THE SPAR GROUP LTD

PRELIMINARY REVIEWED CONDENSED GROUP RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020 AND CASH DIVIDEND DECLARATION

SALIENT FEATURES

+13.5% to
R124.3bn
Group turnover^
2019: R109.5bn

+15.6% to
R3.4bn
Operating profit
2019: R3.0bn

+8.8% to
1 262.6 cents
Normalised diluted headline earnings per share#
2019: 1 160.6 cents

+21.9% to
1 432.4 cents
Normalised diluted HEPS, excluding Poland
2019: 1 174.7 cents

+5.7% to
4 102.2 cents
Net asset value per share
2019: 3 879.9 cents

+8.1% to
865 cents
Dividend per share
2019: 800 cents

^ *Turnover represents revenue from the sale of merchandise.*
# *Headline earnings adjusted for fair value adjustments and foreign exchange effects on financial liabilities, and business acquisition costs.*

CONTENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	Year ended September 2020	2019
Revenue – sale of merchandise	13.5	**124 277.4**	109 477.1
Cost of sales		**(109 497.5)**	(97 817.2)
Gross profit		**14 779.9**	11 659.9
Revenue other		**2 366.9**	2 106.6
Other income		**208.7**	151.8
Operating expenses*	27.2	**(13 912.9)**	(10 939.4)
Operating profit	15.6	**3 442.6**	2 978.9
Other non-operating items		**(278.7)**	(28.1)
Finance income*		**618.2**	185.5
Finance costs*		**(1 022.5)**	(343.9)
Share of equity-accounted associate losses		**(63.2)**	(10.6)
Profit before taxation	(3.1)	**2 696.4**	2 781.8
Taxation*		**(740.2)**	(618.4)
Profit after taxation		**1 956.2**	2 163.4
Attributable to:			
Equity holders of the company		**2 074.7**	2 163.4
Non-controlling interests		**(118.5)**	
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-retirement medical aid		**20.7**	(2.6)
Deferred tax relating to remeasurement of post-retirement medical aid		**(5.7)**	0.7
Remeasurement of retirement funds		**189.3**	(440.9)
Deferred tax relating to remeasurement of retirement funds		**(24.8)**	45.6
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedge		**3.2**	0.5
Tax relating to gain on cash flow hedge		**(0.4)**	(0.1)
Exchange differences from translation of foreign operations		**294.2**	76.0
Total comprehensive income	32.0	**2 432.7**	1 842.6
Attributable to:			
Equity holders of the company		**2 557.1**	1 842.6
Non-controlling interests		**(124.4)**	
Earnings per share (cents)			
Basic	(4.0)	**1 078.7**	1 124.1
Diluted	(3.9)	**1 075.0**	1 118.6

* *Refer to Note 9 relating to the impact of IFRS 16 adoption.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	Year ended September 2020	2019
ASSETS			
Non-current assets		**28 375.7**	14 212.4
Property, plant and equipment*		**8 725.3**	7 184.2
Right-of-use assets*		**6 605.9**	
Finance lease receivable*		**4 713.4**	
Goodwill and intangible assets		**6 983.4**	5 064.0
Investment in associates and joint ventures		**102.9**	103.1
Other investments		**21.8**	19.8
Operating lease receivable*		**6.2**	269.1
Loans and other receivables		**795.0**	1 131.8
Block discounting loan receivable		**199.0**	365.0
Deferred taxation asset*		**222.8**	75.4
Current assets		**24 324.2**	19 766.9
Inventories		**5 377.3**	4 447.0
Trade and other receivables*		**15 637.9**	13 122.7
Prepayments		**288.9**	256.8
Operating lease receivable			59.6
Loans		**204.4**	134.9
Current portion of block discounting loan receivable		**163.6**	258.1
Income tax receivable		**0.9**	1.1
Other current financial assets		**0.9**	0.4
Finance lease receivable*		**716.8**	
Cash and cash equivalents – SPAR		**1 670.7**	1 250.9
Cash and cash equivalents – guilds and trusts		**262.8**	235.4
Assets held for sale		**38.7**	73.6
Total assets		**52 738.6**	34 052.9
EQUITY AND LIABILITIES			
Capital and reserves		**7 889.7**	7 467.3
Stated capital		**2 231.5**	2 231.5
Treasury shares		**(15.3)**	(23.9)
Reserves#		**590.3**	(236.4)
Non-controlling interests		**(70.3)**	
Retained earnings*		**5 153.5**	5 496.1
Non-current liabilities		**19 694.3**	8 405.1
Deferred taxation liability		**277.6**	297.3
Post-employment benefit obligations		**1 270.0**	1 268.3
Financial liabilities	5	**49.7**	1 521.1
Long-term borrowings		**6 693.1**	4 635.3
Block discounting loan payable		**203.5**	373.6
Finance lease payable*		**11 200.4**	
Operating lease payable*			298.4
Other non-current financial liabilities			2.8
Provisions*			8.3
Current liabilities		**25 154.6**	18 180.5
Trade and other payables		**19 411.4**	14 912.8
Current portion of financial liabilities	5	**2 102.5**	683.3
Current portion of long-term borrowings		**362.8**	529.5
Current portion of block discounting loan payable		**167.8**	263.6
Operating lease payable			59.2
Current portion of provisions		**12.9**	35.1
Finance lease payable*		**1 728.4**	
Income tax payable		**158.4**	143.3
Bank overdrafts		**1 210.4**	1 553.7
Total equity and liabilities		**52 738.6**	34 052.9

* *Refer to Note 9 relating to the impact of IFRS 16 adoption.*

\# *Reserves have been aggregated in the current year. Refer to the condensed consolidated statement of changes in equity for further detail.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	Notes	Stated capital	Treasury shares	Currency translation reserve	Share-based payment reserve	Retained earnings	Equity reserve	Hedging reserve	Non-controlling interest	Total equity
Balance at 30 September 2018		2 231.5	(10.0)	181.8	274.8	5 211.6	(749.1)	(30.8)		7 109.8
Change in accounting policy						(18.2)				(18.2)
Balance at 1 October 2018		2 231.5	(10.0)	181.8	274.8	5 193.4	(749.1)	(30.8)		7 091.6
Profit for the year						2 163.4				2 163.4
– Gain on cash flow hedge								0.4		0.4
– Remeasurement of post-retirement medical aid						(1.9)				(1.9)
– Remeasurement of retirement funds						(395.3)				(395.3)
Recognition of share-based payments					38.7					38.7
Take-up of share options			66.4		(30.8)					35.6
Transfer arising from take-up of share options					30.8	(30.8)				
Settlement of share-based payments			29.8		(27.6)	(2.2)				
Treasury shares acquired			(110.1)							(110.1)
Dividends paid						(1 430.5)				(1 430.5)
Exchange rate translation				76.0			(0.6)			75.4
Balance at 30 September 2019		2 231.5	(23.9)	257.8	285.9	5 496.1	(749.7)	(30.4)		7 467.3
Change in accounting policy	9					(616.1)				(616.1)
Restated capital and reserves at 1 October 2019		**2 231.5**	**(23.9)**	**257.8**	**285.9**	**4 880.0**	**(749.7)**	**(30.4)**		**6 851.2**
Profit for the year						**2 074.7**			**(118.5)**	**1 956.2**
– Gain on cash flow hedge								**2.8**		**2.8**
– Remeasurement of post-retirement medical aid						**15.0**				**15.0**
– Remeasurement of retirement funds						**164.5**				**164.5**
Recognition of share-based payments					**22.2**					**22.2**
Take-up of share options			**91.8**		**(46.6)**					**45.2**
Transfer arising from take-up of share options					**46.6**	**(46.6)**				
Settlement of share-based payments			**20.1**		**(9.8)**	**(10.3)**				
Treasury shares acquired			**(103.3)**							**(103.3)**
Dividends paid						**(1 378.1)**				**(1 378.1)**
Equity reserve transferred to retained earnings	5					**(545.7)**	**545.7**			
Non-controlling interest arising on business acquisition									**54.1**	**54.1**
Exchange rate translation				**300.1**			**(33.7)**	**(0.6)**	**(5.9)**	**259.9**
Balance at 30 September 2020		**2 231.5**	**(15.3)**	**557.9**	**298.3**	**5 153.5**	**(237.7)**	**(28.2)**	**(70.3)**	**7 889.7**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Note	Year ended September 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		**3 844.0**	(303.8)
Operating profit before:		**3 442.5**	2 978.9
Non-cash items		**2 227.8**	877.5
Net loss on disposal of property, plant and equipment		**52.4**	1.4
Net working capital changes		**698.8**	(2 016.3)
– Increase in inventories		**(205.4)**	(425.5)
– Increase in trade and other receivables		**(1 201.3)**	(1 110.3)
– Increase/(decrease) in trade payables and provisions		**2 105.5**	(480.5)
Cash generated from operations		**6 421.5**	1 841.5
Finance income received*		**573.7**	110.6
Finance cost paid*		**(913.5)**	(138.5)
Taxation paid		**(859.6)**	(686.9)
Dividends paid		**(1 378.1)**	(1 430.5)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 502.4)**	(1 943.2)
Acquisition of businesses/subsidiaries	4.4	**(681.6)**	(487.4)
Proceeds from disposal of businesses			20.1
Proceeds on disposal of assets held for sale		**25.0**	
Investment to expand property, plant and equipment and intangible assets		**(929.9)**	(685.8)
Investment to maintain operations		**(368.1)**	(374.0)
– Replacement of property, plant and equipment and intangible assets		**(449.1)**	(423.5)
– Proceeds on disposal of property, plant and equipment		**81.0**	49.5
Principal element of lease receipts*		**649.5**	
Cash inflows on loans and investments		**283.2**	470.3
Cash outflows on loans and investments		**(480.5)**	(886.4)
CASH FLOWS FROM FINANCING ACTIVITIES		**(1 821.3)**	557.6
Proceeds from exercise of share options		**45.1**	35.6
Settlement of financial liability		**(884.4)**	
Principal element of lease payments*		**(1 547.6)**	
Proceeds from borrowings		**937.3**	748.9
Repayments of borrowings		**(268.4)**	(116.8)
Treasury shares acquired		**(103.3)**	(110.1)
Net increase/(decrease) during the year		**520.3**	(1 689.4)
Net (overdrafts)/cash balances at beginning of year		**(67.4)**	1 598.2
Exchange rate translation		**270.2**	23.8
Net cash balances/(overdrafts) at end of year		**723.1**	(67.4)

* *Refer to Note 9 relating to the impact of IFRS 16 adoption.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The preliminary condensed consolidated financial statements contained in this preliminary report are prepared in accordance with the requirements of the JSE Limited Listings Requirements (Listings Requirements) for preliminary reports, and the requirements of the Companies Act No. 71 of 2008 (Companies Act) applicable to condensed financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) 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 to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the condensed consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, with the exception of the adoption of IFRS 16. These condensed consolidated financial statements for the year ended 30 September 2020 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in this condensed group results announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's unmodified review opinion together with the accompanying financial information from the issuer's registered office.

2. SALIENT STATISTICS AND HEADLINE EARNINGS

		% Change	2020	2019
Salient statistics				
Headline earnings per share	(cents)	0.5	**1 135.3**	1 129.1
Diluted headline earnings per share	(cents)	0.7	**1 131.5**	1 123.6
Dividend per share	(cents)	8.1	**865.0**	800.0
Net asset value per share	(cents)	5.7	**4 102.2**	3 879.9
Operating profit margin	(%)		**2.8**	2.7
Return on equity	(%)		**27.0**	29.7
Headline earnings reconciliation				
Profit for the year attributable to ordinary shareholders			**2 074.7**	2 163.4
Adjusted for:				
Loss on disposal of property, plant and equipment			**49.6**	0.6
– Gross			**52.4**	1.4
– Tax effect			**(2.8)**	(0.8)
Impairment of investments			**63.6**	
– Gross			**64.4**	
– Tax effect			**(0.8)**	
Fair value adjustment – previously held investment			**6.7**	
Profit on disposal of assets held for sale			**(2.3)**	
Fair value adjustment to assets held for sale			**4.6**	3.9
Impairment of goodwill			**13.3**	5.0
(Profit)/loss on disposal of businesses			**(26.6)**	0.1
Headline earnings			**2 183.6**	2 173.0

3. SEGMENT REPORTING

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

The principal segments of the group have been identified on a primary basis by geographical segment, which is representative of the internal reporting used for management purposes as well as the source and nature of business risks and returns. These geographical segments also represent operating segments as they meet the quantitative thresholds.

The Chief Executive Officer is the Chief Operating Decision Maker (CODM) and assesses the performance of the operating segments based on profit before tax and for joint ventures and associates based on earnings after tax, and is of the opinion that the operations of the individual distribution centres within Southern Africa are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. The risks and returns of the Ireland, Switzerland and Poland operations are not considered to be similar to those within Southern Africa or each other and are therefore disclosed as separate reportable segments.

3. SEGMENT REPORTING (continued)

As a result, the geographical segments of the group have been identified as Southern Africa, Ireland, Switzerland and Poland. All segment revenue and expenses are directly attributable to the segments. Segment assets and liabilities include all operating assets and liabilities used by a segment, with the exception of inter-segment assets and liabilities, 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 reportable 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	Poland	Consolidated Total
2020					
Statement of profit or loss					
Revenue from contracts with customers	**79 423.8**	**30 409.4**	**14 659.4**	**2 151.7**	**126 644.3**
Operating profit	**2 573.6**	**978.2**	**361.5**	**(470.7)**	**3 442.6**
Profit before tax	**2 299.2**	**651.7**	**296.6**	**(551.1)**	**2 696.4**
Finance income	**547.5**	**14.5**	**6.8**	**49.4**	**618.2**
Finance costs	**640.3**	**218.0**	**71.7**	**92.5**	**1 022.5**
Depreciation and amortisation	**398.9**	**600.0**	**758.8**	**218.5**	**1 976.2**
Taxation	**720.7**	**43.2**	**47.2**	**(70.9)**	**740.2**
Share of equity-accounted associate losses	**25.7**			**37.5**	**63.2**
Impairment of goodwill	**12.6**	**0.7**			**13.3**
Statement of financial position					
Total assets	**24 136.1**	**16 466.9**	**9 402.2**	**2 733.4**	**52 738.6**
Total liabilities	**18 762.5**	**14 496.8**	**8 279.0**	**3 310.6**	**44 848.9**
2019					
Statement of profit or loss					
Revenue from contracts with customers	75 090.8	25 296.4	11 195.3	1.2	111 583.7
Operating profit	2 240.0	686.1	83.3	(30.5)	2 978.9
Profit before tax	2 151.3	657.2	2.8	(29.5)	2 781.8
Finance income	167.1	10.0	5.3	3.1	185.5
Finance costs	220.3	35.7	85.8	2.1	343.9
Depreciation and amortisation	237.8	274.1	242.8		754.7
Taxation	617.1	44.6	(41.1)	(2.2)	618.4
Share of equity-accounted associate losses/(gains)	12.3	(1.7)			10.6
Impairment of goodwill	5.0				5.0
Statement of financial position					
Total assets	17 451.9	10 636.2	5 487.8	477.0	34 052.9
Total liabilities	13 686.8	7 645.4	4 749.0	504.4	26 585.6

Material non-cash items relating to the movement in the group's financial liabilities are presented in note 5.

3. SEGMENT REPORTING (continued)

Rmillion	2020	2019
Disaggregated revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	**78 605.4**	74 283.7
SPAR	**62 851.2**	57 566.2
TOPS at SPAR	**6 436.5**	7 646.9
Build It	**7 965.0**	8 035.1
S Buys	**1 072.8**	1 035.5
Encore	**279.9**	
Revenue – Other	**818.4**	807.1
Revenue from contracts with customers	**79 423.8**	75 090.8
Ireland		
Revenue – sale of merchandise	**29 896.7**	24 835.2
BWG	**26 057.8**	22 044.0
Appleby Westward	**3 838.9**	2 791.2
Revenue – Other	**512.7**	461.2
Revenue from contracts with customers	**30 409.4**	25 296.4
Switzerland		
Revenue – sale of merchandise	**13 641.9**	10 357.0
Wholesale	**6 183.3**	4 588.1
TopCC	**5 363.4**	4 109.4
Retail	**2 095.2**	1 659.5
Revenue – Other	**1 017.5**	838.3
Revenue from contracts with customers	**14 659.4**	11 195.3
Poland		
Revenue – sale of merchandise	**2 133.4**	1.2
Wholesale	**1 518.4**	1.2
Retail	**615.0**	
Revenue – Other	**18.3**	
Revenue from contracts with customers	**2 151.7**	1.2
Total revenue – sale of merchandise	**124 277.4**	109 477.1
Total revenue – other	**2 366.9**	2 106.6
Total revenue from contracts with customers	**126 644.3**	111 583.7
Disaggregated total revenue – other:	**2 366.9**	2 106.6
Marketing and service revenues	**1 706.0**	1 543.3
Franchise fees	**401.5**	295.6
Other services	**259.4**	267.7

4. BUSINESS COMBINATIONS

4.1 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT DATE OF ACQUISITION

Acquisition of Piotr i Paweł Group

On 1 October 2019, SPAR acquired an 80% stake in Piotr i Paweł Sp. z o.o. (PiP) for a consideration of €1. PiP is a retail chain of 77 delicatessen and supermarket stores, together with a wholesale distribution network. PiP remains in advanced stages of a legally supervised debt restructuring process similar to South African business rescue. Creditors of the business have voted in support of the settlement arrangement, which is now to be confirmed by the court. Trade and other payables have been adjusted by a R9.4 million measurement period adjustment relating to legal costs of the sanitation proceedings. The goodwill arising on the business combination represents the expected future benefit which will be derived from the existing distribution and supply network.

The goodwill raised on the acquisition of PiP has been considered for impairment. No impairment loss has been recognised as the projected sales growth in the Polish business factors in the increase in loyalty support from the SPAR retailers.

During the financial period, the Polish business acquired the licence to operate the SPAR brand in Poland. Included in the cost of acquiring the licence asset are directly attributable costs incurred to obtain control and bring the asset into a condition necessary for operating in the manner intended by management. Management considers the useful life of the licence to be indefinite.

Acquisition of Monteagle Africa Ltd (SPAR Encore)

The SPAR Group Ltd purchased a 50% controlling shareholding of Monteagle Africa Ltd. The approval of the Competition Commission was received on 6 March 2020. Monteagle Africa Ltd is a wholesaler in the food retail sector, operating in Southern Africa. Monteagle Africa Ltd is a supplier to SPAR for its private label products. The goodwill arising on the business combination represents the expected future economic benefits of the group resulting from the supply chain integration as well as additional margin.

Acquisition of Heaney Meats Catering Co. Ltd

On 31 January 2020, the BWG Group acquired the entire share capital of Heaney Meats Catering Co. Ltd (Heaney Meats). Heaney Meats is a Galway-based supplier of meat to the food sector in Ireland, specialising in the preparation and distribution of meat products to food service outlets. The goodwill arising on the business combination is an indication of future profit expected to be made by the additional margin and security of supply.

Measurement period adjustments have resulted in the reported purchase price allocation differing to that disclosed at March 2020 for the following reasons:

- The fair value of trade and other receivables, trade and other payables, and finance lease liabilities acquired have changed
- The value consideration transferred for this acquisition has been adjusted as a result of a renegotiation
- Goodwill recognised on the acquisition

Retail stores acquired

During the course of the financial period, SPAR acquired the assets of nine (2019: 13) retail stores in South Africa and the BWG Group acquired the assets of 28 (2019: two) retail stores in the United Kingdom (UK) and two stores in Ireland. 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 to expand the retail footprint of the group, and the goodwill arising on the business combinations is indicative of future turnover and profit expected to be made by the group as a result of these acquisitions. These acquisitions were funded from available cash resources.

4. BUSINESS COMBINATIONS (continued)

4.1 ASSETS ACQUIRED AND LIABILITIES ASSUMED AT DATE OF ACQUISITION (continued)

	2020					
Rmillion	Piotr i Paweł Group	Monteagle Africa Ltd	Heaney Meats Catering Co. Ltd	SA retail stores	UK and Irish retail stores	Total
Assets	1 898.5	934.8	219.0	32.6	459.5	3 544.4
Property, plant and equipment	349.3	50.9	79.4	32.6	93.7	605.9
Right-of-use assets	966.8		5.9		303.2	1 275.9
Finance lease receivable	214.6					214.6
Goodwill and intangible assets	2.6	9.5	0.2			12.3
Investment in associates	34.2					34.2
Deferred taxation asset		10.0				10.0
Inventories	95.3	188.8	10.8		31.6	326.5
Loans	15.9					15.9
Trade and other receivables	198.1	638.9	51.5		10.2	898.7
Income tax receivable		0.1				0.1
Cash and cash equivalents	21.7	36.6	71.2		20.8	150.3
Liabilities	(2 156.2)	(708.6)	(82.1)		(412.8)	(3 359.7)
Trade and other payables	(714.3)	(685.8)	(74.1)		(84.7)	(1 558.9)
Income tax payable		(17.0)	(2.3)		(0.2)	(19.5)
Finance lease liability	(1 181.4)	(1.3)	(5.7)		(303.2)	(1 491.6)
Long-term borrowings	(88.1)	(4.5)			(24.7)	(117.3)
Short-term borrowings	(172.4)					(172.4)
Total identifiable net (liabilities)/assets at fair value	(257.7)	226.2	136.9	32.6	46.7	184.7
Fair value of previously held investment (Refer to note 4.5)		(26.2)				(26.2)
Non-controlling interest	49.7	(103.8)				(54.1)
Goodwill arising from acquisition	208.0	60.0	238.6	64.9	231.9	803.4
Cash consideration transferred		156.2	375.5	97.5	278.6	907.8
Cash balances acquired	(21.7)	(36.6)	(71.2)		(20.8)	(150.3)
Business acquisition costs	5.6	0.5	6.6		10.4	23.1
Contingent consideration			(70.7)		(55.6)	(126.3)
Net cash (inflow)/outflow on acquisition	(16.1)	120.1	240.2	97.5	212.6	654.3

4. BUSINESS COMBINATIONS (continued)

4.2 ASSETS AND LIABILITIES AT DATE OF DISPOSAL

The assets and liabilities disposed of relate to four South African retail stores (2019: two retail stores) previously disclosed as non-current assets held for sale, and 16 retail stores in Poland.

Rmillion	2020 Polish retail stores	SA retail stores	Total
Non-current assets	**32.7**	**2.4**	**35.1**
Property, plant and equipment	13.7	2.4	16.1
Trade and other receivables	2.5		2.5
Inventory	16.2		16.2
Cash and cash equivalents	0.3		0.3
Current liabilities	**(24.1)**		**(24.1)**
Trade and other payables	(19.9)		(19.9)
Long-term borrowings	(4.2)		(4.2)
Profit/(loss) on disposal of businesses	29.0	(2.4)	26.6
Proceeds	**37.6**		**37.6**
Deferred consideration	37.6		37.6

4.3 CONTRIBUTION TO RESULTS FOR THE YEAR

Rmillion	Piotr i Paweł Group	Monteagle Africa Ltd	Heaney Meats Catering Co. Ltd	SA retail stores	UK and Irish retail stores	Total
Revenue	2 151.8	2 588.2	188.1	644.0	524.8	6 096.9
Operating (loss)/profit	(470.8)	101.8	11.6	(0.9)	23.8	(334.5)

4.4 CASH FLOW ON ACQUISITION OF BUSINESSES/SUBSIDIARIES

The cash flow on acquisition of businesses/subsidiaries is noted as being the amount disclosed in note 4.1 and the contingent consideration cash outflow relating to the acquisition of Corrib Food Products in 2019.

Rmillion	2020	2019
Net cash outflow (Refer to note 4.1)	654.3	470.9
Corrib Food Products contingent consideration cash outflow	27.3	8.7
Costs on potential acquisitions		7.8
Total net cash outflow relating to acquisitions	681.6	487.4

4.5 FAIR VALUE OF PREVIOUSLY HELD INVESTMENT

SPAR held a 50% interest in Monteagle Merchandising Services (Pty) Ltd (MMS) as an investment in associate. Monteagle Africa Limited held the remaining 50% interest in MMS. SPAR acquired control of Monteagle Africa Ltd on 6 March 2020, gaining control of MMS. MMS was an acquisition achieved in stages. The previously held investment in associate was fair valued and the resulting loss was recognised in the income statement.

Rmillion	2020	2019
Investment in associate	32.9	
Fair value adjustment	(6.7)	
Fair value of previously held investment	26.2	

5. FINANCIAL LIABILITIES

Rmillion	2020	2019
Present value		
TIL JV Ltd	**1078.7**	1 326.3
SPAR Holding AG	**1023.8**	840.9
S Buys Holdings (Pty) Ltd	**49.7**	37.2
Total financial liabilities	**2 152.2**	2 204.4
Less: Short-term portion of financial liabilities	**(2 102.5)**	(683.3)
Long-term portion of financial liabilities	**49.7**	1 521.1
Undiscounted value		
TIL JV Ltd	**1 100.4**	1 434.3
SPAR Holding AG	**1 106.9**	854.8
S Buys Holdings (Pty) Ltd	**55.9**	55.9
	2 263.2	2 345.0
Difference between undiscounted value and the carrying amount of the financial liabilities	**111.0**	140.6

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

On 1 August 2014 The SPAR Group Ltd acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a wholly owned subsidiary of The SPAR Group Ltd. The SPAR Group Ltd has agreed to acquire the remaining 20% shareholding from the non-controlling shareholders at specified future dates and in accordance with a determined valuation model.

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. An election was made not to recognise a non-controlling interest, but to fair value the financial liability.

In the current year, this obligation was transferred from the SPAR Group Ltd to TIL JV Ltd, resulting in the extinguishment of the financial liability at a South African company level. The initial equity reserve of R545.7 million arising on this transaction has been transferred to retained earnings in the current year. In March 2020, 10.106% of the 20% minority interest was settled at an amount of R884.4 million. As at 30 September 2020, the balance of 9.894% was valued at R1 078.7 million based on management's determination of actual profit performance. The group has recognised 100% of the attributable profit.

The remaining payment will be made in January 2021 and is disclosed as a current financial liability.

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

In both 2020 and 2019 fair value adjustments were made to the TIL JV Ltd financial liability.

On 1 April 2016 The SPAR Group Ltd acquired a controlling shareholding of 60% in SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of The SPAR Group Ltd. Part of the purchase price of this 60% shareholding is a deferred consideration of CHF16.0 million. This liability is now disclosed as a current financial liability. 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.

The payment is expected to be made in the first half of 2021.

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

On 1 October 2017 The SPAR Group Ltd acquired a 60% shareholding in S Buys Holdings (Pty) Ltd which trades as S Buys. The SPAR Group Ltd agreed to purchase the remaining 40% shareholding in S Buys between 30 September 2022 and 31 December 2022 for an amount based on a multiple of the profit after tax for the 2022 financial year. This obligation to purchase the remaining shareholding was 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 2020, the financial liability was valued at R49.7 million (2019: R37.2 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.

5. FINANCIAL LIABILITIES (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:

Rmillion	2020	2019
TIL JV Ltd		
Balance at beginning of year	1 326.3	1 216.2
Finance costs recognised in profit or loss	105.7	69.1
Net exchange differences arising during the period	(33.5)	6.4
Fair value adjustments	255.6	34.6
Partial settlement of financial liability	(884.4)	
Foreign currency translation	309.0	
Carrying value at end of year	1 078.7	1 326.3

Rmillion	2020	2019
S Buys Holdings (Pty) Ltd		
Balance at beginning of year	37.2	49.2
Finance costs recognised in profit or loss	12.5	7.2
Fair value adjustments		(19.2)
Carrying value at end of year	49.7	37.2

Movements in financial liabilities held at amortised cost

Rmillion	2020	2019
SPAR Holding AG		
Balance at beginning of year	840.9	777.5
Finance costs recognised in profit or loss	13.5	22.5
Net exchange differences arising during the period	7.9	37.1
Foreign currency translation	161.5	3.8
Carrying value at end of year	1 023.8	840.9
Total financial liabilities	2 152.2	2 204.4

6. FINANCIAL RISK MANAGEMENT

Rmillion	2020	2019
Financial instruments classification		
Financial assets held at amortised cost		
Net bank balances	**723.1**	(67.4)
Loans and other receivables	**999.4**	1 266.7
Block discounting loan receivable	**362.6**	623.1
Finance lease receivable	**5 430.2**	
Trade and other receivables	**15 637.9**	13 122.7
Financial liabilities held at amortised cost		
Block discounting loan payable	**(371.3)**	(637.2)
Finance lease payable	**(12 928.8)**	
Trade and other payables	**(19 411.4)**	(14 912.8)
Borrowings	**(7 055.9)**	(5 164.8)
Financial liabilities at amortised cost	**(1 023.8)**	(840.9)
Financial assets and liabilities at fair value through profit or loss		
Foreign exchange contract asset	**0.9**	0.4
Financial liabilities at fair value through profit or loss	**(1 128.4)**	(1 363.5)
Designated hedging instrument		
Interest rate swap liability		(2.8)

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 are mainly comprised of other equity investments.

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

The following financial instruments are carried at fair value and are further categorised into the appropriate fair value hierarchy:

Financial instruments

Rmillion	Carrying Value	Level 1	Fair value Level 2	Level 3
2020				
Foreign exchange contract asset	**0.9**		**0.9**	
Financial liabilities at fair value through profit or loss	**(1 128.4)**			**(1 128.4)**
Total	**(1 127.5)**		**0.9**	**(1 128.4)**
2019				
Interest rate swap	(2.8)		(2.8)	
Foreign exchange contract asset	0.4		0.4	
Financial liabilities at fair value through profit or loss	(1 363.5)			(1 363.5)
Total	(1 365.9)		(2.4)	(1 363.5)

6. FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE HIERARCHY (continued)

Level 3 sensitivity information

The fair value of the level 3 financial liabilities of R1 128.4 million (2019: R1 363.5 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth. In September 2020, the estimated future profit target for TIL JV Ltd was adjusted upward by 21.3% (2019: upward by 3.1%). The S Buys financial liability is based on a guaranteed minimum profit value. A change in fair value would only result if profits increased between 35% and 40%.

The following tables show how the fair value of the level 3 financial liabilities would change in relation to change in the discount rate by 0.5%.

	Discount rate %	Sensitivity % change	Liability Rmillion
TIL JV Ltd			
2020			
Financial liability	**8.0**	**0.5**	**(1.3)**
Financial liability	**8.0**	**(0.5)**	**1.3**
2019			
Financial liability	8.0	0.5	(6.2)
Financial liability	8.0	(0.5)	6.3
S Buys Holdings (Pty) Ltd			
2020			
Financial liability	**6.5**	**0.5**	**(0.6)**
Financial liability	**6.5**	**(0.5)**	**0.6**
2019			
Financial liability	12.6	0.5	(0.6)
Financial liability	12.6	(0.5)	0.6

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		
2020		
Financial liability	**5.0**	**51.1**
Financial liability	**(5.0)**	**(51.1)**
2019		
Financial liability	5.0	66.3
Financial liability	(5.0)	(66.3)
S Buys Holdings (Pty) Ltd		
2020		
Financial liability	**5.0**	
Financial liability	**(5.0)**	
2019		
Financial liability	5.0	1.9
Financial liability	(5.0)	(1.9)

LIQUIDITY RISK

As at 30 September 2020, current liabilities exceed current assets. This risk has been managed by committing banking facilities sufficient to allow all current liabilities to be settled when these fall due.

7. CAPITAL COMMITMENTS

Rmillion	2020	2019
Contracted	**665.3**	258.0
Approved but not contracted	**832.2**	91.7
Total capital commitments	**1 497.5**	349.7
Analysed as follows:		
Property, plant and equipment	**757.3**	349.7
Intangible assets	**740.2**	

Capital commitments will be financed from group resources.

8. FINANCIAL GUARANTEES

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

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

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

The table below represents the full exposure of the group in relation to these financial guarantees as at 30 September 2020.

Rmillion	2020	2019
– Guarantee of Wesbank loan agreements	**255.9**	201.4
– Guarantee of Numlite (Pty) Ltd finance obligations	**170.6**	172.1
	426.5	373.5

9. IMPACT OF IFRS 16 ADOPTION

The group has applied the standard using the modified retrospective approach, recognising the cumulative effect of initially applying the standard in retained earnings at the date of initial application. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. As prescribed by IFRS 16, lease liabilities will be measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application.

On adoption of IFRS 16, the group has recognised a right-of-use asset representing the underlying asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets in terms of IFRS 16 comprise smaller items of equipment.

Where the group holds a head lease and back-to-back sublease, a finance lease receivable has been recognised rather than a right-of-use asset. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense. The right-of-use assets can be measured as the amount of initial measurement of the lease liability and subsequently depreciated over the remaining lease term. However, management has chosen, on a lease by lease basis, the option available in the standard to measure the right-of-use assets as if IFRS 16 had been applied since the inception of the lease, using the incremental borrowing rate on the date of initial application. This has resulted in an adjustment to retained earnings relating to depreciation, and in the instance of some property leases in Ireland, an impairment. Initial direct costs have not been included in the measurement of right-of-use assets. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

9. IMPACT OF IFRS 16 ADOPTION (continued)

Lease arrangements by segment

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

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

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

SPAR Poland leases relate to property leases on retail sites, and leases of other properties, which includes the warehouse. For these properties a right-of-use asset and finance lease liability is recognised. Some retail properties are sub-let, in these instances a finance lease asset is recognised instead of the right-of-use receivable.

Lease liabilities have been measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The weighted average lessees incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 5.77%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

Practical expedients

The group has applied the following practical expedients available in the standard:

- The use of a single discount rate to each portfolio of leases that have reasonably similar terms, underlying assets and economic circumstances. In Southern Africa, the majority of property leases are on similar underlying assets (stores) within similar economic environments, and with the same lease terms. The same can be said for property leases in Switzerland, Poland and Ireland; however, the Irish portfolio of leases is further split into leases based in Ireland and the UK.
- On transition to IFRS 16, the group reversed onerous lease provisions, and accounted for the difference between cumulative unavoidable costs and expected economic benefits (if lower) as an IFRS 16 transitional adjustment through retained earnings.
- The accounting for operating leases with remaining lease terms of less than 12 months as at 1 October 2019 as short-term leases.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight in order to determine the lease term for contracts containing options to extend or terminate the lease.

Renewal periods and termination options

Renewal clauses and termination options have been considered on a lease by lease basis where it is applicable and it is considered to be reasonably certain that the group will exercise the renewal options in order to retain control of the sites, or terminate the lease early in terms of the option. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal or termination option. Periods after an optional termination date are considered part of the lease term if the group is reasonably certain not to terminate early.

In South Africa, the majority of property leases are entered into for an initial period of 10 years, with renewal options of five years. It has been concluded that these renewal options will only be recognised when it is reasonably certain that they will be entered into, which is generally within six months of the renewal coming into effect. In Ireland no renewal assumptions/rights have been identified as likely to be exercised and incorporated into the lease terms. In Ireland, periods after an optional termination date have been considered part of the lease term for two leases where it is was determined reasonably certain not to terminate early. In Switzerland, renewal clauses have been taken into account on a number of leases where it is considered to be reasonably certain that the group will exercise the renewal options in order to retain control of the sites. In Poland, the majority of leases are for stores and are for a period of 10 years.

9. IMPACT OF IFRS 16 ADOPTION (continued)

Variable lease payments

Variable payment terms are mainly used on the lease of a store, where a portion of the rental is based on turnover made by the store.

Variable payment terms also occur when utility costs related to a property are on-charged as part of the rental.

Variable lease payments mentioned above are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Rmillion	2020
Measurement of lease liabilities	
Operating lease commitments disclosed at 30 September 2019	**13 364.5**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(3 653.4)**
Add: adjustments as a result of a different treatment of extension and termination options	**443.8**
Add: Finance lease liabilities recognised as at 30 September 2019	**42.3**
Less: Short-term leases not recognised as a liability	**(8.3)**
Less: Low-value leases not recognised as a liability	**(6.9)**
Lease liability at 1 October 2019	**10 182.0**
Analysed as follows:	
Current	**1 364.2**
Non-current	**8 817.8**

The adoption of the new standard affected the following items:

Rmillion	Increase/ (decrease)
Statement of financial position at 1 October 2019	
Property, plant and equipment	**(31.5)**
Right-of-use assets	**5 191.0**
Finance lease receivable	**4 254.4**
Deferred tax asset	**124.5**
Trade and other receivables	**(57.4)**
Operating lease receivable	**(325.5)**
Finance lease payable	**10 182.0**
Provisions	**(24.2)**
Trade and other payables	**(28.6)**
Operating lease payable	**(357.6)**
Retained earnings	**(616.1)**
Statement of comprehensive income for the year ended 30 September 2020	
Depreciation	**1052.1**
Profit before interest and taxation	**79.5**
Finance income	**438.9**
Finance costs	**665.9**
Profit before taxation	**(147.5)**
Taxation	**(32.2)**
Headline earnings	**(115.3)**
Headline earnings per share (HEPS) (cents)	**(60.0)**

10. COVID-19 PANDEMIC

From March this year, all of our markets were impacted by the COVID-19 pandemic and subsequent lockdown measures to curb the spread of the virus. The group was swift to take the necessary proactive measures and implement effective protocols to safeguard our key priorities: the safety of our people, retailers, suppliers and consumers; managing the supply chain and keeping our retailers' shelves replenished; and supporting our communities.

The below areas were specifically considered in light of the pandemic when preparing these financial results:

Financial instruments – IFRS 9 provisioning

Management has considered the impact COVID-19 may have on macroeconomic factors in calculating the forward looking adjustment to the historical rates. In assessing the specific provisions for trade receivables, management also considered the heightened economic and business risks on collection arising from the pandemic. Management has adopted a robust model to determine necessary provisions against debt due ensuring that a conservative approach is taken during these times of uncertainty.

Goodwill – impairment considerations

Assumptions, forecasts and growth rates used in impairment testing were of a conservative nature as uncertainty remains over the current and future economic outlook, both locally and internationally.

Financial guarantees

Management has reviewed the projections provided by subsidiaries and affiliates to which guarantees have been provided and ensured that there will be sufficient cash resources to service the underlying debt obligations as and when they fall due.

11. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the financial year which have or may materially affect the financial position of the group or the results of its operations.

12. CHANGES TO THE BOARD

Graham O'Connor, the group CEO and Mike Hankinson, the Chairman of the board of directors (board), will be retiring at the annual general meeting (AGM) that will be held in February 2021. Accordingly, subject to shareholder approval at the AGM, where applicable, the board has resolved to appoint:

- Brett Botten, the current Managing Director of SPAR South Rand as the group CEO;
- Graham, as a non-executive director and Chairman of the Board; and
- Andrew Waller, an independent non-executive director, as the lead independent director of the Board.

Ms Mandy Hogan has resigned as the Company Secretary of SPAR with effect from 31 December 2020.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a gross final cash dividend of 665 cents (2019: 516 cents) per share has been declared by the board in respect of the year ended 30 September 2020. The dividend has been declared out of income reserves. This brings the total gross dividend for the year to 865 cents (2019: 800 cents) per ordinary share.

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

Last day to trade *cum*-dividend	Tuesday, 8 December 2020
Shares to commence trading *ex*-dividend	Wednesday, 9 December 2020
Record date	Friday, 11 December 2020
Payment of dividend	Monday, 14 December 2020

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 9 December 2020 and Friday, 11 December 2020, both days inclusive.

In terms of South African taxation legislation effective from 1 April 2012, and the JSE Limited Listings Requirements, the following additional information is disclosed:

- The South African local dividend tax rate is 20%;
- The net local dividend amount is 532 cents per share for shareholders liable to pay tax on dividends and 665 cents per share for shareholders exempt from such dividend tax;
- The issued share capital of The SPAR Group Ltd is 192 602 355 ordinary shares; and
- The SPAR Group Ltd's tax reference number is 9285/168/20/0.

By order of the board

Mandy Hogan
Company Secretary

Pinetown
18 November 2020

SALIENT FEATURES

Rmillion	Year ended 30 Sep 2020	Year ended 30 Sep 2019	% Change
Turnover[1]	**124 277.4**	109 477.1	13.5
Operating profit	**3 442.6**	2 978.9	15.6
Earnings per share (cents)	**1 078.7**	1 124.1	(4.0)
Headline earnings per share (cents)	**1 135.3**	1 129.1	0.5
Normalised diluted headline earnings per share (cents)[2]	**1 262.6**	1 160.6	8.8
Dividend per share (cents)	**865.0**	800.0	8.1
Net asset value per share (cents)	**4 102.2**	3 879.9	5.7

IMPACT OF POLISH LOSSES

Rmillion	2020	2019	% Change
Headline earnings	**2 183.6**	2 173.0	0.5
Adjusted for fair value adjustment to, and foreign exchange effects on financial liabilities, and business acquisition costs	**253.1**	71.6	253.5
Normalised headline earnings[2]	**2 436.7**	2 244.6	8.6
Adjusted for Polish reported headline loss for the period attributable to ordinary shareholders	**327.7**	27.3	1100.4
Normalised headline earnings excluding Polish result[2]	**2 764.4**	2 271.9	21.7
Diluted weighted average number of ordinary shares net of treasury shares (000)	**192 986**	193 400	(0.2)
Normalised diluted headline earnings per share (cents)[2]	**1 262.6**	1 160.6	8.8
Normalised diluted headline earnings per share excluding Polish result (cents)[2]	**1 432.4**	1 174.7	21.9

This financial information is the responsibility of the directors and has been prepared for illustrative purposes only and because of its nature, it may not fairly present the group's financial position and results of operations. The table above has been provided to help shareholders understand the impact of the newly acquired Polish business on normalised earnings, for the year ended 30 September 2020.

[1] *Turnover represents revenue from the sale of merchandise.*

[2] *Diluted headline earnings adjusted for fair value adjustments to, and foreign exchange effects on financial liabilities, and business acquisition costs.*

PERFORMANCE OVERVIEW

The SPAR group has delivered an extraordinary performance for the year ended 30 September 2020. Group turnover increased by 13.5% to R124.3 billion, as consumers supported our local, convenient, and trusted retailers during this time of crisis. Profitability was positively impacted by a change in sales mix as increased home consumption drove higher-margin grocery and fresh categories. Despite the impact of the expected losses in Poland, group normalised diluted headline earnings per share increased by 8.8%. The Board carefully considered the business outlook and declared a final dividend of 665 cents per share.

- SPAR Southern Africa contributed growth in wholesale turnover of 5.8% to R78.6 billion. Our core food business increased sales by 9.2%, supported by strong demand for groceries. During this period, internally measured wholesale food inflation has risen to 3.9%. TOPS at SPAR liquor business lost almost a third of its total trading days due to the restrictions on the sale of liquor, with wholesale turnover for the year decreasing by 15.8%. Despite trading restrictions on building materials during the initial five weeks of lockdown, Build it delivered a resilient performance in a weak sector, with wholesale turnover 0.9% down. During the period, the total Southern African store network grew to 2 414 stores, with 65 net new stores opened across all brands. The group completed 310 store upgrades, against 298 upgrades in the comparable period.
- The BWG Group in Ireland delivered a remarkable result, with sales growth across all retail brands more than compensating for the Cash & Carry and BWG Foodservice businesses, which have been severely impacted by the COVID-19 restrictions in the hospitality industry. The EUROSPAR format, which offers convenience and a comprehensive range of groceries, has been the outlier performer with sales growth of 11.5% in local currency. The majority of the retail brands in this market are ideally located neighbourhood stores and have performed strongly. The retail network of this business is now 1 391 stores, boosted by the acquisition of corporate retail stores in South West England.
- SPAR Switzerland has performed exceptionally well with turnover increasing by 11.6% in CHF terms. This business has seized the opportunity of changing consumer behaviour, largely influenced by the closure of Swiss borders during the initial lockdown, with locals shopping closer to home and opting for trusted community-based stores over large supermarkets. Our TopCC Cash & Carry business, which caters largely to the hospitality industry, has been boosted by Swiss support of local restaurants during the summer months. SPAR Switzerland's total store network has grown to 333 stores during the period.
- The COVID-19 pandemic has been disruptive to our plans and has delayed progress in the Polish market. Given the level of development and reorganisation required in year one of operations, this business has been most vulnerable to the impact of lockdown restrictions. Despite the setbacks, good progress has nevertheless been made and this region contributed R2.1 billion towards group turnover for the period. The store network stands at 219 stores, including 25 existing Piotr i Paweł stores still to be converted to SPAR stores.

GROUP FINANCIAL REVIEW

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Income statement					
Turnover*	**78 605.4**	**29 896.7**	**13 641.9**	**2 133.4**	**124 277.4**
Gross profit	**7 796.9**	**3 994.5**	**2 515.4**	**473.1**	**14 779.9**
Operating profit	**2 573.6**	**978.2**	**361.5**	**(470.7)**	**3 442.6**
Profit before taxation	**2 299.2**	**651.7**	**296.6**	**(551.1)**	**2 696.4**
Financial position					
Total assets	**24 136.1**	**16 466.9**	**9 402.2**	**2 733.4**	**52 738.6**
Total liabilities	**18 762.5**	**14 496.8**	**8 279.0**	**3 310.6**	**44 848.9**

* *Turnover represents revenue from the sale of merchandise.*

Turnover for the group increased by 13.5% to R124.3 billion (2019: R109.5 billion), with 36.8% (2019: 32.1%) of total turnover generated in foreign currency. Following the declaration of COVID-19 as a global pandemic, given that the group is an essential services provider in groceries, it has traded throughout the regional lockdowns, which began towards the end of the first half of the financial year. The Polish operations were acquired during the year and have contributed R2.1 billion for the period. The existing group regions have all seen strong turnover growth, despite pandemic-related trading restrictions on certain categories in South Africa, as well as a decline in BWG Foodservice business in Ireland, where this business caters to the hospitality industry. The strong turnover performance of groceries due to increased home consumption during this time of crisis has helped compensate for the decline in other business units. Switzerland saw an exceptional increase in turnover to R13.6 billion, contributing 11.0% (2019: 9.5%) towards group turnover. For more information on turnover by region, please refer to the geographical review on the next page.

Gross margin for the group has increased to 11.9%, up from 10.7% in the prior year, boosted by demand for higher margin fresh and dry grocery categories across all regions. In South Africa lower margin liquor and building materials categories saw restricted periods of trade and were therefore less dilutionary during the period. The acquisition of SPAR Encore was also margin enhancing, as this business traded at a gross profit margin of 15.0%. BWG Foods and Switzerland both operate in the higher-margin convenience sector, reporting gross margins of 13.4% (2019: 13.0%) and 18.4% (2019: 17.6%) respectively. BWG Foods acquired Heaney Meats and a group of corporate stores in South West England during the year, all of which were gross profit margin enhancing. Poland has a group of corporate stores which trade at higher gross margins than wholesale operations, which also contributed positively towards gross margin for the group.

Operating expenses increased significantly year-on-year by 27.2% to R13.9 billion (2019: R10.9 billion). The implementation of IFRS 16 reduced operating expenses by R79.5 million, with net rental expenses of R1 131.6 million being replaced by the depreciation charge on right-of-use assets of R1 052.1 million. The newly acquired business operations in Poland contributed significantly towards the increase in group operating expenses. Excluding the impact of Polish operating expenses, group operating expenses increased by 18.3%. South African business reported an increase in operating expenses of 16.5%. The newly acquired SPAR Encore business contributed 5.6% to this overall increase. Excluding SPAR Encore and S Buys, operating expenses for Southern Africa increased by 11.0%. Employee costs increased by 14.0%, which includes a significant proportion of COVID-19 related employee costs, such as transportation costs for employees to and from the distribution centres. The total estimated costs associated with COVID-19 for South Africa amount to R45.8 million. With employees working remotely due to the pandemic, IT related expenditure increased significantly. In EUR terms, operating expenses for the BWG Foods business were well managed, increasing by 3.6% year-on-year. In Switzerland, operating expenses were well contained to an increase of 4.6% in CHF terms.

Profit before tax has declined by 3.1% to R2.7 billion (2019: R2.8 billion). Profit before tax was impacted by the adjustments arising on the fair valuation of the liability to purchase the minority interest in BWG Foods, to the value of R327.8 million. The adoption of IFRS 16 resulted in net finance costs of R227.0 million recognised in the current year. The adoption of IFRS 16 has resulted in a net negative impact of R147.5 million to profit before tax. Profit before tax was fundamentally impacted by the Polish losses. Excluding the impact of Polish losses, group profit before tax increased by 15.5%.

Profit after tax declined 9.6% to R2.0 million (2019: R2.2 million). For the financial period, the group's effective tax rate increased by 5.3% from 22.2% to 27.5%. The largest contributors to this increase were caused by the fair valuation of the financial liability relating to the future acquisition of the minority interest in BWG Foods, as mentioned above. In the prior year there was a reduction in the federal tax rate in Switzerland of 3.5%, which resulted in a benefit of 1.9% to the group effective tax rate in the prior year. Tax losses and timing differences not being provided for, the majority of which related to Poland, have resulted in a 1.6% increase to the overall increase in the effective tax rate.

Headline earnings per share increased by 0.5% to 1 135.3 cents (2019: 1 129.1 cents). Normalised diluted headline earnings per share increased by 8.8% to 1 262.6 (2019: 1 160.6 cents). Excluding the losses in Poland, normalised diluted headline earnings per share increased 21.9% year-on-year.

Having declared a conservative interim **dividend** of 200 cents per share, given the levels of uncertainty associated with the pandemic at that point in time, a final dividend of 665 cents has been declared taking the total dividend to 865 cents (2019: 800 cents) per share for the year, an increase of 8.1% year-on-year.

GROUP FINANCIAL REVIEW (continued)

Cash generated from operations totalled R6.4 billion (2019: R1.8 billion) and reflected a substantial increase over the prior year due to the timing of working capital movements at year end, as well as the reallocation of net rental expenses being disclosed in financing and investing activities, under the adoption of IFRS 16. A total of R1.4 billion in dividends was paid to shareholders. The group's cash flow from investing activities was R1 502.4 million (2019: R1 943.2 million) and reflects the business acquisition of R681.6 million, including Heaney Meats of R240.2 million, corporate stores of R310.1 million and SPAR Encore (Monteagle Africa Ltd) of R120.1 million. Cash outflows from financing activities increased to R1.8 billion, impacted by a cash outflow of R1.5 billion arising on principal elements of lease payments. An amount of R884.4 million was paid to settle the minority interests in BWG Foods. This payment represents 10.1% of the 20.0% minority interest. The remaining 9.9% will be settled in early 2021. The group finished the year with a net cash balance of R723.1 million (2019: R67.4 million overdraft).

GEOGRAPHICAL REVIEW

SPAR SOUTHERN AFRICA

The turnover of SPAR Southern Africa increased 5.8% to R78.6 billion (2019: R74.3 billion), reflecting the impact of the sales restriction on liquor, cigarette, home meal replacement and building material categories during lockdown and selected continued trading restrictions on certain categories thereafter. Case volumes (excluding Build it) through the seven distribution centres increased by 0.9% to R246.0 million (2019: 243.9 million) cases. Although we saw large volume increases for groceries and health and beauty categories, these volumes were largely offset by the loss of liquor and cigarette sales due to the trading ban on these categories. Combined food and liquor wholesale turnover growth was recorded at 6.2% and should be viewed against internally calculated food inflation of 3.9%. This inflation measure has decreased from 4.1% measured at half year and the 3.1% reported in 2019.

SPAR (core food business) saw wholesale turnover growth of 9.2% to R62.9 billion (2019: R57.6 billion), driven by changed patterns of consumer buying in favour of local, convenient and trusted retailers, as well as increased home consumption, brought on by the pandemic. At a retail level, turnover increased 8.5% to R91.2 billion (2019: R84.1 billion) and recorded like-for-like retail sales growth of 7.3%.

House brands, including SPAR private label products have performed strongly. During the pandemic, out of stocks and reduced ranges from suppliers presented an opportunity for a new audience to try SPAR private label products. Our strategy of "as good as the best for less", is simple, but effective, and these products offer good quality and value for money for consumers. Private label wholesale sales increased 14.1% to R10.5 billion, representing 16.7% of core SPAR turnover. Total turnover for all house brands increased 12.1% to R15.0 billion, representing almost 24% of core turnover.

The group remains focused on driving organic retail growth through store upgrades, which include the integration of successful in-store concepts such as Chicken Chikka deli counters. During the period, 167 (2019: 181) SPAR stores were refurbished, a real achievement, given the level of disruption caused to non-essential service providers during the lockdown. Total retail space increased by 1.0% (2019: 2.0%). The current year store openings were impacted by the lockdowns which restricted many service providers from operating during this time. Store numbers increased by 15 SPAR stores across the various formats, raising the total SPAR store numbers to 975.

TOPS at SPAR has been severely impacted by the trading restrictions on the sale of liquor during and post the lockdown in South Africa. Wholesale turnover for this business declined by 15.8% to R6.4 billion (2019: 7.6 billion). Our retailers saw sales decline of 17.8% to R10.5 billion (2019: R12.8 billion), with like-for-like sales declining by 19.7%. During the period, the TOPS at SPAR store network increased by 20 stores on a net basis to 842 stores, while 70 stores were revamped. Total retail space for this format increased by 3.6% (2019: 6.7%).

Build it's wholesale turnover growth declined slightly by 0.9% to R7 965.0 million (2019: R8 035.1 million) which is an excellent performance under the circumstances, and given the weakness of the sector in the first half. This business made an impressive recovery after the initial trading restriction of five weeks, from late March to June, largely driven by home improvements during the second half, with consumers spending more time at home due to the pandemic. Build it's house brand and imports have made a strong recovery post lockdown. At year end, Build it's store network totalled 392 stores. Given how successful the upgrade programme has been in driving new business to existing stores, a total of 65 stores were upgraded during the year.

The **Pharmacy at SPAR** business developed 12 new stores during the year, increasing the total number of pharmacy stores to 132 stores. This business reported an increase in turnover of 3.6% to R1 072.8 million. Progress has been made across range, pricing and promotions in respect of the front-of-shop offering. The profitability of this business continues to be negatively impacted by increased distribution costs, due to lack of economies of scale, nevertheless operating profit improved on the prior year.

BWG FOODS (IRELAND AND SOUTH WEST ENGLAND)

The BWG Group delivered a remarkable performance with reported euro-denominated turnover growth of 6.3% to €1.6 billion (2019: €1.5 billion). The COVID-19 restrictions had a severe impact on the performance of the hospitality industry in Ireland, which impacted the Value Centre Cash & Carry and BWG Foodservice businesses. However, the convenience store network (excluding larger city centre and petrol forecourt stores, impacted by consumer behaviour changes brought on by the pandemic) experienced excellent sales growth, more than compensating for the weak performance of business units negatively impacted by the pandemic. All retail symbols including, EUROSPAR, SPAR, Londis, Mace, XL and Gala saw strong retail turnover growth, as consumers chose to support their local convenience stores during this time of crisis. In EUR terms, the existing BWG Foods business contributed turnover growth of 3.4%. The acquisitions of Heaney Meats and corporate stores in South West England during the year, contributed net growth of 2.2% towards turnover. The depreciation of the rand over the reporting period, contributed 14.6% and resulted in revenue growth of 20.4% to R29.9 billion (2019: R24.8 billion). Operating profit increased 42.6% to R978.2 million (2019: R686.1 million), benefiting from the weakening of the rand. The retail network of this business is now 1 391 stores, boosted by the acquisition of corporate retail stores in South West England.

GEOGRAPHICAL REVIEW (continued)

SPAR SWITZERLAND

This business has reported an extraordinary set of results for the period. In CHF terms, this business reported an increase in turnover of 11.6% and an increase in operating profit of 267.8% year-on-year. Reported turnover increased to R13.6 billion, up 31.7% on the prior year (2019: R10.4 billion) and operating profit increased 334.0% to R361.5 million (2019: R83.3 million). Operating expenditure has been well managed and contained at a 4.6% increase in local currency. Shopping in neighbouring countries, where groceries and other products are cheaper than in Switzerland has for some time been normal behaviour among Swiss consumers. However, with the closure of borders earlier in the year due to the lockdown, many consumers were forced to shop at home. In addition consumers opted for local and convenient stores during this time, over large supermarkets. This has resulted in a twofold increase in levels of footfall to our convenience stores, attracting an entire new group of consumers. Our TopCC Cash & Carry business, which caters to the hospitality industry has benefited from restaurants being open during the summer months as many Swiss stayed home for their vacations. SPAR Switzerland launched 11 new stores during the year. At the end of the year there were 333 (2019: 322) corporate and independent retailers serviced.

SPAR POLAND

Piotr i Paweł, a retail chain of supermarket stores, together with a wholesale distribution network in Poland, was acquired effective 1 October 2020. This business is in the process of being legally restructured and is nearing completion of these proceedings. The proceedings were delayed significantly due to the lockdown measures in Poland, which suspended all court activity and prevented the settlement of the matter. Mall-based stores have been impacted by reduced footfall in malls due to the pandemic. Despite the setbacks brought on by the pandemic, the group has made significant progress in this region. The SPAR licence to trade in Poland was officially transferred to the group in February 2020. In addition to acquiring access to two Piotr i Paweł distribution centres, a third distribution centre has been secured, creating an effective distribution base for Piotr i Paweł and SPAR stores nationwide. The existing SPAR retailers were effectively onboarded during the second half of the year. The Polish business generated R2.1 billion of turnover, contributing 1.7% towards total turnover for the period. Gross margins at 22.2% are stronger than other regions, due to greater exposure to retail in the existing Polish business. The reported operating loss of R470.7 million was negatively impacted by non-operational costs, including foreign exchange losses on euro-based loan and lease agreements of R62.0 million, as well as provisions and depreciation recognised on the adoption of IFRS 9 and IFRS 16. At the end of the period, there were 219 stores in Poland consisting of 194 SPAR stores and 25 existing Piotr i Paweł stores which are due to be converted to SPAR stores in the future.

RESPONDING IN A TIME OF CRISIS

From March this year, all of our markets were impacted by the COVID-19 pandemic and subsequent lockdown measures to curb the spread of the virus. As an essential service provider of groceries, our stores traded throughout the lockdown periods, albeit with periods of restriction on the sale of liquor, cigarettes and building materials experienced in South Africa.

The group was swift to take the necessary proactive measures and implement effective protocols to safeguard our key priorities: the safety of our people, retailers, suppliers and consumers; managing the supply chain and keeping our retailers' shelves replenished; and supporting our communities.

The business has adapted to changing consumer behaviour during this time and has benefited from customers choosing local and conveniently situated shopping destinations that ensured their safety and wellbeing. Remaining agile, challenging ways of operating and implementing contingency plans have been necessary to secure our supply chains and ensured that our retailers continued to receive the service they expected.

As an organisation, we remain committed to supporting our communities. SPAR's family values and culture of caring have positioned us well in dealing with this crisis. Thank you to our employees, suppliers, retailers and customers, who have adapted with us to find new ways of operating during this time.

PROSPECTS

Consumers are opting for their local, convenient and trusted community retailer, during this time. This is perfectly aligned with the group's vision of being the first-choice brand in the communities we serve. Against the backdrop of the COVID-19 pandemic, the group continues to prove its resilience.

In Southern Africa, an existing weak economy has been severely impacted by the pandemic. The consumer environment is expected to remain constrained, with many South Africans under financial pressure.

Europe is experiencing a second wave of infections and hard lockdown measures. Our businesses in Europe have contingency plans in place to deal with the disruption and have learnt many lessons from the initial lockdowns. In Ireland, the foodservice and hospitality sector will face continued uncertainty, as consumers remain cautious, however the retail sector is expected to remain strong in the year ahead. The gradual reopening of the Irish economy is likely to coincide with the impact of Brexit, which is expected to be disruptive. Our Swiss business is well positioned to maximise the opportunities brought on by shifts in consumer behaviour, new business gained and by the changing dynamics in the marketplace. In Poland, we will concentrate on building relationships and driving loyalty with our SPAR retailers. We are focused on breaking even in this region by the end of 2021.

SPAR's extensive distribution and logistics capability, market-leading brands and overall support of independent retailers, ensure that we remain suitably positioned to deliver exceptional value to consumers.

Mike Hankinson	**Graham O' Connor**
Chairman	CEO

18 November 2020

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