and lessee. The majority of the group's head lease arrangements in South Africa include a back-to-back sublease agreement with its independent retailers, and the application of IFRS 16 will result in the recognition of both a finance lease asset and a finance lease liability in these instances, and the de-recognition of operating lease assets and liabilities. To the extent of leased property that is not sub-let, the group will recognise a right-of-use asset and a finance lease liability.

The impact will be significant for the group as at the end of the 2018 financial year, since the group's future minimum rentals payable under non-cancellable leases amounted to R11.1 billion, on an undiscounted basis (refer to note 35). The changes will impact the statement of financial position and statement of comprehensive income line items, including but not limited to, property, plant and equipment, finance lease assets and finance lease obligations, operating lease expense, depreciation and finance costs, as well as key metrics such as return on assets and earnings before interest, taxation, depreciation and amortisation (EBITDA).

The actual impact of applying IFRS 16 to the financial statements in the period of initial application (financial year ended September 2020) will depend on future economic conditions, the composition of the group's lease portfolio at that date, the group's latest assessment of whether it will exercise any lease renewal options and the extent to which the group chooses to use practical expedients and recognition exemptions. The group is in the process of implementing systems 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. ACCOUNTING POLICIES (CONTINUED)

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 purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of the exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations, are recognised at their fair values at acquisition date.

Goodwill arising on acquisition is initially recognised at cost. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

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

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

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

Arrangements to acquire non-controlling interests at future dates are recognised as financial liabilities at the present value of the expected payment. Changes in the measurement of the financial liability due to unwinding of the discount, changes in the expected future payment or foreign exchange translation are recognised in profit or loss. The effect of translating the closing balance of financial liabilities to the reporting currency is reported in other comprehensive income. In such cases, The SPAR Group Ltd consolidates 100% of the subsidiary's results.

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

1.3.2 Investment in associates and joint arrangements

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

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

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Goodwill

Goodwill arising on the acquisition of entities represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the entities recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units. Cash-generating units to which goodwill has been allocated are tested annually for impairment or more frequently when there is an indication that the cash-generating unit may be impaired. Any impairment loss is recognised directly to profit and loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of an entity, attributable goodwill is included in the determination of the profit and loss on disposal.

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

1.5 Foreign currencies

Transactions in currencies other than in 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.

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 is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost and not depreciated as it has an unlimited useful life.

Land and buildings are held for use in the supply of goods.

Owner-occupied buildings are stated at cost and depreciated at 0% to 2% per annum on a straight-line basis to their estimated residual value.

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

The cost less residual values of plant and equipment is depreciated over their estimated useful lives on a straight-line basis. The useful lives and residual values of all assets are reviewed annually and are adjusted should any changes arise. Depreciation is recognised in profit or loss. The following depreciation rates apply:

Vehicles	10% to 25% per annum
Plant and equipment	8.3% to 33.3% per annum
Furniture and fittings	4% to 33.3% per annum
Computer equipment	10% to 33.3% per annum

Where assets are identified as being impaired, that is when the recoverable amount has declined below the carrying amount, the carrying amount is reduced to reflect the decline in value.

Profit and loss on disposal of property, plant and equipment is recognised in profit or loss in the year of disposal.

Property, plant and equipment subject to finance lease agreements is capitalised at the cash cost equivalent and the corresponding liabilities raised. Lease finance charges are charged to operating profit as they fall due. These assets are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease.

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Other intangible assets

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

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

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

1.8 Impairment of tangible and intangible assets other than goodwill

At each statement of financial position date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount is estimated to be less than the carrying amount the carrying amount is reduced to its recoverable amount with the impairments loss recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the extent that the increased carrying amount does not exceed the original carrying value. A reversal of an impairment loss is recognised immediately to profit and loss.

1.9 Revenue recognition

Revenue from the sale of goods mainly comprises wholesale sales to independent retailers, and to a small degree retail sales of stores owned by the group. Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for goods and services provided in the normal course of business, net of rebates, discounts and sales-related taxes, and after eliminating sales within the group. Sales of goods are recognised when goods are delivered and title has passed. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenue from the sale of goods is disclosed as turnover in the statement of profit or loss and other comprehensive income.

Marketing and service revenue consists of contributions towards promotional activities and is recognised when the associated advertising and promotional activity has occurred.

Dividend income from investments is brought to account as and when the company is entitled to receive such dividend unless the dividend is due from an entity which operates under severe long-term restrictions. The dividends from these entities are accounted for on a cash basis.

1.10 Cost of sales

Cost of sales represents the net cost of purchases from suppliers, after discounts, rebates and incentive allowances received from suppliers, adjusted for opening and closing inventory.

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

1.11 Interest income

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

1.12 Trading profit

Trading profit is disclosed as the result of the operating activities of the business before the effect of BBBEE transactions is taken into account.

1. ACCOUNTING POLICIES (CONTINUED)

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 the weighted average basis. Obsolete, redundant and slow-moving inventory is identified and written down to estimated economic or realisable values. Net realisable value represents the selling price less all estimated costs to be incurred in the marketing, selling and distribution thereof.

When inventory is sold, the carrying amount is recognised to cost of sales. Any write-down of inventory to net realisable value and all losses of inventory or reversals of previous write-downs are recognised in cost of sales.

1.15 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 transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental recoveries received under property head lease agreements are recognised on the straight-line basis over the period of the relevant lease. These are offset against the head lease rental charge in operating expenditure.

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

Where the group is the lessee

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

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

Where the group is the lessor

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

1.17 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.

1.18 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 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. ACCOUNTING POLICIES (CONTINUED)

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

Investments

Other equity investments in listed equity instruments 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. Other investments in unlisted shares are held at cost.

Loans and receivables

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Derivative financial instruments

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

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

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

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

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

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

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

Put arrangements over non-controlling interests

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

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts and 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 measured initially at cost and thereafter in accordance with IAS 37 Provision, Contingent Liabilities and Contingent Assets.

1. ACCOUNTING POLICIES (CONTINUED)

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 service entitling them to the contributions.

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

The group presents the service costs and net interest income or expense in profit or loss in the line item "defined benefit plan expenses". Curtailment gains and losses are accounted for as past service costs. Remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) are reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

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

Share-based payments

Share option scheme

The group issues equity-settled share-based payments to certain employees. These share-based payments are measured at fair value at the date of the grant and are recognised to profit or loss on a straight-line basis over the vesting period. Fair value is measured at grant date by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate of the effect of non-market vesting conditions.

Broad-based black economic empowerment deal (BBBEE)

The group's accounting for the BBBEE transaction complies with the requirements of IFRS 2 Share-based Payments. The fair value of options granted to retailer employees is recognised immediately to profit or loss. The fair value of options granted to SPAR employees is recognised to profit or loss over the vesting period. Fair value is measured at grant date by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate of the effect of non-market vesting conditions.

Conditional share plan

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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.

1.22 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 acquisition costs.

1.24 Key management judgements

There are a number of areas where judgement is applied in the application of the accounting policies in the financial statements.

Significant areas of judgement have been identified as:

Consolidation of guilds

Management has consolidated the guilds on the basis that The SPAR Group Ltd 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 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.

1. ACCOUNTING POLICIES (CONTINUED)

1.24 Key management judgements (continued)

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 constitute 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.

Classification of SPAR Sri Lanka as a joint venture

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

Significant influence over SPAR Zambia Ltd

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

Significant influence over Tradefirm 15 (Pty) Ltd

Note 15 describes Tradefirm 15 (Pty) Ltd as an associate entity of the group. The group holds 48.3% of the shareholding of the entity and has the contractual right to appoint two out of five directors to the board of directors of the company, therefore the group has significant influence over this entity. Considering the relative size and dispersion of the shareholdings owned by other shareholders, the directors concluded that the group does not have a sufficiently dominant voting interest to direct the relevant activities of Tradefirm 15 (Pty) Ltd, and therefore does not have control over this entity.

Significant influence over Dendostax (Pty) Ltd

Note 15 describes Dendostax (Pty) Ltd as an associate entity of the group. The group holds 48.3% of the shareholding of the entity and has the contractual right to appoint two out of five directors to the board of directors of the company, therefore the group has significant influence over this entity. Considering the relative size and dispersion of the shareholdings owned by other shareholders, the directors concluded that the group does not have a sufficiently dominant voting interest to direct the relevant activities of Dendostax (Pty) Ltd, and therefore does not have control over this entity.

Significant influence over Monteagle Merchandising Services (Pty) Ltd

Note 15 describes Monteagle Merchandising Services (Pty) Ltd as an associate entity of the group. The group holds 50.0% of the shareholding of the entity and has the contractual right to appoint two out of five directors to the board of directors of the company, therefore the group has significant influence over this entity. Considering the relative size and dispersion of the shareholdings owned by other shareholders, the directors concluded that the group does not have a sufficiently dominant voting interest to direct the relevant activities of Monteagle Merchandising Services (Pty) Ltd, and therefore does not have control over this entity.

Intangible assets

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

Impairment of goodwill and intangible assets

As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill relates. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value. The impairment of indefinite useful life intangible assets is performed using the excess earnings and relief from royalty models. Details of the assumptions used in the impairment tests are detailed in note 13.

1. ACCOUNTING POLICIES (CONTINUED)

1.24 Key management judgements (continued)

Property, plant, equipment and vehicles

The directors have assessed the useful lives and residual values of assets based on historical trends and external valuations.

Provision for inventory obsolescence

The provision for net realisable value of inventory represents management's estimate of the extent to which inventory on hand at the reporting date will be sold below cost. This estimate takes into consideration past trends, evidence of impairment at year-end and an assessment of future saleability.

Allowance for doubtful debts in trade receivables

The allowance for doubtful debts in trade receivables represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate takes into consideration past trends and makes an assessment of additional risk factors, which are likely to impact recoverability.

Post-employment benefits

The post-employment benefits are valued by actuaries taking into account the assumptions as detailed in note 27.

Financial guarantees

Management applied judgement in assessing the best estimate of the expenditure to settle any future obligations.

Financial liabilities

This liability arises when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the group at an agreed price. In arriving at the liability to the non-controlling interest of TIL JV Ltd (holding company of the BWG Group) the agreed price is based on the future earnings which need to be estimated and discounted back to calculate the present value. This requires a high level of judgement. Management's expectation of the future profit performance of TIL JV Ltd forms the basis in determining the fair value of the purchase obligation of the non-controlling interest. In a similar manner,in arriving at the liability to the non-controlling interest of Fifth Season Investments (Pty) Ltd (holding company of the S Buys Group) the agreed price is based on the 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.

Share options

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

Probability of vesting of rights to equity instruments granted in terms of conditional share plan

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

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.

Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that management has assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
2. REVENUE				
Turnover	**101 018.0**	95 373.1	**65 805.4**	62 464.6
Other income	**1 989.5**	1 836.2	**717.4**	693.7
Marketing and service revenues	**1 980.5**	1 834.8	**665.9**	654.0
Other receipts	**9.0**	1.4	**9.0**	1.4
Dividends received – subsidiaries and associates	**–**		**42.5**	38.3
Total revenue	**103 007.5**	97 209.3	**66 522.8**	63 158.3

* *Refer to restatement note 42.*

3. NET OPERATING EXPENSES

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
Net operating expenses include the following:				
Auditor's remuneration	**19.2**	18.0	**9.6**	8.2
Audit fees	**14.0**	12.1	**6.5**	4.6
Other fees	**5.2**	5.9	**3.1**	3.6
Operating lease charges	**771.6**	710.3	**147.9**	107.5
Plant, equipment and vehicles	**95.1**	78.3	**20.7**	6.5
Immovable property	**676.5**	632.0	**127.2**	101.0
Lease rentals payable	**1 758.5**	1 546.4	**1 121.8**	937.3
Sublease recoveries	**(1 082.0)**	(914.4)	**(994.6)**	(836.3)
Employee benefits expense	**4 412.4**	4 179.6	**1 900.4**	1 731.9
Post-employment benefits (refer to note 27)	**228.9**	248.3	**138.1**	131.4
Post-retirement medical aid	**16.3**	17.6	**16.3**	17.6
Defined contribution plans	**140.0**	129.5	**121.8**	113.8
Defined benefit plans	**72.6**	101.2		
Share-based payments (refer to note 38)	**23.9**	33.3	**23.9**	33.3
Other employee benefits	**4 159.6**	3 898.0	**1 738.4**	1 567.2

4. BBBEE TRANSACTIONS

In compliance with IFRS, the two BBBEE trusts are consolidated by The SPAR Group Ltd. To the extent that participants have not been paid out at year end, The SPAR Group Limited 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 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Legal and other costs	**1.4**	0.9	**1.4**	0.9

Rmillion	The SPAR BBBEE Retailer Employee Trust	The SPAR BBBEE Employee Trust	2018 Total	2017 Total
Included in trade and other payables				
Amounts due to BBBEE participants	**(40.8)**	–	**(40.8)**	(42.7)
Included in cash and cash equivalents – guilds and trusts (refer to note 23)				
BBBEE cash resources	**40.8**		**40.8**	42.7
	–	–	**–**	–

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
5. OTHER NON-OPERATING ITEMS				
Remeasurement of financial instruments	**127.9**	51.6	**139.5**	51.6
Fair value adjustment to financial liability	**127.9**	51.6	**139.5**	51.6
Capital items	**16.3**	3.0	**10.2**	–
Business acquisition costs (refer to note 33.1)	**1.8**	3.0		–
Costs on potential acquisitions (refer to note 33.4)	**14.5**		**10.2**	–
Total other non-operating items	**144.2**	54.6	**149.7**	51.6
6. NET INTEREST				
Interest income				
Bank deposits	**26.3**	64.5	**19.6**	62.6
Loans	**13.7**	8.6	**12.8**	8.3
Block discounting loans*	**69.5**	70.5	**69.5**	70.5
Overdue debtors	**47.6**	39.4	**41.8**	35.0
Other	**12.2**	10.7	**4.2**	0.6
Total interest income	**169.3**	193.7	**147.9**	177.0
Interest expense				
Security deposits	**(6.4)**	(6.0)	**(6.4)**	(6.0)
Loans	**(69.2)**	(79.3)		
Block discounting loans*	**(62.7)**	(63.4)	**(62.8)**	(63.4)
Bank overdraft	**(49.2)**	(22.7)	**(45.8)**	(20.5)
Other	**(5.4)**	(5.2)	**(5.3)**	(5.2)
Total interest expense	**(192.9)**	(176.6)	**(120.3)**	(95.1)
Finance costs including foreign exchange gains and losses				
Finance costs of financial liabilities	**(93.0)**	(74.3)	**(72.3)**	(60.1)
Foreign exchange gains and (losses) on financial liabilities	**(43.5)**	9.9	**(40.6)**	(27.7)
Total finance costs	**(136.5)**	(64.4)	**(112.9)**	(87.8)
Net interest expense	**(160.1)**	(47.3)	**(85.3)**	(5.9)

* *Refer to restatement note 42.*

Rmillion		GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
7. INCOME TAX EXPENSE					
Current taxation					
– current year		**616.2**	626.0	**528.3**	548.9
– prior year		**(3.5)**	5.2	**0.9**	0.8
Deferred taxation					
– current year		**22.2**	24.9	**17.4**	12.6
– prior year		**0.6**	(12.6)	**(1.8)**	(2.3)
Withholding income tax		**1.4**	1.3	**1.4**	0.5
Total income tax expense		**636.9**	644.8	**546.2**	560.5
Reconciliation of effective taxation rate					
South African current income tax rate at 28% (2017: 28%)	%	**28.0**	28.0	**28.0**	28.0
Dividend income	%			**(0.6)**	(0.5)
Other exempt income and non-deductible expenses#	%	**2.4**	2.1	**2.4**	1.3
Income tax allowances	%	**(0.2)**	(0.2)	**(0.2)**	(0.2)
Withholding income tax	%	**0.1**	0.1	**0.1**	
Prior year income tax (over)/under provision	%	**(0.1)**	(0.3)		(0.1)
Effect of foreign income tax rates	%	**(4.3)**	(3.5)		
Effective rate of taxation	%	**25.9**	26.2	**29.7**	28.5

Includes the fair value movements on the financial liabilities as well as the tax impact on the employee share plan.
* *Refer to restatement note 42.*

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 192 563 180 (2017: 192 555 203). In respect of diluted earnings per share, the weighted average number of ordinary shares (net of treasury shares) was 193 934 172 (2017: 193 807 170).

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

Rmillion		GROUP 2018	GROUP 2017 Restated*
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to ordinary shareholders).	Rmillion	**1 827.2**	1 820.6
Earnings per share:			
Basic	cents	**948.9**	945.5
Diluted	cents	**942.2**	939.4
Number of shares			
Weighted average number of ordinary shares (net of treasury shares) for the purposes of basic earnings per share	'000	**192 563**	192 555
Effect of diluted potential ordinary shares:			
Share options and contingently issuable ordinary shares	'000	**1 371**	1 252
Weighted average number of ordinary shares (net of treasury shares) for the purposes of diluted earnings per share	'000	**193 934**	193 807

* *Refer to restatement note 42.*

Rmillion		GROUP 2018	GROUP 2017 Restated*
9. HEADLINE EARNINGS			
Profit for the year attributable to ordinary shareholders		**1 827.2**	1 820.6
Adjusted for:			
Loss on sale of property, plant and equipment		**34.2**	13.9
– Gross		**37.2**	15.7
– Tax effect		**(3.0)**	(1.8)
Profit on disposal of assets held for sale		**(4.4)**	(7.5)
Fair value adjustment to assets held for sale		**–**	1.2
Impairment of goodwill		**12.3**	9.3
Profit on disposal of businesses		**(9.7)**	(2.8)
Headline earnings		**1 859.6**	1 834.7
Adjusted for exceptional items:			
Fair value adjustment to financial liabilities (refer to note 39)		**127.9**	51.6
Foreign exchange (gains)/losses on financial liabilities (refer to note 39)		**43.5**	(9.9)
Business acquisition costs		**16.3**	3.0
Normalised headline earnings		**2 047.3**	1 879.4
Headline earnings per share:			
Basic	cents	**965.7**	952.8
Diluted	cents	**958.9**	946.6
Normalised headline earnings per share	cents	**1 063.2**	976.0

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

* *Refer to restatement note 42.*

Rmillion		GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
10. DIVIDENDS PAID					
2017 final dividend declared 14 November 2017					
– paid 11 December 2017		**837.8**	789.6	**837.8**	789.6
2018 interim dividend per share declared 30 May 2018					
– paid 25 June 2018		**520.0**	462.1	**520.0**	462.1
Total dividends		**1 357.8**	1 251.7	**1 357.8**	1 251.7
2017 final dividend declared 14 November 2017					
– paid 11 December 2017	cents	**435.0**	410.0	**435.0**	410.0
2018 interim dividend per share declared 30 May 2018					
– paid 25 June 2018	cents	**270.0**	240.0	**270.0**	240.0
Total dividends per share	cents	**705.0**	650.0	**705.0**	650.0

The final dividend for the year ended 30 September 2018 of 459 cents per share declared on 13 November 2018 and payable on 10 December 2018 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 CEO (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 and Switzerland operations are not considered to be similar to those within Southern Africa or each other.

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

The principal activity of the operating segments is 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	Switzerland IAS 19 adjustment	Consolidated total
2018					
Statement of profit or loss					
Total revenue	**69 453.2**	**22 951.6**	**10 602.7**		**103 007.5**
Operating profit	**2 080.3**	**574.4**	**122.5**	**2.1**	**2 779.3**
Profit before tax	**1 841.6**	**537.9**	**82.5**	**2.1**	**2 464.1**
Interest income	**155.1**	**11.0**	**3.2**		**169.3**
Interest expense	**124.0**	**42.9**	**26.0**		**192.9**
Depreciation	**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**	**3 857.3**	**306.8**	**24 145.7**

Rmillion	Southern Africa	Ireland	Switzerland	Switzerland IAS 19 Adjustment	Consolidated Total
2017 Restated*					
Statement of profit or loss					
Total revenue	65 068.1	20 939.8	11 201.4		97 209.3
Operating profit	1 998.9	508.2	95.2	(26.2)	2 576.1
Profit before tax	1 933.7	465.8	92.1	(26.2)	2 465.4
Interest income	180.2	11.1	2.4		193.7
Interest expense	97.2	50.5	28.9		176.6
Depreciation	194.2	203.2	260.3		657.7
Statement of financial position					
Total assets	14 843.0	9 272.3	4 861.5		28 976.8
Total liabilities	10 851.6	7 364.7	3 791.7	408.4	22 416.4

Material non-cash items, relates to the movement in the group's financial liabilities are presented in note 39.

* *Refer to restatement note 42. The comparative segment information has been restated as the CODM considers these operations based on IFRS financial information.*

Rmillion	Freehold land and buildings	Leasehold buildings	Furniture, fittings, plant, equipment and vehicles	Total
	GROUP			
12. PROPERTY, PLANT AND EQUIPMENT				
Carrying value at 30 September 2016	3 236.8	55.1	2 868.4	6 160.3
Cost	3 333.0	59.1	4 434.3	7 826.4
Accumulated depreciation	(96.2)	(4.0)	(1 565.9)	(1 666.1)
Additions	322.5	2.5	850.8	1 175.8
Expansions	320.1	2.5	536.8	859.4
Replacements	2.4		314.0	316.4
Additions through business acquisitions			15.1	15.1
Disposals at net book value	(47.6)	(1.0)	(48.3)	(96.9)
Disposal through sale of business			(6.4)	(6.4)
Depreciation	(1.7)	(1.7)	(654.3)	(657.7)
Effect of foreign currency exchange differences	(31.6)	0.9	(6.4)	(37.1)
Reclassified as assets held for sale			0.8	0.8
Carrying value at 30 September 2017	3 478.4	55.8	3 019.7	6 553.9
Cost	3 576.1	61.6	4 965.9	8 603.6
Accumulated depreciation	(97.7)	(5.8)	(1 946.2)	(2 049.7)
Additions	**47.6**	**3.3**	**774.4**	**825.3**
Expansions	**46.3**	**2.9**	**411.8**	**461.0**
Replacements	**1.3**	**0.4**	**362.6**	**364.3**
Additions through business acquisitions	**165.0**	**32.3**	**34.3**	**231.6**
Disposals at net book value	**(1.9)**	**(3.6)**	**(68.3)**	**(73.8)**
Disposal through sale of business		**(0.4)**	**(11.1)**	**(11.5)**
Depreciation	**(8.3)**	**(1.9)**	**(687.9)**	**(698.1)**
Effect of foreign currency exchange differences	**70.6**	**3.0**	**63.8**	**137.4**
Reclassified as assets held for sale			**2.1**	**2.1**
Carrying value at 30 September 2018	**3 751.4**	**88.5**	**3 127.0**	**6 966.9**
Cost	**3 857.9**	**95.9**	**5 709.1**	**9 662.9**
Accumulated depreciation	**(106.5)**	**(7.4)**	**(2 582.1)**	**(2 696.0)**

Furniture, fittings, plant, equipment and vehicles include vehicles with a carrying value at year-end of R401.3 million (2017: R416.9 million); plant and equipment with a carrying value at year-end of R2 074.7 million (2017: R2 032.1 million); furniture and fittings with a carrying value at year-end of R138.8 million (2017: R129.5 million); and computer equipment with a carrying value at year-end of R512.2 million (2017: R441.2 million).

Rmillion	COMPANY Freehold land and buildings	Leasehold buildings	Furniture, fittings, plant, equipment and vehicles	Total
12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Carrying value at 30 September 2016	1 127.4	9.7	870.5	2 007.6
Cost	1 210.9	12.7	1 877.4	3 101.0
Accumulated depreciation	(83.5)	(3.0)	(1 006.9)	(1 093.4)
Additions	242.0	0.4	310.2	552.6
Expansions	242.0	0.4	217.5	459.9
Replacements			92.7	92.7
Additions through business acquisitions			13.4	13.4
Disposals at net book value	(39.0)		(7.0)	(46.0)
Disposal through sale of businesses			(6.4)	(6.4)
Reclassified as assets held for sale			0.8	0.8
Depreciation		(0.3)	(187.2)	(187.5)
Carrying value at 30 September 2017	1 330.4	9.8	994.3	2 334.5
Cost	1 413.9	13.1	2 139.8	3 566.8
Accumulated depreciation	(83.5)	(3.3)	(1 145.5)	(1 232.3)
Additions	**3.3**	**1.8**	**222.3**	**227.4**
Expansions	**3.3**	**1.5**	**138.4**	**143.2**
Replacements		**0.3**	**83.9**	**84.2**
Additions through business acquisitions			**31.1**	**31.1**
Disposals at net book value	**–**	**(0.6)**	**(7.2)**	**(7.8)**
Disposal through sale of businesses		**–**	**–**	**–**
Reclassified from assets held for sale			**2.0**	**2.0**
Depreciation		**(0.5)**	**(209.1)**	**(209.6)**
Carrying value at 30 September 2018	**1 333.7**	**10.5**	**1 033.4**	**2 377.6**
Cost	**1 417.2**	**14.2**	**2 319.1**	**3 750.5**
Accumulated depreciation	**(83.5)**	**(3.7)**	**(1 285.7)**	**(1 372.9)**

Furniture, fittings, plant, equipment and vehicles include vehicles with a carrying value at year-end of R356.7 million (2017: R377.2 million); plant and equipment with a carrying value at year-end of R360.8 million (2017: R336.0 million); furniture and fittings with a carrying value at year-end of R41.0 million (2017: R36.2 million); and computer equipment with a carrying value at year-end of R274.9 million (2017: R244.9 million)

Carrying value of fixed property encumbered as security for borrowings set out in note 29 is R1 669.0 million (2017: R1 606.9 million).

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
13. GOODWILL AND INTANGIBLE ASSETS				
Goodwill				
Balance at beginning of year	**2 428.3**	2 315.1	**458.0**	421.5
Impairment	**(12.3)**	(9.3)	**(6.5)**	(6.8)
Goodwill derecognised on disposal of business	**(33.7)**	(38.8)		(38.8)
Reclassified from/(to) assets held for sale	**1.6**	1.5	**1.6**	1.5
Business combination	**204.5**	122.5	**52.4**	80.6
Foreign exchange translation	**60.3**	37.3		
Balance at end of year	**2 648.7**	2 428.3	**505.5**	458.0
Analysed as follows:				
Cost	**2 685.2**	2 452.5	**523.7**	469.7
Accumulated impairment	**(36.5)**	(24.2)	**(18.2)**	(11.7)
CGUs with significant goodwill				
SPAR Lowveld distribution centre	**245.6**	245.6	**245.6**	245.6
TIL JV Ltd ('BWG')	**1 342.2**	1 219.4		
GCL 2016 Ltd ('Gilletts')	**344.0**	327.7		
SPAR Holding AG	**325.7**	315.9		
Retail stores	**327.7**	319.7	**259.9**	212.4
Fifth Season Investments (Pty) Ltd	**63.5**			
Closing balance of goodwill	**2 648.7**	2 428.3	**505.5**	458.0
Intangible assets				
Balance at beginning of year	**1 733.9**	1 693.2		
Foreign exchange translation	**54.0**	40.7		
Balance at end of year	**1 787.9**	1 733.9	**–**	–
Analysed as follows:				
Cost	**1 787.9**	1 733.9		
Total goodwill and intangible assets	**4 436.6**	4 162.2	**505.5**	458.0
Analysed as follows:				
Cost	**4 473.1**	4 186.4	**523.7**	469.7
Accumulated impairment	**(36.5)**	(24.2)	**(18.2)**	(11.7)

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 impairment testing

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

Goodwill is allocated to the group's CGUs. 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 disclosed 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.

The value-in-use discounted cash flow model was applied in assessing the carrying value of goodwill. Cash flows were projected over the next 5 year period based on financial budgets or forecasts approved by management.

	GROUP	
	2018 %	2017 %
The following assumptions were applied in determining the value in use of the Southern African entities:		
Discount rate	**13.3**	11.7
Sales growth rate	**6.0**	6.0
Terminal value growth rate	**3.0**	3.0
The following assumptions were applied in determining the value in use of the goodwill for Irish and UK entities:		
Discount rate	**8.5**	10.0
Sales growth rate		
Terminal value growth rate	**2.0**	2.0
The following assumptions were applied in determining the value in use of the Swiss entity:		
Discount rate	**4.5**	3.9
Sales growth rate	**(1.1) – 1.0**	(1.1) – 1.0
Terminal value growth rate	**1.5**	1.0

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

13.2 Intangible assets impairment testing

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

The carrying value of brands relating to the BWG CGU amount to R1 787.9 million (2017: R1 733.9 million).

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

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

	GROUP	
	2018 %	2017 %
Expected return on assets	**16.7 – 20.0**	16.7 – 20.0
Multiplier rate	**5.0**	4.8

The expected return is based on managements is expected return on assets based on past experience, in order to determine the earnings attributable to the company's assets.

The multiplier is based on management's forecast future growth expectations, and is used as a capitalisation rate to calculate the value of the intangible assets.

Brands with indefinite useful lives arising on the acquisition of Londis are now included in the BWG CGU for impairment testing as these have been incorporated into the BWG business.

	Principal place of business	Issued share capital 2018 Rmillion	Issued share capital 2017 Rmillion	Effective holding 2018 %	Effective holding 2017 %	Cost of investment 2018 Rmillion	Cost of investment 2017 Rmillion
14. INVESTMENT IN SUBSIDIARIES							
Subsidiary*							
SAH Ltd(4) (registered in the Isle of Man)	Switzerland	**685.4**	685.4	**100**	100	**685.4**	685.4
TIL JV Ltd(4) (registered in the Isle of Man)	Ireland	**0.1**	0.1	**80**	80	**798.6**	798.6
SPAR South Africa (Pty) Ltd(2)	South Africa	**0**	0	**100**	100		
SPAR Namibia (Pty) Ltd(1) (registered in Namibia)**	Namibia	**0**	0	**100**	100		
The SPAR Group (Botswana) (Pty) Ltd(1) (registered in Botswana)**	Botswana	**0**	0	**100**	100		
SPAR Mozambique Limitada(1) (registered in Mozambique)**	Mozambique	**0**	0	**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	**0**	0	**100**	100		
SPAR Academy of Learning (Pty) Ltd(2)	South Africa	**0**	0	**100**	100		
Nelspruit Wholesalers (Pty) Ltd(5)	South Africa	**0**	0	**100**	100		
SPAR Retail Stores (Pty) Ltd(1)	South Africa	**0**	0	**100**	100	**181.2**	181.2
Kaplian Trading (Pty) Ltd(1)	South Africa	**0**	0	**100**	100	**15.0**	15.0
Rubean Trading (Pty) Ltd(5)	South Africa	**0**	0	**100**	100		
SPAR Mopani Rural Hub (Pty) Ltd(1)	South Africa	**0**	0	**100**	100		
Annison 45 (Pty) Ltd(1)	South Africa	**0**	0	**60**	60		
SPAR Ikhwezi Rural Hub(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)	South Africa	**–**	–	**100**	100	**184.2**	–
Fifth Season Investments (Pty) Ltd(4)	South Africa	**79.8**	–	**60**	60	**74.9**	–
SPAR Trading (Pty) Ltd(4) (Registered in Swaziland)	Swaziland	**–**	–	**100**	–	**–**	–
Consolidated entities****							
The SPAR Guild of Southern Africa(1)***	South Africa						
The Build it Guild of Southern Africa(1)***	South Africa						
The SPAR Group Ltd Employee Share Trust (2004)(1)	South Africa						
The SPAR BBBEE Employee Trust(1)	South Africa						
The SPAR BBBEE Retailer Employee Trust(1)	South Africa						
Total						**1 941.6**	1 682.5

* *The SPAR Group Ltd Employee Share Trust (2004), The SPAR BBBEE Employee Trust, and The SPAR BBBEE Retailer Employee Trust have 28 February as their year-end. All other companies have a 30 September year-end.*

** *All legal entities are incorporated in the Republic of South Africa unless otherwise indicated.*

*** *Non-profit companies over which the company exercises control.*

**** *These entities are consolidated as the group has effective control over these entities due to the group's control over the board.*

(1) *Operating company or entity.*

(2) *Dormant.*

(3) *Property owning company.*

(4) *Holding company.*

(5) *Deregistered.*

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
15. INVESTMENT IN ASSOCIATES AND JOINT VENTURES				
Balance at beginning of year	**117.3**	38.4	**121.6**	32.4
Share of (losses)/income for the year	**(10.9)**	(8.8)		
Investment in associates and joint ventures	**37.8**	69.9	**35.3**	69.9
Loans advanced to associates	**16.9**	23.8	**16.9**	23.8
Repayment of loans during the year	**(1.8)**	(4.5)	**(1.8)**	(4.5)
Payment of dividends	**(2.9)**	(1.5)		
Foreign currency translation	**0.3**			
Balance at end of year	**156.7**	117.3	**172.0**	121.6

Summarised financial statements of the group's share of associates

Rmillion	GROUP 2018	GROUP 2017
Statement of profit or loss		
Revenue	**622.8**	139.1
(Losses)/income for the year attributable to ordinary shareholders	**(10.9)**	(8.8)
Statement of financial position		
Total assets	**210.9**	88.6
Total liabilities	**(161.2)**	(65.7)
Net assets	**49.7**	22.9

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

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

		Shareholding in associates and joint ventures 2018 %	Shareholding in associates and joint ventures 2017 %	GROUP 2018 Rmillion	GROUP 2017 Rmillion	COMPANY 2018 Rmillion	COMPANY 2017 Rmillion
SPAR Harare (Pvt) Ltd	(associate)	**35.0**	35.0				
Gezaro Retailers (Pty) Ltd	(associate)	**40.0**	40.0	**14.6**	14.7	**17.4**	18.1
Monteagle Merchandising Services (Pty) Ltd	(associate)	**50.0**	50.0	**26.2**	24.5	**9.7**	9.7
SPAR Zambia Ltd	(associate)	**47.9**	47.9	**51.0**	43.8	**73.5**	56.6
SPAR SL (Private) Ltd	(joint venture)	**50.0**	50.0	**27.6**	14.4	**37.4**	17.2
Tradefirm 15 (Pty) Ltd	(associate)	**48.3**	43.8	**18.7**	19.9	**18.9**	20.0
Dendostax (Pty) Ltd	(associate)	**48.3**	–	**15.1**	–	**15.1**	–
Fresh Opportunities Ltd	(associate)	**38.0**	–	**3.5**	–	**–**	–
Total				**156.7**	117.3	**172.0**	121.6

The group has a 35% shareholding in SPAR Harare (Pvt) Ltd, which is no longer operational. The entire investment in this associate has been written down.

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

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

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

In December 2016, the group invested in 50% of the equity of SPAR SL (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 increase its share holding to 48.3%, through a share re-arrangement agreement.

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

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

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
16. OTHER INVESTMENTS				
Balance at beginning of year	**57.7**	54.2	**4.8**	1.6
Additional investments during the year		3.2		3.2
Fair value adjustments	**(0.1)**	1.8		
Transfer to investment in associate	**(1.4)**		**(1.4)**	
Disposals	**(0.2)**		**(0.2)**	
Foreign exchange differences	**1.9**	(1.5)		
Balance at end of year	**57.9**	57.7	**3.2**	4.8
Analysed as follows:				
Group Risk Holdings (Pty) Ltd	**2.2**	2.4	**2.2**	2.4
Hypo Vorarlberg bank security deposit	**54.7**	52.9		
Investment in Dendostax (Pty) Ltd		1.4		1.4
Investment in The SA SME Fund Ltd	**1.0**	1.0	**1.0**	1
Total	**57.9**	57.7	**3.2**	4.8

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

As at the 2018 financial year end, The SPAR Group Ltd has a 7.36% (2017: 8.00%) shareholding in GRH.

Please see financial instruments accounting policy note 1.19.

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

The group increase its shareholding in Dendostax (Pty) Ltd from 14.3% to 48.3%, to which the group assessed this to represent significant influence which resulted in the investment being equity accounted.

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

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
17. OPERATING LEASE RECEIVABLES AND PAYABLES				
Operating lease receivables	**258.7**	186.1	**264.2**	195.5
Less current portion	**(50.4)**	(60.7)	**(50.4)**	(60.7)
Non-current operating lease receivables	**208.3**	125.4	**213.8**	134.8
Operating lease payables	**282.5**	204.2	**282.5**	204.2
Less current portion	**(51.5)**	(62.8)	**(51.5)**	(62.8)
Non-current operating lease payables	**231.0**	141.4	**231.0**	141.4

The group has entered into various non-cancellable operating lease agreements in respect of rented premises. Other than for those premises occupied by the group, the premises are sub-let to SPAR retailers. Leases are contracted for periods of up to 10 years, some with renewal options. Rentals comprise minimum monthly payments and additional payments based on turnover levels. Refer to note 35.

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

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
18. LOANS				
Retailer loans	**793.9**	522.6	**488.8**	262.6
Advance to The SPAR Group Ltd Employee Share Trust (2004)			**10.0**	16.1
Loan to Group Risk Holdings (Pty) Ltd	**0.4**	0.5	**0.4**	0.5
Total	**794.3**	523.1	**499.2**	279.2
Less current portion	**(97.9)**	(116.9)	**(44.6)**	(35.3)
Non-current loans	**696.4**	406.2	**454.6**	243.9

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. 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 a loan is considered irrecoverable, the debt is written off.

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 26). This advance constitutes a loan and a contribution. The loan portion is recoverable from the trust upon exercise of share options to the extent of the sum of option strike prices of options exercised. The contribution portion will be the difference between the cost price of treasury shares and the option strike prices of the equivalent number of treasury shares utilised to satisfy option holders who exercise their option rights.

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
19. DEFERRED TAXATION				
Asset				
Deferred taxation asset analysed by major category:				
Property, plant and equipment	**(0.1)**	(180.2)		(180.4)
Provisions, claims and prepayments	**14.5**	201.6		190.2
Balance at end of year	**14.4**	21.4	**–**	9.8
Reconciliation of deferred taxation asset:				
Balance at beginning of year	**21.4**	30.9	**9.8**	17.3
Restatement		5.9		5.9
Business acquisition	**4.9**			
Profit or loss effect	**(12.0)**	(12.2)	**(9.9)**	(10.2)
Other comprehensive income effect	**0.1**	(3.2)	**0.1**	(3.2)
Balance at end of year	**14.4**	21.4	**–**	9.8
Liability				
Deferred taxation liability analysed by major category:				
Property, plant and equipment and intangible assets	**(639.9)**	(439.1)	**(193.8)**	
Defined benefit obligations	**102.0**	129.3		
Provisions and other	**124.8**	(51.4)	**188.1**	
Balance at end of year	**(413.1)**	(361.2)	**(5.7)**	–
Reconciliation of deferred taxation liability:				
Balance at beginning of year	**(361.2)**	(290.7)		
Profit or loss effect	**(10.8)**	0.1	**(5.7)**	
Exchange rate translation	**(14.1)**	(3.3)		
Other comprehensive income effect	**(27.0)**	(67.3)		
Balance at end of year	**(413.1)**	(361.2)	**(5.7)**	–
Total net (liability)/asset	**(398.7)**	(339.8)	**(5.7)**	9.8

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

* *Refer to restatement note 42.*

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
20. INVENTORIES				
Merchandise	**4 016.6**	3 884.1	**1 815.7**	1 918.0
Less provision for obsolescence	**(83.5)**	(67.7)	**(26.4)**	(27.7)
Total inventories	**3 933.1**	3 816.4	**1 789.3**	1 890.3
Shrinkages and damages written off	**141.4**	131.8	**37.9**	34.7

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
21. TRADE AND OTHER RECEIVABLES				
Trade receivables	**11 230.8**	10 002.5	**7 776.0**	6 901.0
Allowance for doubtful debts	**(628.5)**	(602.7)	**(137.1)**	(169.4)
Net trade receivables	**10 602.3**	9 399.8	**7 638.9**	6 731.6
Other receivables	**1 532.1**	1 414.5	**884.1**	894.7
Total trade and other receivables	**12 134.4**	10 814.3	**8 523.0**	7 626.3
The other receivables balance includes loans made by The SPAR Guild of Southern Africa to SPAR retail members.				
Movement in the allowance for doubtful debts:				
Balance at beginning of year	**(602.7)**	(654.9)	**(169.4)**	(161.8)
Allowance raised during the year	**(196.2)**	(265.1)	**(60.3)**	(85.1)
Allowance reversed during the year	**211.7**	322.7	**92.6**	77.5
Business acquisition	**(25.6)**			
Exchange rate translation	**(15.7)**	(5.4)		
Balance at end of year	**(628.5)**	(602.7)	**(137.1)**	(169.4)
Irrecoverable debts written off net of recoveries	**140.2**	190.4	**110.0**	89.4

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 allowance for doubtful debts represents management's estimate of the extent to which trade receivables at the reporting date will not be subsequently recovered. This estimate takes into consideration past trends and makes an assessment of additional risk factors, which are likely to impact recoverability. To the extent considered irrecoverable, debts are written off. It is a prerequisite for appropriate security to be obtained from retailers to reduce the level of credit exposure. Standard credit terms granted to members are as follows:

SPAR

Ex-warehouse supply	19/25 days from weekly statement
Ex-direct supplier delivery	25/31 days from weekly statement

Build it

Ex-direct supplier delivery	38/48 days from weekly statement

Included in trade receivables are debtors with a net carrying amount of R543.9 million (2017: R515.0 million) which are past due at a group level and R320.5 million (2017: R358.2 million) at a company level. The group has not provided for these amounts as there has not been a significant change in credit quality of the debts and the amounts are considered recoverable. The directors consider the carrying amount of trade and other receivables to approximate their fair value.

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
22. TAXATION PAID				
Payable/(receivable) at beginning of year	**87.7**	79.5	**15.4**	28.5
Business acquisition (refer to note 33)	**(0.4)**			
Exchange rate translation	**2.8**	2.3		
Charge to profit or loss (refer to note 7)	**614.1**	632.5	**530.5**	550.3
Net payable at end of year	**(95.4)**	(87.7)	**(24.1)**	(15.4)
Total taxation paid	**608.8**	626.6	**521.8**	563.4

23. CASH AND CASH EQUIVALENTS/OVERDRAFTS

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

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
Bank balances – guilds	**188.5**	132.2	**–**	–
Bank balances – trusts	**40.8**	42.7		
Bank balances – guilds and trusts	**229.3**	174.9	**–**	–
Bank balances – SPAR	**1 377.6**	1 565.6	**306.9**	409.3
Bank overdrafts – SPAR	**(8.7)**	(268.5)		
Net cash balances	**1 598.2**	1 472.0	**306.9**	409.3

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
24. ASSETS HELD FOR SALE				
Freehold properties held for sale (24.1)	**9.6**	14.0		
Assets acquired with ADM Londis for disposal (24.2)	**–**	123.3		
Assets related to retail stores (24.3)	**–**	3.7	**–**	3.7
Assets held for sale	**9.6**	141.0	**–**	3.7

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

No impairment loss was recognised at 30 September 2018 as the directors of the company expect that the fair value (estimated based on recent market prices of similar properties in similar locations and the average of recent rental returns yielded) less costs to sell is higher than its carrying amount. Disposals during the current year pertain to property which was sold for net proceeds of R8.9 million.

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
Reconciliation of Freehold properties held for sale				
Balance at beginning of year	**14.0**	32.7	**–**	–
Disposals	**(4.5)**	(18.0)		
Translation differences	**0.1**	(0.7)		
Balance at end of year	**9.6**	14.0	**–**	–

24. ASSETS HELD FOR SALE (CONTINUED)

24.2 The group acquired a number of freehold properties and legacy debtors, as a part of the ADM Londis plc business combination in 2015. During the course of the year a portion of the assets has been realised for total proceeds of R18.6 million and the remainder was disposed of to ADM Mersey Nominees Ltd on 7 June 2018.

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
Reconciliation of assets acquired with ADM Londis plc				
Balance at beginning of year	**123.3**	120.8	**–**	–
Disposals	**(101.7)**	(0.4)		
Disposal as part of sale of business	**(18.6)**			
Translation differences	**(3.0)**	2.9		
Balance at end of year	**–**	123.3	**–**	–

24.3 As at 30 September 2017, the group intended to dispose of the Kragga Kamma Kwikspar and TOPS stores. The sale of these stores was not concluded in the current year. These were tested against fair value, and transferred to property, plant and equipment and goodwill.

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
Assets of stores classified as held for sale				
Balance at beginning of year	**3.7**	7.2	**3.7**	7.2
Transfers (to)/from assets	**(3.7)**	(2.3)	**(3.7)**	(2.3)
Impairment		(1.2)		(1.2)
Balance at end of year	**–**	3.7	**–**	3.7

25. STATED CAPITAL

25.1 Authorised				
250 000 000 (2017: 250 000 000) ordinary shares				
Issued and fully paid				
192 602 355 (2017: 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. STATED CAPITAL (CONTINUED)

25.2 Shares subject to option

Details of share options granted in terms of the company's share option scheme are as follows:

		Number of shares under option	
Option strike price per share	Option exercisable until	2018	2017
R58.10	3 December 2017		49 000
R50.23	11 November 2018	**1 092**	238 000
R66.42	10 November 2019	**191 700**	306 200
R95.11	16 November 2020	**172 700**	290 800
R99.91	8 December 2020	**75 000**	98 200
R96.46	8 November 2021	**365 800**	548 900
R122.81	13 November 2022	**448 000**	656 600
R126.43	12 November 2023	**552 100**	736 100
R124.22	7 February 2024	**50 000**	50 000
Total		**1 856 392**	2 973 800

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

26. TREASURY SHARES

During the year, The SPAR Group Ltd Employee Share Trust (2004) purchased 1 115 227 (2017: 710 086) shares in the company at an average purchase price per share of R197.68 (2017: R180.83). 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 297 791 shares (2017: 8 372) (refer to note 38.3) at an average purchase price per share of R200.48 (2017: R166.9) amounting to R59.7 million (2017: R1.4 million). This was done to settle participants considered as 'good leavers' in terms of The SPAR Group Ltd Conditional Share Plan (CSP).

	GROUP	
Rmillion	**2018**	2017
Cost of shares		
Balance at beginning of year	**16.1**	18.7
Share repurchases	**281.1**	129.8
Settlement of share-based payments	**(59.7)**	(1.4)
Shares sold to option holders on exercise of share option rights	**(227.5)**	(131.0)
Balance at end of year	**10.0**	16.1

	Number of shares held	
	2018	2017
Shares held in trust		
Balance at beginning of year	**96 473**	94 421
Share repurchases	**1 115 227**	710 086
Shares sold to option holders on exercise of share option rights	**(1 158 500)**	(708 034)
Balance at end of year	**53 200**	96 473

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Rmillion	The SPAR Group Limited Defined Benefit Pension Fund 2018	2017	The BWG Group Retirement Funds 2018	2017	The SPAR Handels AG Retirement Funds 2018	2017	Total 2018	2017
27.1 Retirement benefit funds								
Fair value of fund assets								
Balance at beginning of year	**21.7**	21.6	**974.4**	899.4	**1 610.6**	1 519.1	**2 606.7**	2 440.1
Expected return on fund assets	**1.3**	2.0					**1.3**	2.0
Interest income on plan assets			**19.3**	11.1	**10.4**	2.2	**29.7**	13.3
Remeasurement – return on plan assets (excluding interest income)			**30.2**	28.9	**27.7**	57.7	**57.9**	86.6
Contributions		0.4	**48.4**	46.0	**89.2**	92.2	**137.6**	138.6
Benefits paid	**(16.1)**	(1.5)	**(109.2)**	(36.5)	**(181.0)**	(19.4)	**(306.3)**	(57.4)
Actuarial gain/(loss)	**(0.1)**	(0.8)					**(0.1)**	(0.8)
Exchange rate translation			**29.7**	25.5	**52.1**	(41.2)	**81.8**	(15.7)
Balance at end of year	**6.8**	21.7	**992.8**	974.4	**1 609.0**	1 610.6	**2 608.6**	2 606.7
Present value of defined benefit obligation								
Balance at beginning of year	**(15.2)**	(12.4)	**(1 261.6)**	(1 383.7)	**(2 108.6)**	(2 270.6)	**(3 385.4)**	(3 666.7)
Interest cost	**(0.9)**	(1.2)	**(24.7)**	(16.8)	**(12.7)**	(3.2)	**(38.3)**	(21.2)
Remeasurement (effect of changes in financial assumptions)					**101.3**	193.8	**101.3**	193.8
Current service cost		(0.4)	**(24.6)**	(23.1)	**(56.7)**	(71.4)	**(81.3)**	(94.9)
Benefits paid/accrued to be paid	**16.1**	1.5	**109.2**	36.5	**181.0**	19.4	**306.3**	57.4
Plan participants contributions			**(3.9)**	(4.2)	**(44.6)**	(46.1)	**(48.5)**	(50.3)
Past service costs					**16.4**		**16.4**	
Actuarial gain/(loss)		(2.7)	**(1.3)**	151.7			**(1.3)**	149.0
Exchange rate translation			**(36.2)**	(22.0)	**(59.3)**	69.5	**(95.5)**	47.5
Balance at end of year	**–**	(15.2)	**(1 243.1)**	(1 261.6)	**(1 983.2)**	(2 108.6)	**(3 226.3)**	(3 385.4)

The net surplus relating to the SPAR Group Ltd Defined Benefit Fund is not recognised in the statement of financial position. The SPAR Group Ltd is not liable for the obligations of the fund while the fund assets exceed the fund liabilities. Therefore actuarial gains and losses are not recognised for this fund.

27. POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

			The SPAR Group Limited Defined Benefit Pension Fund		The BWG Group Retirement Funds		The SPAR Handels AG Retirement Funds		Total	
	Rmillion		**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
27.1	**Retirement benefit funds** (continued)									
	Amounts recognised on the statements of financial position									
	Present value of fund obligations				**(1 243.1)**	(1 261.6)	**(1 983.2)**	(2 108.6)	**(3 226.3)**	(3 370.2)
	Fair value of plan assets				**992.8**	974.4	**1 609.0**	1 610.6	**2 601.8**	2 585.0
	Net liability recognised in the statement of financial position		**–**	–	**(250.3)**	(287.2)	**(374.2)**	(498.0)	**(624.5)**	(785.2)
	Amounts recognised on the statement of profit or loss and other comprehensive income									
	Statement of profit or loss				**(30.0)**	(28.8)	**(42.6)**	(72.4)	**(72.6)**	(101.2)
	Current service cost				**(24.6)**	(23.1)	**(56.7)**	(71.4)	**(81.3)**	(94.5)
	Past service costs						**16.4**		**16.4**	
	Net interest on obligation				**(5.4)**	(5.7)	**(2.3)**	(1.0)	**(7.7)**	(6.7)
	Other comprehensive income				**28.9**	180.6	**129.0**	251.5	**157.9**	432.1
	Remeasurement – return on plan assets (excluding interest income)				**30.2**	28.9	**27.7**	57.7	**57.9**	86.6
	Remeasurement – defined benefit obligation (changes in assumptions)						**101.3**	193.8	**101.3**	193.8
	Net actuarial gains/(losses) recognised in the current year				**(1.3)**	151.7			**(1.3)**	151.7
	The fair value of plan assets at end of period for each category are as follows:									
	Cash and cash equivalents	(%)			**2.8**	4.0	**0.5**	1.9		
	Equities	(%)	**93.0**	94.0	**53.5**	52.0	**34.7**	29.9		
	Property	(%)	**7.0**	6.0	**7.5**	7.0	**27.6**	10.9		
	Fixed interest bonds	(%)			**36.2**	37.0	**37.2**	57.3		
			100.0	100.0	**100.0**	100.0	**100.0**	100.0		
	Sensitivity of pension cost trend rates									
	The impact on the defined benefit obligation, based on a quantitative sensitivity analysis for the pension cost trend rate, is set out below:	(%)								
	Defined benefit obligation	0.5			**(118.1)**	(113.5)	**(158.3)**	(180.5)		
	Defined benefit obligation	(0.5)			**136.7**	75.7	**182.8**	209.8		
	The key actuarial assumptions applied in the determination of fair values include:									
	Inflation rate	(%)		5.0	**1.7**	1.7	**0.7**	0.6		
	Salary escalation rate	(%)		6.0	**1.7**	1.7	**1.0**	1.0		
	Discount rate	(%)		9.0	**2.2**	2.1	**1.0**	0.6		
	Expected rate of return on plan assets	(%)		9.0	**2.1**	1.3	**2.7**	2.3		

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 Limited 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 R124.1 million (2017: R115.9 million) and R121.8 million (2017: R113.8 million) were expensed for the group and company respectively during the year.

The SPAR Group Limited Defined Benefit Pension Fund

Since the last valuation, members have ceased contributions into this fund effective 1 August 2017 and all active members of the SPAR Group Ltd Defined Benefit Pension Fund have been transferred to the Old Mutual Superfund Pension and Provident Fund respectively, as selected by the members, after approval has been received from the Financial Services Board. The effective date of transfer is 1 August 2017. No assumptions were set for the current valuation. The best estimate was used to determine the conversion values as at 1 August 2017. The group is one of the participating employers in those funds. SPAR has resolved that the employer surplus of R6.8m would be utilised to take an employer contribution holiday in respect of the Old Mutual Superfund Defined Contribution Provident Fund. SPAR has active members in this Transferee Fund and would like to utilise its employer surplus account towards its obligations in this fund.

The BWG Group Retirement Funds (Ireland)

The BWG Group contributes towards retirement benefits for approximately 1 012 (2017: 1 066) 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 cost or credit and net expense or income are recognised to profit or loss. The defined benefit pension schemes obligations were valued at R1 243.1 million (2017: R1 261.6 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 represents 80.0% (2017: 77.0%) of the plan liabilities.

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

The BWG Group Contribution Funds

The BWG Group operates a number of defined contribution pension schemes. Contributions of R15.9 million (2017: R13.6 million) were expensed during the year.

The SPAR Holding AG Retirement Funds (Switzerland)

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

SPAR Switzerland Retirement Funds contribute towards retirement benefits for approximately 1 268 (2017: 1 406) current and former employees.

The next actuarial valuation of the defined benefit schemes will take place on 31 March or 30 September 2019.

These schemes are closed to further membership.

27. POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

27.2 Post retirement medical aid provision

		GROUP		COMPANY	
Rmillion		**2018**	2017	**2018**	2017
Balance – actuarial valuation at beginning of year		**(155.0)**	(156.4)	**(155.0)**	(156.4)
Recognised as an expense during the current year		**(16.3)**	(17.6)	**(16.3)**	(17.6)
Interest cost		**(13.5)**	(14.3)	**(13.5)**	(14.3)
Current service cost		**(2.8)**	(3.3)	**(2.8)**	(3.3)
Employer contributions		**8.5**	7.6	**8.5**	7.6
Actuarial gain/(loss)		**(0.3)**	11.4	**(0.3)**	11.4
Balance at end of year		**(163.1)**	(155.0)	**(163.1)**	(155.0)
The principal actuarial assumptions applied in the determination of fair values include:					
Discount rate – in service members	%	**10.0**	9.6	**10.0**	9.6
Discount rate – continuation members	%	**9.3**	8.6	**9.3**	8.6
Medical inflation – in service members	%	**7.7**	7.9	**7.7**	7.9
Medical inflation – continuation members	%	**7.3**	7.1	**7.3**	7.1
Average retirement age	years	**63/65**	63/65	**63/65**	63/65

The obligation of the 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 265 (2017: 267) pensioners and current employees who remain entitled to this benefit. The expected payments to retired employees for the next financial year is R9.6 million (2017: R8.5 million).

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

		Discount rate		Medical inflation	
Rmillion	Sensitivity % change	**2018**	2017	**2018**	2017
Defined benefit obligation	1.0	**(16.1)**	(16.2)	**20.0**	18.8
Defined benefit obligation	(1.0)	**19.4**	19.6	**(17.0)**	(16.0)

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 2018 and the next valuation is expected to be performed during the 2019 financial year.

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
28. FINANCIAL LIABILITIES				
Present value				
TIL JV Ltd	**1 216.2**	963.8	**1 216.2**	963.8
SPAR Holding AG	**777.5**	736.3		
Fifth Season Investments (Pty) Ltd	**49.2**	–		
Total	**2 042.9**	1 700.1	**1 216.2**	963.8
Undiscounted value				
TIL JV Ltd	**1 389.2**	1 194.1	**1 389.2**	1 194.1
SPAR Holding AG	**813.2**	823.0		
Fifth Season Investments (Pty) Ltd	**86.2**	–		
Total	**2 288.6**	2 017.1	**1 389.2**	1 194.1

The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 August 2014. The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model. An election was made not to recognise a non-controlling interest, but to fair value the financial liability. The financial liability is calculated as the present value of the non-controlling interests share of the expected purchase value and discounted from the expected exercise dates to the reporting date. As at 30 September 2018, the financial liability was valued at R1 216.2 million (2017: R963.8 million) based on management's expectation of future profit performance. The group has recognised 100% of the attributable profit.

Repayments will commence in December 2019 and continue in 2020 and 2022.

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs. The estimated future purchase price is fair valued at each reporting date and any changes in the value of the liability as a result of changes in the assumptions used to estimate the future purchase price are recorded in profit or loss.

In both 2018 and 2017 a fair value adjustment was made to the TIL JV Ltd financial liability relating to changes in forecast profits.

The SPAR Group Ltd acquired a controlling shareholding of 60% in the SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd, effective from 1 April 2016. Part of the purchase price of this 60% shareholding is a deferred consideration of CHF16.0 million, which will be paid between December 2020 and February 2021 with the purchase of the remaining 40% of SPAR Holding AG. The purchase of the remaining 40% shareholding is at a set price of CHF40.3 million. The total obligation of CHF56.3 million was accounted for as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. An election was made not to recognise the non-controlling interest's share of profits or losses in equity, but rather as the movement in the fair value of the discounted financial liability to purchase the remaining 40% shareholding.

Interest is recorded in respect of this liability within finance costs using the effective interest rate method. The net exchange differences on the financial liability have been presented in finance costs.

The SPAR Group Ltd acquired a 60% shareholding in Fifth Season Investments 126 (Pty) Ltd which trades as S Buys, effective 1 October 2017. 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 2018, the financial liability was valued at R49.2 million based on management's expectation of future profit performance.

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.

Refer to note 39 movements in level 3 financial instruments carried at fair value for a reconciliation of the opening and closing balance of the financial liabilities discussed above.

Rmillion	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
29. BORROWINGS				
Foreign				
Loans secured by mortgage bonds over fixed property	**3 529.2**	3 548.2		
Syndicated bank term loans	**880.9**	976.6		
Total borrowings at amortised cost	**4 410.1**	4 524.8		
Less short-term portion of borrowings	**(433.6)**	(364.4)		
Long-term portion of borrowings	**3 976.5**	4 160.4	**–**	–
Schedule of repayment of borrowings				
Year to September 2018	**–**	382.5		
Year to September 2019	**435.0**	371.9		
Year to September 2020	**513.7**	2 218.4		
Year to September 2021	**2 086.6**	75.3		
Year to September 2022	**1.3**	1 701.0		
Year to September 2023 onwards	**1 382.1**			
Undisclosed value of total borrowings	**4 418.7**	4 749.1	**–**	–

TIL JV Ltd has undrawn committed facilities of R878.3 million (2017: R263.8 million) as at 30 September 2018. SPAR Holding AG has undrawn banking facilities of R464.9 million (2017: R421.4 million) as at 30 September 2018.

Terms and debt repayment schedule

	Currency	Year-end nominal interest rate 2018 %	Year-end nominal interest rate 2017 %	Year of maturity 2018	Year of maturity 2017	Carrying value 2018 Rmillion	Carrying value 2017 Rmillion
Secured borrowings	EUR	**1.5**	1.8	**2020**	2020	**2 591.6**	2 612.3
Secured borrowings	CHF	**0.6 – 2.3**	0.8 – 2.4	**2018 – 2025**	2017 – 2025	**937.6**	935.9
Unsecured borrowings	CHF	**0.8 – 2.0**	0.9 – 2.0	**2018 – 2024**	2017 – 2021	**880.9**	976.6
						4 410.1	4 524.8

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 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
30. TRADE AND OTHER PAYABLES				
Trade payables	**11 704.4**	10 342.6	**7 453.4**	6 507.9
Other payables	**3 531.9**	3 110.1	**1 863.2**	1 557.7
Trade and other payables	**15 236.3**	13 452.7	**9 316.6**	8 065.6

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

Rmillion	GROUP Supplier claims	Termination of leases	Onerous lease provisions	Total
31. PROVISIONS				
2018				
Balance at beginning of year	**5.4**	**75.4**	**6.4**	**87.2**
Provisions raised/(reversed)	**4.2**	**6.3**	**(0.8)**	**9.7**
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**
	GROUP			
2017				
Balance at beginning of year	3.0	80.9	13.0	96.9
Provisions raised/(reversed)	3.0	12.8	(2.6)	13.2
Provisions utilised	(0.6)	(19.7)	(3.7)	(24.0)
Exchange rate translation		1.4	(0.3)	1.1
Balance at end of year	5.4	75.4	6.4	87.2
Analysed as follows:				
Non-current provisions		38.7	3.2	41.9
Current provisions	5.4	36.7	3.2	45.3
	COMPANY			
Balance at beginning of year	3.0	–	–	3.0
Provisions raised	3.0			3.0
Provisions utilised	(0.6)			(0.6)
Balance at end of year	5.4	–	–	5.4
Analysed as follows:				
Current provisions	5.4	–	–	5.4

The provisions for supplier claims, termination of leases and onerous leases represents management's best estimate of the group's liability. The supplier claims provision represents the value of disputed deliveries and other issues. Termination of leases relates to specific leases which have been identified for surrender. The provision is based on historic experience of three years' rental to surrender. Onerous lease provisions 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 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
32. CASH GENERATED FROM OPERATIONS				
32.1 Cash generated from operations				
Operating profit	**2 779.3**	2 576.1	**2 074.4**	2 020.2
Depreciation	**698.1**	657.7	**209.6**	187.5
Net loss on disposal of property, plant and equipment	**37.2**	15.7	**1.8**	1.9
Net profit on assets held for sale	**(4.4)**	(7.5)		
Post-retirement medical aid provision	**7.8**	10.0	**7.8**	10.0
Retirement benefit fund provision	**(16.6)**	13.3		
Share-based payments	**23.9**	33.3	**23.9**	33.3
Provision against loans and trade receivables	**7.6**	(52.3)	**(32.2)**	13.0
Amortisation of prepaid cost	**8.6**	10.9		
Lease smoothing adjustment	**11.2**	10.6	**9.5**	4.6
Profit on disposal of businesses	**(9.7)**	(2.8)		(2.8)
Impairment of goodwill	**12.3**	9.3	**6.5**	6.8
Fair value adjustment	**0.1**	(0.6)		1.2
Exchange rate translation		(1.0)	**(6.5)**	(5.4)
Cash generated from operations before:	**3 555.4**	3 272.7	**2 294.8**	2 270.3
Net working capital changes	**416.3**	13.0	**488.2**	90.8
Decrease/(increase) in inventories	**94.7**	(23.7)	**102.5**	(113.5)
Increase in trade and other receivables	**(1 094.0)**	(221.7)	**(868.1)**	(317.6)
Increase in trade payables and provisions	**1 415.6**	258.4	**1 253.8**	521.9
Cash generated from operations	**3 971.7**	3 285.7	**2 783.0**	2 361.1
32.2 Net movement in loans and investments	**(303.0)**	(336.3)	**(575.2)**	(253.1)
Cash inflows on loans and investments#	**398.8**	450.9	**28.4**	25.8
Proceeds from disposal of other investments	**0.2**		**0.2**	
Advances on block discounting loans	**282.3**	257.5		
Dividends from associates	**2.9**	1.5		
Repayments of retailer and subsidiary loans	**113.3**	191.9	**28.1**	25.8
Loan to The SPAR Group Ltd Employee Share Trust (2004)				
Repayments of loans from related parties	**0.1**		**0.1**	
Cash outflows of loans and investments#	**(701.8)**	(787.2)	**(603.6)**	(278.9)
Advances on block discounting loans to retailer	**(282.3)**	(257.5)		
Other investments acquired		(3.2)		(3.2)
Advances on retailer and subsidiary loans	**(368.0)**	(441.4)	**(438.3)**	(116.0)
Investment in associates	**(36.3)**	(69.9)	**(33.8)**	(69.9)
Loans to related parties		(0.2)		(0.2)
Loan to The SPAR Group Ltd Employee Share Trust (2004)			**(116.3)**	(74.6)
Loan to associate	**(15.2)**	(15.0)	**(15.2)**	(15.0)

Restatement of presentation of investing activities
The presentation of cash flows relating to loans and investments and borrowings have been re-presented to reflect the gross movements in line with IAS 7 (para 21). The restatement of the presentation did not result in a change to the net cash flows from investing and financing activities respectively.

* *Refer to restatement note 42.*

Rmillion	GROUP 2018	GROUP 2017
32. CASH GENERATED FROM OPERATIONS (CONTINUED)		
32.3 Net debt reconciliation		
Balance at beginning of year	**4 524.8**	4 430.2
Proceeds from borrowings	**–**	156.2
Repayments of borrowings	**(252.0)**	(76.8)
Foreign exchange adjustments	**128.8**	4.4
Other changes	**8.5**	10.9
Balance at end of year	**4 410.1**	4 524.9

33. BUSINESS COMBINATIONS

33.1 Acquisition of S Buys pharmaceutical wholesaler

The group purchased a 60% shareholding in Fifth Season Investments 126 (Pty) Ltd which trades as S Buys, a pharmaceutical wholesaler, effective 1 October 2017. The final consideration paid for these shares was R74.9 million. This purchase was made in order to grow the Pharmacy at SPAR business. The group will 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 is recognised as a financial liability at the present value of the obligation, discounted from the expected settlement date to the reporting date. At acquisition, the non-controlling interest was recognised at the proportionate share of the net assets of the business. The non-controlling interest's share of profits or losses is not recognised in equity, but as the movement in the fair value of the discounted financial liability to purchase the remaining shareholding. None of the goodwill recognised on acquisition is expected to be deductible for tax purposes. The initial accounting for the acquisition of S Buys was provisional for the value of intangible assets acquired as the valuation of these assets had not yet been completed. This process has now been finalised with no resulting changes to the values disclosed for the business combination.

Purchase of commercial property

The group purchased a commercial property for R165.0 million, which is a shopping centre in Pinetown, KwaZulu-Natal, adjacent to the SPAR head office. This shopping centre houses a range of tenants, including certain group functions, from which the company derives rental income. The property was purchased by a wholly owned subsidiary of The SPAR Group Ltd, Knowles Shopping Centre Investments (Pty) Ltd. This acquisition was funded from available cash resources. The initial accounting for the acquisition of the commercial property was provisional for the value of deferred tax. This is now finalised with no resulting change to the values disclosed for the business combination.

Retail stores acquired

During the course of the financial year the group acquired the assets of seven (2017: seven) retail stores in South Africa and GCL 2016 Ltd (Gilletts), a subsidiary of the BWG Group, acquired the assets of two (2017: four) retail stores in the United Kingdom (UK) as well as one store in Ireland (2017: none). 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.

Acquisition of 4 Aces Wholesale Ltd (4 Aces)

The BWG Group acquired the entire issued share capital of 4 Aces, a leading independent wholesaler supplying the grocery retail, licensed and foodservice trades in Ireland. Formal approval and clearance was received from the regulating authority in early May, and the acquisition completed on 11 May 2018.

33. BUSINESS COMBINATIONS (CONTINUED)

Assets acquired and liabilities assumed at date of acquisition

	GROUP					
	2018					
Rmillion	**Fifth Season Investments 126 (Pty) Ltd**	**Knowles Shopping Centre Investments (Pty) Ltd**	**UK retail stores**	**4 Aces**	**SA retail stores**	**Total**
Assets	**196.8**	**165.0**	**58.5**	**234.7**	**32.7**	**687.7**
Property, plant and equipment	2.8	165.0	32.7	–	31.1	231.6
Goodwill	30.0		–			30.0
Deferred tax asset	4.9					4.9
Inventories	73.2		6.7	63.7	1.5	145.1
Other financial assets	0.4					0.4
Current tax receivable	0.1			0.5		0.6
Trade and other receivables (net of provision)	84.1		2.0	110.1	–	196.2
Cash and cash equivalents	1.3		17.1	60.4	0.1	78.9
Liabilities	**(127.8)**	**–**	**(14.0)**	**(134.8)**	**(1.6)**	**(278.2)**
Finance lease liability	(0.4)					(0.4)
Trade and other payables	(126.5)		(13.9)	(134.8)	(1.6)	(276.8)
Income tax liability	(0.1)		(0.1)			(0.2)
Bank overdraft	(0.8)					(0.8)
Total identifiable net assets at fair value	69.0	165.0	44.5	99.9	31.1	409.5
Goodwill arising from acquisition	33.5		7.1	81.5	52.4	174.5
Non-controlling interest	(27.6)					(27.6)
Purchase consideration transferred	74.9	165.0	51.6	181.4	83.5	556.4
Paid in cash	74.9	165.0	41.4	150.2	83.5	515.0
Contingent consideration			10.2	31.2		41.4
Cash and cash equivalents acquired	(0.5)		(17.1)	(60.4)	(0.1)	(78.1)
Business acquisition costs		0.7		1.1		1.8
Contingent consideration			(10.2)	(31.2)		(41.4)
Net cash outflow on acquisition	**74.4**	**165.7**	**24.3**	**90.9**	**83.4**	**438.7**

GROUP			COMPANY	
2017			**2018**	2017
UK retail stores	SA retail stores	Total		
2.1	15.1	17.2	**32.7**	13.4
	15.1	15.1	**31.1**	13.4
1.7		1.7	**1.5**	
0.4		0.4	**–**	
		–	**0.1**	
–	–	–	**(1.6)**	–
		–		
		–	**(1.6)**	
		–		
		–		
2.1	15.1	17.2	**31.1**	13.4
15.2	107.3	122.5	**52.4**	80.6
		–		
17.3	122.4	139.7	**83.5**	94.0
17.3	122.4	139.7		94.0
		–		
		–	**(0.1)**	
3.0		3.0		
		–		
20.3	122.4	142.7	**83.4**	94.0

33. BUSINESS COMBINATIONS (CONTINUED)

33.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to Non-current assets held for sale relating to ADM Londis in the United Kingdom and four South African retail stores (2017: three retail stores).

	GROUP				COMPANY	
	2018			2017	2018	2017
Rmillion	ADM Londis	SA retail stores	Total	SA retail stores	SA retail stores	SA retail stores
Non-current assets	**101.7**	**45.2**	**146.9**	45.2	**–**	45.2
Property, plant and equipment		**11.5**	**11.5**	6.4	**–**	6.4
Non-current assets held for sale	**101.7**		**101.7**			
Goodwill		**33.7**	**33.7**	38.8	**–**	38.8
Current liabilities	**(108.9)**	**–**	**(108.9)**			
Trade and other payables	**(7.4)**		**(7.4)**			
Deferred consideration payable for ADM Londis	**(101.5)**		**(101.5)**			
Profit on disposal of businesses	**7.2**	**2.5**	**9.7**	2.8	**–**	2.8
Proceeds	**–**	**47.7**	**47.7**	48.0	**–**	48.0

33.3 Contribution to results for the year

	2018						2017		
Rmillion	Fifth Season Investments 126 (Pty) Ltd	Knowles Shopping Centre Investments (Pty) Ltd	SA retail stores	4 Aces	UK retail stores	Total	UK retail stores	SA retail stores	Total
Revenue	**952.7**	**17.5**	**328.6**	**319.0**	**17.2**	**1 635.0**	4.6	468.3	472.9
Trading (losses)/profit before acquisition costs	**17.9**	**8.3**	**(22.9)**	**5.5**	**0.2**	**9.0**	(0.5)	(42.0)	(42.5)

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 acquisition as disclosed in note 5.

	GROUP		COMPANY	
Rmillion	2018	2017	2018	2017
Net cash outflow (note 33.1)	**438.7**	142.7	**83.4**	94.0
Investment in subsidiary			**74.9**	
Costs on potential acquisitions (note 5)	**14.5**		**10.2**	
Total net cash outflow relating to acquisitions	**453.2**	142.7	**168.5**	94.0

34. FINANCIAL GUARANTEES

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

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 covenants monitoring.

The board has limited the guarantee facility to R190.0 million (2017: 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, 979 SPAR stores (2017: 951), 595 TOPS at SPAR stores (2017: 569), 41 Pharmacy at SPAR stores (2017: 31) and 26 Build it stores (2017:4) were participants in the IT retail scheme, with an average debt of R103 414 (2017: R108 438) per store.

The company has also provided a financial guarantee on the TIL JV Limited bank facilities to the value of EUR213.0 million (2017: EUR199.2 million), and the SPAR Holding AG borrowing facilities to the value of CHF30 million (2017: CHF35 million).

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	**2018**	2017	**2018**	2017
– Guarantee of TIL JV Ltd borrowing facilities			**2 591.6**	2 880.8
– Guarantee of SPAR Holding AG borrowing facilities			**433.2**	488.3
– Guarantee of Sun Village Supermarket (Pty) Ltd finance obligations			**15.4**	20.7
– Guarantee of Annison 45 (Pty) Ltd finance obligations			**1.5**	2.3
– Guarantee of Numlite (Pty) Ltd finance obligations	**169.7**	168.5	**169.7**	168.5
	169.7	168.5	**3 211.4**	3 560.6

35. COMMITMENTS

35.1 Operating lease commitments

Future minimum lease payments

Rmillion	GROUP Land and buildings	GROUP Other	COMPANY Land and buildings	COMPANY Other
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**
2017				
Payable within one year	1 804.0	69.9	820.4	3.2
Payable later than one year but not later than five years	5 495.4	144.0	3 004.4	1.8
Payable later than five years	4 357.3	16.0	2 109.5	0.1
Total	11 656.7	229.9	5 934.3	5.1

35.2 Operating lease receivables

	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Future minimum sublease receivables				
Receivable within one year	**952.7**	1 124.7	**847.2**	740.7
Receivable later than one year but not later than five years	**3 132.3**	3 185.9	**3 060.7**	2 744.2
Receivable later than five years	**1 938.4**	2 093.9	**1 909.8**	1 962.9
Total operating lease receivables	**6 023.4**	6 404.5	**5 817.7**	5 447.8

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

35.3 Capital commitments

	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Contracted	**200.5**	549.8	**64.4**	341.1
Approved but not contracted	**143.5**	94.8	**92.7**	88.7
Total capital commitments	**344.0**	644.6	**157.1**	429.8

Capital commitments will be financed from group resources.

36. DIRECTORS' REMUNERATION AND INTERESTS REPORT

36.1 Emoluments

R'000	Salary	Performance related bonus[(2)]	Retirement funding contributions	Travel allowance and other benefits[(1)]	Share option gains	Total
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**
2017						
Executive directors						
GO O'Connor	5 053	1 582	599	429		7 663
WA Hook	3 407	1 296	423	463	22 620	28 209
MW Godfrey	3 302	1 001	397	437	3 735	8 871
R Venter	2 889	847	362	466		4 564
Total emoluments	14 651	4 725	1 781	1 795	26 355	49 307

(1) *Other benefits include medical aid contributions and a long service award.*

(2) *The performance related bonuses relate to amounts earned in current year.*

R'000	GROUP 2018	GROUP 2017
36.2 Fees for services as non-executive directors		
MJ Hankinson (Chairman)[bc]	**1 319**	1 210
MP Madi[c]	**498**	456
M Mashologu[a]	**515**	475
HK Mehta[abc]	**805**	715
P Mnganga[bd]	**704**	563
CF Wells[acd]	**952**	775
AG Waller[c]	**358**	
Total fees	**5 151**	4 194

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	2018	2017
36.3 Directors' interests in the share capital of the company		
Executive directors		
GO O'Connor – direct beneficial holding	**22 986**	300
WA Hook – direct beneficial holding	**74 110**	25 500
MW Godfrey – direct beneficial holding	**13 530**	
R Venter – director beneficial holding	**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**	

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 C Wells and G 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 2018.

37. DIRECTORS' SHARE SCHEME INTERESTS

The group's option scheme provides the right to the option holder to purchase shares in the company at the option price. On election by option holders, one-third of the options granted vest after three years, with a further third vesting on the expiry of years four and five respectively. Option holders have 10 years from the date of issue to exercise their option rights.

37.1 Options held over shares in The SPAR Group Ltd

			Number of options held	
Executive directors	**Date of option issue**	**Option price Rand**	**2018**	2017
GO O'Connor	07/02/2014	124.22	**50 000**	50 000
Total			**50 000**	50 000
WA Hook	11/11/2008	50.23		100 000
	10/11/2009	66.42	**50 000**	50 000
	08/12/2010	99.91	**50 000**	50 000
	08/11/2011	96.46	**55 000**	55 000
	13/11/2012	122.81	**60 000**	60 000
Total			**215 000**	315 000
R Venter	08/12/2010	99.91		23 200
	08/11/2011	96.46	**11 800**	11 800
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**71 800**	95 000
MW Godfrey	11/11/2008	50.23		12 000
	10/11/2009	66.42	**12 000**	12 000
	08/12/2010	99.91	**25 000**	25 000
	08/11/2011	96.46	**35 000**	35 000
	13/11/2012	122.81	**30 000**	30 000
	12/11/2013	126.43	**30 000**	30 000
Total			**132 000**	144 000
Total directors share scheme interests			**468 800**	604 000

37.2 Options exercised

	Date of options exercised	Number of options exercised	Rand	Market price on exercise	Gain R'000
WA Hook	20/09/2018	60 000	50.23	190.60	8 422
WA Hook	25/09/2018	40 000	50.23	190.60	5 615
R Venter	16/02/2018	23 200	99.91	216.01	2 694
MW Godfrey	28/09/2018	12 000	50.23	182.60	1 589

37. DIRECTORS' SHARE SCHEME INTERESTS (CONTINUED)

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 2018	2017
Executive Directors				
GO O'Connor	17/02/2015	R133.61		36 665
GO O'Connor	09/02/2016	R195.38	**20 000**	20 000
GO O'Connor	07/02/2017	R175.10	**14 600**	14 600
GO O'Connor	07/02/2018	R170.70	**30 700**	
WA Hook	17/02/2015	R133.61		14 000
WA Hook	09/02/2016	R195.38	**7 500**	7 500
WA Hook	07/02/2017	R175.10	**7 500**	7 500
WA Hook	07/02/2018	R170.70	**13 000**	
R Venter	17/02/2015	R133.61		22 000
R Venter	09/02/2016	R195.38	**9 600**	9 600
R Venter	07/02/2017	R175.10	**7 500**	7 500
R Venter	07/02/2018	R170.70	**15 000**	
MW Godfrey	17/02/2015	R133.61		22 000
MW Godfrey	09/02/2016	R195.38	**11 000**	11 000
MW Godfrey	07/02/2017	R175.10	**9 000**	9 000
MW Godfrey	07/02/2018	R170.70	**17 500**	
			162 900	181 365

38. SHARE-BASED PAYMENTS

38.1 Share option scheme

The company has in place a share option scheme which is operated through The SPAR Group Ltd Share Employee Trust (2004) (the trust). On election by option holders, one-third of the options granted vest after three years, with a further third vesting on the expiry of years four and five respectively. Options issued by the trust expire 10 years from grant date. Options are forfeited if the employee leaves the group before vesting date.

Share options outstanding at year-end are as follows:

	Number of options 2018	2017
Balance at beginning of year	**2 973 800**	3 776 234
Options exercised and paid in full	**(1 091 700)**	(708 034)
Options exercised and unpaid	**(25 708)**	(66 800)
Options forfeited or reinstated		(27 600)
Balance at end of year	**1 856 392**	2 973 800
Weighted average grant price of options exercised during the year	**91.68**	74.55
Weighted average selling price of options exercised during the year	**197.27**	182.76

No further issues of options have been granted under the share option scheme. Please see 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 R2.0 million (2017: R5.4 million). The fair value of these options were calculated using a binomial model.

38. SHARE-BASED PAYMENTS (CONTINUED)

38.2 Broad-based black economic empowerment deal

The BBBEE deal vested in 2016. Refer to note 4.

38.3 Conditional share plan

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

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

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

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

The SPAR Conditional Share Plan ('CSP') officially grants performance share awards to employees which vest over a period of 3 years. These shares were awarded subject to the following three performance conditions:

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

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

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

38. SHARE-BASED PAYMENTS (CONTINUED)

38.3 Conditional share plan (continued)

Model inputs and assumptions as at 30 September 2018	2018	2017	2016
Description	**November 2017 grant**	November 2016 grant	November 2015 grant
Grant date	**14 November 2017**	15 November 2016	10 November 2015
Vesting date	**7 February 2021**	7 February 2020	9 February 2019
Performance period for TSR condition	**1 October 2017 to 30 September 2020**	1 October 2016 to 30 September 2019	1 October 2015 to 30 September 2018
Total number of units granted	**307 100**	231 700	326 100
Total number of retention units granted*	**101 100**		
Fair value of retention shares vesting 8 February 2021	**145.86**		
Fair value of retention shares vesting 8 February 2022	**139.14**		
Fair value of retention shares vesting 8 February 2023	**132.72**		
Total number of units outstanding at 30 September 2018	**408 200**	228 100	304 600
Share price at grant date	**R170.70**	R175.10	R195.38
Expected total CPI over the performance period	**16.10%**	15.48%	16.82%
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%**	60%	60%
Forfeiture rate	**5% p.a.**	5% p.a.	5% p.a.

* *Retention units.*

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.

The weighted average fair value of the shares granted during the financial year is:	Rand	Rand	Rand
Value per unit (as at valuation date, excluding attrition impact and performance conditions)	**145.86**	159.28	177.01
Value per unit (as at valuation date)	**87.17**	77.08	125.67
Total value (allowing for attrition)	**33 194 978**	18 604 580	27 580 654
Total value (without allowing for attrition)	**37 469 793**	19 944 829	28 097 048

Movement in the number of full share grants awarded in terms of the CSP		2018	2017
Balance at beginning of year		**1 024 599**	832 585
Shares granted during the year		**408 200**	231 700
Shares forfeited during the year		**(194 108)**	(31 314)
Shares vested during the year (refer to note 26)		**(297 791)**	(8 372)
Balance at end of year		**940 900**	1 024 599
Charge to profit or loss for the year	Rmillion	**21.9**	27.9

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
39. FINANCIAL RISK MANAGEMENT				
Financial instruments classification				
Net bank balances	**1 598.2**	1 472.0	**306.9**	409.3
Loans[(1)]	**794.3**	523.1	**499.2**	279.2
Block discounting loan receivable[(1)]	**768.2**	760.5	**768.2**	760.5
Block discounting loan payable[(2)]	**(785.9)**	(780.8)	**(785.9)**	(780.8)
Other equity investments[(3)]	**57.9**	57.7	**3.2**	4.8
Trade and other receivables[(1)]	**12 134.4**	10 814.3	**8 523.0**	7 626.3
Trade and other payables[(2)]	**(15 236.0)**	(13 452.7)	**(9 316.6)**	(8 065.6)
FEC liability[(4)]	**(3.3)**	(4.9)		
FEC asset[(3)]	**0.3**	0.2	**0.3**	0.2
Borrowings[(2)]	**(4 410.1)**	(4 524.8)		
Financial liabilities[(3)]	**(2 042.9)**	(1 700.1)	**(1 216.2)**	(963.8)

(1) *Classified under IAS 39 as loans and receivables.*
(2) *Classified under IAS 39 as financial liabilities measured at amortised.*
(3) *Classified under IAS 39 as financial assets or liabilities at fair value through profit or loss cost.*
(4) *Designated as a hedging instrument.*
* *Refer to restatement note 42.*

The company and group's financial instruments consist primarily of bank balances and overdraft funding from banks, trade payables, loans, block discounting loans, borrowings, financial liabilities and trade receivables. The carrying amount of trade receivables, after accounting for the allowance for doubtful debts and bad debts written off, approximates fair value. Trade receivables represent the estimated future cash to be received in the short term. The book values of the other categories of financial instruments approximate fair value.

In the normal course of its operations the group is, *inter alia*, exposed to credit, interest, liquidity and currency risk on its financial instruments. Executive management meets on a regular basis to analyse these risks and to re-evaluate financial management strategies. Other than forward exchange contracts (FECs), which are used to hedge foreign currency liabilities, and interest rate risk on the debt in Ireland, other equity instruments and the financial liability to the non-controlling shareholders, the group has no financial instruments that are classified at fair value through profit or loss. These FECs represent an insignificant portion of the group's financial instruments and amounted to a net asset of R0.3 million in the current year (2017: net asset of R0.2 million).

The financial liabilities are to the non-controlling shareholders of TIL JV Ltd and SPAR Holding AG, the group's foreign subsidiaries, with whom the group has contracted to acquire the minority shareholdings.

For a maturity analysis and further disclosures refer to notes 28 and 29.

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

Currency risk
The group is subject to translation exposure through the import of merchandise and its investments in foreign operations by way of translation risks and currency risks relating to the financial liabilities.

Southern Africa: Import of merchandise
Foreign currency risks that do not influence the group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations in the group's reporting currency) are not hedged.

It is the group's policy to cover its material foreign currency exposure which amounted to R49.4 million at year-end (2017: R11.6 million), in respect of liabilities and purchase commitments. Forward exchange contracts have been taken out to hedge this currency risk at year-end. There were no speculative positions in foreign currencies.

Foreign exchange contracts
Foreign exchange contracts which constitute designated hedges of currency risk at year-end are as follows:

	GROUP AND COMPANY			
	Average contract rate	Commit-ment Rmillion	Total value of FEC 2018 Rmillion	Fair value of FEC 2017 Rmillion
Imports				
US dollar	**14.20**	**48.5**	**0.3**	**0.2**
Euro	**17.62**	**0.9**		

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

Ireland and Switzerland: Financial liabilities

The settlement of the financial liabilities (purchase obligation of non-controlling interest, refer to note 28) is denominated in euros and Swiss francs respectively. The group is therefore exposed to currency risk. There is also an element of translation risk as the financial liabilities are translated to the rand spot value at year-end.

Sensitivity analysis

The group has its most significant exposure to the euro and Swiss franc through its Ireland and Switzerland operations respectively, being its controlling shareholding in TIL JV Ltd, the holding company of BWG Foods, its controlling shareholding in SPAR Handels AG and the related financial liabilities.

The following table shows how the fair value of the level 3 Irish financial liability would change in relation to an increase or decrease in the rand:euro rate by 0.5%:

	GROUP		
Rmillion	Sensitivity % change	**2018**	2017
Financial liability	0.5	**(37.0)**	(30.3)
Financial liability	(0.5)	**36.9**	30.1

The following table shows how the fair value of the level 3 Swiss financial liability would change in relation to an increase or decrease in the euro:Swiss franc rate by 0.1%:

	GROUP		
Rmillion	Sensitivity % change	**2018**	2017
Financial liability	0.1	**(88.6)**	(84.3)
Financial liability	(0.1)	**88.7**	84.2

Interest rate risk

The group is exposed to interest rate risk on its cash deposits, loan receivables and loan payables which impacts on the cash flow arising from these instruments. In the current year, net interest paid on cash deposits net of overdraft was R22.9 million (2017: R41.8 million net interest received), interest received from loans was R13.7 million (2017: R8.6 million) and interest paid on loans was R69.2 million (2017: R79.3 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. These hedging instruments represent an insignificant portion of the group's financial instruments and amounted to a net liability of R3.3 million in the current year (2017: R4.9 million).

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 cash balances of R1 598.2 million (2017: R1 472.0 million) 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	**2018**	2017
Profit before tax	0.5	**(1.1)**	2.0
Profit before tax	(0.5)	**1.1**	(2.0)

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

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	**2018**	2017
Profit before tax	0.1	**(2.6)**	(2.6)
Profit before tax	(0.1)	**2.6**	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	**2018**	2017
Profit before tax	0.1	**(1.8)**	(1.9)
Profit before tax	(0.1)	**1.8**	1.9

Credit risk

Trade receivables, lease receivables, short-term investments and loans and guarantees to retailers represent the significant categories of the group's financial instruments exposed to credit risk amounting to R13 768.9 million (2017: R12 426.5 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; and
- Switzerland: Retailers, wholesale and TopCC clients.

Overdue trade receivables balances, representing 10.6% (2017: 10.2%) of the total trade receivables balance, amounted to R1 196.0 million (2017: R1 117.8 million) at the reporting date. Allowances for doubtful debts totalling R628.5 million (2017: R602.7 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.

It is a prerequisite for appropriate forms of security to be obtained from retailers to reduce exposure on trade and loan receivable balances, including block discounting loan receivables. Trade and loan receivable balances are secured by general and specific notarial bonds over moveable 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 2018, security to the value of R8 744.8 million (2017: R7 695.5 million) was held by the group. Ongoing credit evaluations are performed including regular reviews of security cover held (refer to note 21 for additional disclosure).

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

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

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

	Southern Africa		Ireland		Switzerland		S Buys	
Rmillion	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Unsecured bank overdraft facilities, reviewed annually, and at call:								
– Utilised as at year-end			**2 626.6**	2 915.4			**13.5**	
– Unutilised	**2 400.0**	2 200.0	**878.3**	263.8	**464.9**	421.3	**33.5**	
Total available overdraft/ call and borrowing facilities	**2 400.0**	2 200.0	**3 504.9**	3 179.2	**464.9**	421.3	**47.0**	

Maturity analysis of group financial liabilities:	2018			2017		
Rmillion	**Less than 1 year**	**Between 2 – 5 years**	**More than 5 years**	Less than 1 year	Between 2 – 5 years	More than 5 years
Trade payables	**11 704.4**			10 343.6		
Block discounting loans	**285.8**	**566.4**		302.7	524.2	
Borrowings	**435.0**	**2 601.6**	**1 382.1**	382.5	2 665.6	1 701.0
Financial liabilities relating to NCI		**2 288.6**			2 017.1	–

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 (NCI) using banking facilities in the relevant countries.

Please refer to note 34 financial guarantees for the group's exposure relating to the Numlite (Pty) Ltd's guarantee.

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 based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 mainly comprised other equity investments.

Level 3 financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

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
2018				
Other equity investments	**56.9**		**56.9**	
FEC liability designated as a hedging instrument	**(3.3)**		**(3.3)**	
FEC asset at fair value through profit or loss	**0.3**		**0.3**	
Financial liabilities	**(2 042.9)**			**(2 042.9)**
Total	**(1 989.0)**	**–**	**53.9**	**(2 042.9)**
2017				
Other equity investments	55.3		55.3	
FEC liability designated as a hedging instrument	(4.9)		(4.9)	
FEC asset at fair value through profit or loss	0.2		0.2	
Financial liabilities	(1 700.1)			(1 700.1)
Total	(1 649.5)	–	50.6	(1 700.1)

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 R2 042.9 million (2017: R1 700.1 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the estimated future profit targets for TIL JV Ltd and Fifth Season Investment (Pty) Ltd, and the discount rates applied. The estimated profitability was based on historical performances but adjusted for expected growth.

The following factors were applied in calculating the financial liabilities at 30 September 2018:

TIL JV Ltd
– Discount rate of 6.7% (2017: 7.2%)
– Closing rand/euro exchange rate of 16.46 (2017: 15.96)

SPAR Holding AG
– Discount rate of 2.0% (2017: 2.0%)
– Closing rand/Swiss franc exchange rate of 14.44 (2017: 13.95)

Fifth Season Investments (Pty) Ltd
– Discount rate of 13.3%

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 increased or decreased by 0.5%:

	Discount rate %	Sensitivity % change	Liability Rmillion
TIL JV Ltd			
2018			
Financial liability	**6.7**	**0.5**	**(11.7)**
Financial liability	**6.7**	**(0.5)**	**11.9**
2017			
Financial liability	7.2	0.5	(14.0)
Financial liability	7.2	(0.5)	14.3
SPAR Holding AG			
2018			
Financial liability	**2.0**	**0.5**	**(8.8)**
Financial liability	**2.0**	**(0.5)**	**8.7**
2017			
Financial liability	2.0	0.5	(11.9)
Financial liability	2.0	(0.5)	12.1
Fifth Season Investments (Pty) Ltd			
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 change in the estimated future profit targets by 5.0%:

	Sensitivity % change	Liability Rmillion
TIL JV Ltd		
2018		
Financial liability	**5.0**	**59.2**
Financial liability	**(5.0)**	**(59.1)**
2017		
Financial liability	5.0	46.8
Financial liability	(5.0)	(46.7)
Fifth Season Investments (Pty) Ltd		
2018		
Financial liability	**5.0**	**2.3**
Financial liability	**(5.0)**	**(2.3)**

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

Movements in level 3 financial instruments carried at fair value

The following tables show a reconciliation of the opening and closing balances of level 3 financial instruments carried at fair value:

	GROUP		COMPANY	
Rmillion	**2018**	2017	**2018**	2017
TIL JV Ltd				
Balance at beginning of year	**963.8**	824.4	**963.8**	824.4
Finance costs recognised in profit or loss	**72.3**	60.1	**72.3**	60.1
Net exchange differences arising during the period	**40.6**	27.7	**40.6**	27.7
Fair value adjustment	**139.5**	51.6	**139.5**	51.6
Balance at end of year	**1 216.2**	963.8	**1 216.2**	963.8
SPAR Holding AG				
Balance at beginning of year	**736.3**	743.6		
Finance costs recognised in profit or loss	**14.3**	14.2		
Net exchange differences arising during the period	**2.9**	(37.6)		
Foreign exchange translation	**24.0**	16.1		
Balance at end of year	**777.5**	736.3	**–**	–
Fifth Season Investments (Pty) Ltd				
Balance at beginning of year	**–**			
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	**6.4**			
Fair value adjustment	**(11.6)**			
Balance at end of year	**49.2**	–	**–**	–
Total financial liabilities	**2 042.9**	1 700.1	**1 216.2**	963.8

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The group's overall capital management strategy remained unchanged in 2018. 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 R23.2 million (2017: R21.9 million) were paid by the company to SPAR P.E. Property (Pty) Ltd. Dividends of R16.7 million (2017: R15.8 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 2018 amounted to R73.0 million (2017: R72.6 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 R17 million (2017: R15 million) and R5.9 million (2017: R5.8 million) and management fees of R5.8 million (2017: R5.2 million) and R0.8 million (2017: R0.9 million) were paid to The SPAR Group Ltd by SPAR Namibia (Pty) Ltd and The SPAR Group Botswana (Pty) Ltd respectively. The intercompany liability due to The SPAR Group Ltd as at 30 September 2018 amounted to R23.7 million (2017: R16.8 million) and R24.4 million (2017: R24.5 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 Lda did not declare a dividend to The SPAR Group Ltd during the year (2017: R0.2 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2018 amounted to R5.0 million (2017: R5.4 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 R9.1 million (2017: R8.0 million) were paid to The SPAR Guild of Southern Africa. The intercompany asset/(liability) with The SPAR Group Ltd as at 30 September 2018 amounted to a liability of R83.6 million (2017: a liability of R25.9 million) and an asset of R5.2 million (2017: an asset of R0.4 million) for the SPAR Guild and the Build it Guild respectively. The liability is interest-free, unsecured and no date has been set for repayment.
- The SPAR Group Ltd Employee Share Trust (2004) purchased shares in the company for the purpose of satisfying option holder obligations. To fund these purchases, the company advances monies to the trust. At 30 September 2018, funds had been advanced by the company to the trust to the amount of R10.0 million (2017: R16.1 million) (refer to notes 18 and 26). The liability is interest-free, unsecured and no date has been set for repayment.
- SPAR Retail Stores (Pty) Ltd is a wholly owned subsidiary of The SPAR Group Ltd. During the year The SPAR Group Ltd made sales to SPAR Retail Stores (Pty) Ltd to the value of R283.1 million (2017: R370.1 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2018 amounted to R183.8 million (2017: 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 R52.4 million (2017: R57.0 million). The intercompany liability due to The SPAR Group Ltd as at 30 September 2018 amounted to R15.0 million (2016: R15.0 million). The liability is interest-free, unsecured and no date has been set for repayment.
- Annison 45 (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year, The SPAR Group Ltd made sales to Annison 45 (Pty) Ltd to the value of R27.1 million (2017: R26.6 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 R113.3 million (2017: R66.9 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 R10.1 million (2017: R2.3 million).
- SPAR Ikhwezi Rural Hub (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the year, SPAR Ikhwezi Rural Hub (Pty) Ltd made sales to The SPAR Group Ltd to the value of R3.4 million.
- TIL JV Ltd is a subsidiary of The SPAR Group Ltd. During the current year an intercompany guarantee fee of R47.6 million (2017: R49.3 million) was charged by The SPAR Group Ltd to TIL JV Ltd. The balance outstanding on this payable is R174.1 million (2017: R120.1 million). The liability is interest-free, unsecured and no date has been set for repayment.
- Fifth Season Investments (Pty) Ltd is a subsidiary of The SPAR Group Ltd. During the current year, The SPAR Group Ltd made sales to Fifth Season Investments (Pty) Ltd to the value of R1.3 million. The intercompany liability due to The SPAR Group Ltd is 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 R2.9 million (2017: R1.5 million) were paid to The SPAR Group Ltd by Monteagle Merchandising Services (Pty) Ltd, and promotional expenses of R15.2 million (2017: R19.6 million) were paid by The SPAR Group Ltd to Monteagle Merchandising Services.
- The SPAR Group Ltd entered into an associate agreement with Gezaro Retailers (Pty) Ltd during the 2013 financial year. The associate relates to the Zevenwacht SUPERSPAR in Kuils River. During the year, sales of R191.0 million (2017: R182.9 million) were made to the Zevenwacht SUPERSPAR.
- The SPAR Group Ltd entered into an associate agreement with Tradefirm 15 (Pty) Ltd during the 2017 financial year. The associate relates to the Eastmans SUPERSPAR in Durban. During the year, sales of R112.5 million (2017: R38.4 million) were made to Eastmans SUPERSPAR.

40.2 Investment in subsidiaries

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

40.3 Investment in associates and joint ventures

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

40.4 Shareholders

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

40.5 Key management personnel

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

Key management personnel remuneration comprises:

	GROUP	
Rmillion	**2018**	2017
Directors' fees	**5.6**	4.2
Remuneration for management services	**40.1**	40.6
Retirement contributions	**4.9**	5.0
Medical aid contributions	**1.3**	1.4
Performance bonuses	**24.6**	32.0
Fringe and other benefits	**0.3**	0.3
Expense relating to share options granted	**60.7**	51.5
Total	**137.5**	135.0

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

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
41. BLOCK DISCOUNTING LOANS				
Bock discounting loan receivable	**542.4**	512.2	**542.4**	512.2
Current portion of block discounting loan receivable	**225.8**	248.3	**225.8**	248.3
Total block discounting loan receivable	**768.2**	760.5	**768.2**	760.5
Block discounting loan payable	**553.6**	525.1	**553.6**	525.1
Current portion of block discounting loan payable	**232.3**	255.7	**232.3**	255.7
Total block discounting loan payable	**785.9**	780.8	**785.9**	780.8

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 loans receivables do not meet the derecognition criteria for financial assets in terms of IAS 39. 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 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

Rmillion	GROUP 2018	GROUP 2017 Restated*	COMPANY 2018	COMPANY 2017 Restated*
Year to September 2018		302.7		302.7
Year to September 2019	**285.8**	215.2	**285.8**	215.2
Year to September 2020	**236.7**	164.7	**236.7**	164.7
Year to September 2021	**177.5**	104.4	**177.5**	104.4
Year to September 2022	**114.7**	39.9	**114.7**	39.9
Year to September 2023 onwards	**37.5**		**37.5**	
	852.2	826.9	**852.2**	826.9

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

* *Refer to restatement note 42.*

42. PRIOR PERIOD RESTATEMENT AND CORRECTION OF PRESENTATION

42.1 Correction of presentation

During the year, the group assessed all income streams from suppliers. This evaluation revealed that the group had erroneously accounted for certain rebates and income within other income and some instances recognised these in net operating expenses.

In performing this assessment the following principles were considered:

Agreements with suppliers whereby volume-related rebates, promotional and marketing allowances and various other fees and discounts, received in connection with the purchase of goods are accounted for as a reduction to cost of sales.

Income which is earned for a distinct service is recognised as other income.

Income which is a genuine and specific recovery of a selling cost is recognised as a recovery of operating expenses.

42.2 Prior period restatement

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. These loans were previously disclosed as contingent liabilities due to SPAR providing financial guarantees against these discounting agreements, which have effectively transferred the loan receivable to the financial institution.

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 loans which represent financial assets do not meet the derecognition criteria in terms of IAS 39. 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.

The restatement is effective for the year ended 30 September 2018 and has been applied retrospectively. This has resulted in a restatement of the comparative 2017 and 2016 figures on the statement of financial position. The aggregate effect of the restatement for these periods is as follows:

42.3 Impact on statement of profit or loss and other comprehensive income

	GROUP			
	30 September 2017 Originally presented	Effect of reclassi-fication	Effect of re-statement	30 September 2017 restated
Revenue	97 174.2	41.5	(6.4)	97 209.3
Turnover	95 461.1	(88.0)		95 373.1
Cost of sales	(85 830.2)	666.9		(85 163.3)
Gross profit	9 630.9	578.9	–	10 209.8
Other income	1 713.1	129.5	(6.4)	1 836.2
Net operating expenses	(8 760.6)	(708.4)	–	(9 469.0)
Warehousing and distribution expenses	(2 871.7)	(83.3)		(2 955.0)
Marketing and selling expenses	(4 000.4)	(578.0)		(4 578.4)
Administration and information technology expenses	(1 888.5)	(47.1)		(1 935.6)
Trading profit	2 583.4	–	(6.4)	2 577.0
BBBEE transactions	(0.9)			(0.9)
Operating profit	2 582.5	–	(6.4)	2 576.1
Other non-operating items	(54.6)			(54.6)
Interest income	123.2		70.5	193.7
Interest expense	(113.2)		(63.4)	(176.6)
Finance costs including foreign exchange gains and losses	(64.4)			(64.4)
Share of equity-accounted associate (losses)/income	(8.8)			(8.8)
Profit before taxation	2 464.7	–	0.7	2 465.4
Income tax expense	(644.6)		(0.2)	(644.8)
Profit for the year attributable to ordinary shareholders	1 820.1	–	0.5	1 820.6
	cents	cents	cents	cents
Basic earnings per share	945.2		0.3	945.5
Diluted earnings per share	939.1		0.3	939.4
Headline earnings per share	952.5		0.3	952.8
Diluted headline earnings per share	946.4		0.2	946.6

42. PRIOR PERIOD RESTATEMENT AND CORRECTION OF PRESENTATION (CONTINUED)

42.3 Impact on statement of profit or loss and other comprehensive income (continued)

	COMPANY			
	30 September 2017 Originally presented	Effect of reclassi-fication	Effect of re-statement	30 September 2017 restated
Revenue	63 162.0	2.7	(6.4)	63 158.3
Turnover	62 551.1	(86.5)	–	62 464.6
Cost of sales	(57 459.3)	541.4	–	(56 917.9)
Gross profit	5 091.8	454.9	–	5 546.7
Other income	610.9	89.2	(6.4)	693.7
Net operating expenses	(3 675.2)	(544.1)	–	(4 219.3)
Warehousing and distribution expenses	(1 643.4)	(41.7)	–	(1 685.1)
Marketing and selling expenses	(1 108.9)	(496.3)		(1 605.2)
Administration and information technology expenses	(922.9)	(6.1)		(929.0)
Trading profit	2 027.5	–	(6.4)	2 021.1
BBBEE transactions	(0.9)			(0.9)
Operating profit	2 026.6	–	(6.4)	2 020.2
Other non-operating items	(51.6)			(51.6)
Interest income	106.5		70.5	177.0
Interest expense	(31.7)		(63.4)	(95.1)
Finance costs including foreign exchange gains and losses	(87.8)			(87.8)
Share of equity-accounted associate (losses)/income				–
Profit before taxation	1 962.0	–	0.7	1 962.7
Income tax expense	(560.3)		(0.2)	(560.5)
Profit for the year attributable to ordinary shareholders	1 401.7	–	0.5	1 402.2

42. PRIOR PERIOD RESTATEMENT AND CORRECTION OF PRESENTATION (CONTINUED)

42.4 Impact on statement of financial position

	GROUP					
	30 September 2017 Originally presented	Effect of restatement	30 September 2017 Restated	30 September 2016 Originally presented	Effect of restatement	30 September 2016 Restated
Block discounting loan receivable	–	512.2	512.2	–	521.5	521.5
Deferred tax asset	15.7	5.7	21.4	30.9	5.9	36.8
Current portion of block discounting loan receivable	–	248.3	248.3	–	222.2	222.2
Retained earnings	4 765.9	(14.6)	4 751.3	3 902.3	(15.1)	3 887.2
Block discounting loan payable	–	525.1	525.1	–	536.4	536.4
Current portion of block discounting loan payable	–	255.7	255.7	–	228.3	228.3

	COMPANY					
	30 September 2017 Originally presented	Effect of restatement	30 September 2017 Restated	30 September 2016 Originally presented	Effect of restatement	30 September 2016 Restated
Block discounting loan receivable	–	512.2	512.2	–	521.5	521.5
Deferred tax asset	4.1	5.7	9.8	17.3	5.9	23.2
Current portion of block discounting loan receivable	–	248.3	248.3	–	222.2	222.2
Retained earnings	3 693.9	(14.6)	3 679.3	3 612.9	(15.1)	3 597.8
Block discounting loan payable	–	525.1	525.1	–	536.4	536.4
Current portion of block discounting loan payable	–	255.7	255.7	–	228.3	228.3

42.5 Impact on statement of cash flows

	GROUP			COMPANY		
	30 September 2017 Originally presented	Effect of restatement	30 September 2017 Restated	30 September 2017 Originally presented	Effect of restatement	30 September 2017 Restated
Cash flow from operating activities	1 141.2		1 141.2	622.6		622.6
Cash generated from operations	3 292.1	(6.4)	3 285.7	2 367.5	(6.4)	2 361.1
Interest paid	(112.5)	6.4	(106.1)	(31.7)	6.4	(25.3)

43. EVENTS AFTER THE REPORTING DATE

43.1 Acquisition of Roadfield Holdings Ltd

The BWG Group has purchased the entire shareholding of Roadfield Holdings Ltd (trading as Corrib Food Products) subject to the approval of the Competition and Consumer Protection Commission (CCPC). Corrib Food Products is a wholesaler of predominantly chilled and frozen sector 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 has been received from the CCPC on 31 October 2018.

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

Directorate and administration

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

* *Non-executive*

Company Secretary: MJ Hogan

THE SPAR GROUP LTD (SPAR) or (the company) or (the group)
Registration number: 1967/001572/06
ISIN: ZAE000058517
JSE share code: SPP

Registered office
22 Chancery Lane
PO Box 1589
Pinetown
3600

Transfer secretaries
Link Market Services South Africa (Pty) Ltd
PO Box 4844
Johannesburg
2000

Auditors
PricewaterhouseCoopers Inc.
PO Box 1274
Umhlanga Rocks
4320

Sponsor
One Capital
PO Box 784573
Sandton
2146

Bankers
Rand Merchant Bank, a division of FirstRand Bank Ltd
PO Box 4130
The Square
Umhlanga Rocks
4021

Attorneys
Garlicke & Bousfield
PO Box 1219
Umhlanga Rocks
4320

Website
www.spar.co.za

GREYMATTER & FINCH #12240

www.spar.co.za