THE SPAR GROUP LTD

PRELIMINARY REVIEWED CONDENSED GROUP RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021
AND CASH DIVIDEND DECLARATION

SALIENT FEATURES

+102 stores
Net new stores

+2.9%
Group turnover^
R127.9 billion
2020: R124.3 billion

+5.5%
Diluted headline earnings per share
1 193.7 cents
2020: 1 131.5 cents

+6.1%
Net asset value per share
4 350.5 cents
2020: 4 102.2 cents

816 cents
Dividend per share
2020: 865 cents

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

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Rmillion	% Change	Year ended September 2021	2020
Revenue – sale of merchandise	2.9	**127 940.5**	124 277.4
Cost of sales		**(112 581.5)**	(109 497.5)
Gross profit		**15 359.0**	14 779.9
Revenue other		**2 454.5**	2 366.9
Other income		**226.3**	208.7
Net operating expenses	5.3	**(14 647.2)**	(13 912.9)
Operating profit	(1.5)	**3 392.6**	3 442.6
Other non-operating items		**(6.4)**	(278.7)
Finance income		**573.0**	618.2
Finance costs		**(935.4)**	(1 022.5)
Share of equity-accounted associate losses		**(6.7)**	(63.2)
Profit before taxation	11.9	**3 017.1**	2 696.4
Taxation		**(808.6)**	(740.2)
Profit after taxation		**2 208.5**	1 956.2
Attributable to:			
Equity holders of the company		**2 265.5**	2 074.7
Non-controlling interests		**(57.0)**	(118.5)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-retirement medical aid		**(9.2)**	20.7
Deferred tax relating to remeasurement of post-retirement medical aid		**2.5**	(5.7)
Remeasurement of retirement funds		**537.4**	189.3
Deferred tax relating to remeasurement of retirement funds		**(76.6)**	(24.8)
Items that may be reclassified subsequently to profit or loss:			
Gain on cash flow hedge			3.2
Tax relating to gain on cash flow hedge			(0.4)
Exchange differences from translation of foreign operations		**(218.8)**	294.2
Total comprehensive income	0.5	**2 443.8**	2 432.7
Attributable to:			
Equity holders of the company		**2 493.8**	2 557.1
Non-controlling interests		**(50.0)**	(124.4)
Earnings per share (cents)			
Basic	9.0	**1 176.3**	1 078.7
Diluted	9.2	**1 173.8**	1 075.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rmillion	Notes	Year ended September 2021	2020
ASSETS			
Non-current assets		**28 419.0**	28 375.7
Property, plant and equipment		**8 192.5**	8 725.3
Right of use assets		**7 135.5**	6 605.9
Finance lease receivable		**5 120.7**	4 713.4
Goodwill and intangible assets		**6 837.1**	6 983.4
Investment in associates and joint ventures		**94.6**	102.9
Other investments		**14.5**	21.8
Operating lease receivables		**7.6**	6.2
Loans and other receivables		**700.3**	795.0
Block discounting loan receivable		**87.9**	199.0
Deferred taxation asset		**228.3**	222.8
Current assets		**23 618.3**	24 324.2
Inventories		**5 303.4**	5 377.3
Trade and other receivables		**15 327.9**	15 637.9
Prepayments		**226.9**	288.9
Loans and other receivables		**199.5**	204.4
Current portion of block discounting loan receivable		**114.4**	163.6
Income tax receivable		**25.4**	0.9
Other current financial assets			0.9
Finance lease receivable		**776.2**	716.8
Cash and cash equivalents – SPAR		**1 370.7**	1 670.7
Cash and cash equivalents – Guilds and trusts		**273.9**	262.8
Assets held for sale		**29.5**	38.7
Total assets		**52 066.8**	52 738.6
EQUITY AND LIABILITIES			
Capital and reserves		**8 379.1**	7 889.7
Stated capital		**2 231.5**	2 231.5
Treasury shares		**(13.3)**	(15.3)
Reserves		**576.4**	590.3
Non-controlling interests		**177.6**	(70.3)
Retained earnings		**5 406.9**	5 153.5
Non-current liabilities		**20 571.2**	19 694.3
Deferred taxation liability		**312.1**	277.6
Post-employment benefit obligations		**810.9**	1 270.0
Financial liabilities	5	**50.1**	49.7
Long-term borrowings		**7 256.4**	6 693.1
Block discounting loan payable		**89.8**	203.5
Finance lease payable		**12 051.9**	11 200.4
Current liabilities		**23 116.5**	25 154.6
Trade and other payables		**18 266.4**	19 411.4
Current portion of financial liabilities	5		2 102.5
Current portion of long-term borrowings		**393.4**	362.8
Current portion of block discounting loan payable		**117.4**	167.8
Provisions		**27.3**	12.9
Finance lease payable		**1 824.5**	1 728.4
Income tax payable		**72.0**	158.4
Bank overdrafts		**2 415.5**	1 210.4
Total equity and liabilities		**52 066.8**	52 738.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rmillion	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 2019	2 231.5	(23.9)	257.8	285.9	5 496.1	(749.7)	(30.4)	–	7 467.3
Change in accounting policy					(616.1)				(616.1)
Balance 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)
Transfer of financial liability to TIL JV					(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**
Profit for the year					**2 265.5**			**(57.0)**	**2 208.5**
– Remeasurement of post-retirement medical aid					**(6.7)**				**(6.7)**
– Remeasurement of retirement funds					**460.8**				**460.8**
Recognition of share-based payments				**23.9**					**23.9**
Take-up of share options		**80.2**		**(36.1)**					**44.1**
Transfer arising from take-up of share options				**36.1**	**(36.1)**				**–**
Settlement of share-based payments		**56.2**		**(22.9)**	**(33.3)**				**–**
Treasury shares acquired		**(134.4)**							**(134.4)**
Dividends paid					**(1 819.5)**			**(17.9)**	**(1 837.4)**
Additional shareholding acquired from non-controlling interest					**(391.1)**			**315.8**	**(75.3)**
Equity reserve transferred to retained earnings					**(186.2)**	**186.2**			**–**
Exchange rate translation			**(225.8)**			**24.7**		**7.0**	**(194.1)**
Balance at 30 September 2021	**2 231.5**	**(13.3)**	**332.1**	**299.3**	**5 406.9**	**(26.8)**	**(28.2)**	**177.6**	**8 379.1**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rmillion	Notes	Year ended September 2021	2020
CASHFLOWS FROM OPERATING ACTIVITIES		**1 783.4**	3 844.0
Operating profit before:		**3 392.6**	3 442.6
Non-cash items		**2 122.7**	2 227.7
Net loss on disposal of property, plant and equipment and intangible assets		**53.4**	52.4
Net working capital changes		**(693.2)**	698.8
– Increase in inventories		**(110.9)**	(205.4)
– Increase in trade and other receivables		**(688.9)**	(1 201.3)
– Increase in trade payables and provisions		**106.6**	2 105.5
Cash generated from operations		**4 875.5**	6 421.5
Finance income received		**542.4**	573.7
Finance costs paid		**(872.8)**	(913.5)
Taxation paid		**(924.3)**	(859.6)
Dividends paid		**(1 837.4)**	(1 378.1)
CASHFLOWS FROM INVESTING ACTIVITIES		**(658.2)**	(1 502.4)
Acquisition of businesses/subsidiaries	4.4	**(208.7)**	(681.6)
Proceeds from disposal of businesses	4.2	**137.6**	
Proceeds on disposal of assets held for sale		**5.1**	25.0
Investment to expand operations		**(978.4)**	(929.9)
Investment to maintain operations		**(394.7)**	(368.1)
– Replacement of property, plant and equipment and intangible assets		**(463.9)**	(449.1)
– Proceeds on disposal of property, plant and equipment		**69.2**	81.0
Principal elements of lease receipts		**716.8**	649.5
Cash inflows on loans and investments		**557.1**	283.2
Cash outflows on loans and investments		**(493.0)**	(480.5)
CASHFLOWS FROM FINANCING ACTIVITIES		**(2 541.3)**	(1 821.3)
Proceeds from exercise of share options		**44.1**	45.1
Settlement of financial liabilities		**(1 962.1)**	(884.4)
Principal element of lease payments		**(1 739.3)**	(1 547.6)
Proceeds from borrowings		**2 284.7**	937.3
Repayments of borrowings		**(959.0)**	(268.4)
Non-controlling interest share repurchases		**(75.3)**	
Treasury shares acquired		**(134.4)**	(103.3)
Net (decrease)/increase during the year		**(1 416.1)**	520.3
Net cash balances/(overdrafts) at beginning of year		**723.1**	(67.4)
Exchange rate translation		**(77.9)**	270.2
Net (overdrafts)/cash balances at end of year		**(770.9)**	723.1

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The preliminary reviewed condensed group results for the year ended 30 September 2021 have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act, 71 of 2008. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 30 September 2021 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 30 September 2020.

The presentation currency is the South African rand, rounded to the nearest million, except where otherwise indicated.

The condensed group results have been prepared under the supervision of the Chief Financial Officer, Mr MW Godfrey, CA(SA), on behalf of the SPAR Group Ltd.

These condensed consolidated group results for the year ended 30 September 2021 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 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	2021	2020
Salient statistics				
Headline earnings per share	(cents)	5.4	**1 196.2**	1 135.3
Diluted headline earnings per share	(cents)	5.5	**1 193.7**	1 131.5
Dividend per share	(cents)	(5.7)	**816.0**	865.0
Net asset value per share	(cents)	6.1	**4 350.5**	4 102.2
Operating profit margin	(%)		**2.7**	2.8
Return on equity	(%)		**27.9**	27.0
Headline earnings reconciliation				
Profit for the year attributable to ordinary shareholders			**2 265.5**	2 074.7
Adjusted for:				
Loss on disposal of property, plant and equipment			**49.4**	49.6
– Gross			**53.4**	52.4
– Tax effect			**(4.0)**	(2.8)
Impairment of investments				63.6
– Gross				64.4
– Tax effect				(0.8)
Loss/(profit) on disposal of assets held for sale			**0.1**	(2.3)
Fair value adjustment to assets held for sale			**3.8**	4.6
Profit on disposal of associates			**(5.3)**	
Impairment of goodwill			**3.4**	13.3
Impairment of PPE			**1.6**	
Fair value adjustment- previously held investment				6.7
Profit on disposal of businesses			**(14.6)**	(26.6)
Headline earnings			**2 303.9**	2 183.6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

3. SEGMENT REPORTING

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

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

The Chief Executive Officer 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. The CODM is of the opinion that the operations of the individual distribution centres within Southern Africa are substantially similar to one another and that the risks and returns of these distribution centres are likewise similar. The risks and returns of the Ireland, Switzerland and Poland operations are not considered to be similar to those within Southern Africa or each other and are therefore disclosed as separate reportable segments.

As a result, the geographical reportable 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 reporting 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:

	Southern Africa	Ireland	Switzerland	Poland	Consolidated Total
2021					
Statement of profit or loss					
Revenue from contracts with customers	**82 103.8**	**30 838.9**	**15 083.9**	**2 368.4**	**130 395.0**
Operating profit	**2 486.2**	**968.4**	**415.2**	**(477.2)**	**3 392.6**
Profit before tax	**2 371.3**	**793.2**	**379.2**	**(526.6)**	**3 017.1**
Finance income	**515.6**	**13.3**	**4.6**	**39.5**	**573.0**
Finance costs	**623.8**	**183.8**	**38.9**	**88.9**	**935.4**
Depreciation and amortisation	**449.3**	**616.6**	**789.1**	**110.4**	**1 965.4**
Tax expense	**678.3**	**80.4**	**57.9**	**(8.0)**	**808.6**
Share of equity-accounted associate losses	**6.7**				**6.7**
Impairment of goodwill	**3.4**				**3.4**
Statement of financial position					
Total assets	**25 006.5**	**14 917.5**	**9 965.0**	**2 177.8**	**52 066.8**
Total liabilities	**19 888.4**	**12 625.1**	**8 258.3**	**2 915.9**	**43 687.7**
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
Tax expense	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

3. SEGMENT REPORTING (continued)

	2021	2020
Disaggregated Revenue as reviewed by the CODM		
Southern Africa		
Revenue – sale of merchandise	**81 261.4**	78 605.4
SPAR	**62 608.1**	62 851.2
TOPS at SPAR	**7 157.5**	6 436.5
Build It	**9 836.3**	7 965.0
S Buys	**1 175.0**	1 072.8
Encore	**484.5**	279.9
Revenue – other	**842.4**	818.4
Revenue from contracts with customers	**82 103.8**	79 423.8
Ireland		
Revenue – sale of merchandise	**30 332.1**	29 896.7
BWG	**26 065.5**	26 057.8
Appleby Westward	**4 266.6**	3 838.9
Revenue – other	**506.8**	512.7
Revenue from contracts with customers	**30 838.9**	30 409.4
Switzerland		
Revenue – sale of merchandise	**13 983.2**	13 641.9
Wholesale	**6 333.6**	6 183.3
TopCC	**5 035.8**	5 363.4
Retail	**2 613.8**	2 095.2
Revenue – other	**1 100.7**	1 017.5
Revenue from contracts with customers	**15 083.9**	14 659.4
Poland		
Revenue – sale of merchandise	**2 363.8**	2 133.4
Wholesale	**2 032.1**	1 518.4
Retail	**331.7**	615.0
Revenue – other	**4.6**	18.3
Revenue from contracts with customers	**2 368.4**	2 151.7
Total revenue – sale of merchandise	**127 940.5**	124 277.4
Total revenue – other	**2 454.5**	2 366.9
Total revenue from contracts with customers	**130 395.0**	126 644.3
Disaggregated total revenue – other	**2 454.5**	2 366.9
Marketing and service revenues	**1 730.6**	1 706.0
Franchise fees	**437.3**	401.5
Other services	**286.6**	259.4

Revenue – sale of merchandise is measured at a point in time and Revenue – other is measured over time.

4. BUSINESS COMBINATIONS

4.1 Acquisitions

STORE SERVICE AG

On 28 February 2021 SPAR Holding AG, a subsidiary of SAH Ltd based in Switzerland, acquired a 100% share in Store Service AG (SSAG) for a consideration of CHF10.6 million. SSAG operates service station stores. SPAR Switzerland will generate sales growth through this acquisition and will be able to expand its expertise in the convenience business and strengthen the position of the SPAR Express stores. Positive short-term synergy effects on costs are expected, while long-term savings in administration costs are also realistic. The goodwill arising on the business combination represents these expected benefits.

The purchase price allocation process is now complete and the acquisition date fair value of all assets and liabilities acquired are final. The line items that have been adjusted as a result of this process are inventories, right-of-use assets and finance lease liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

4. BUSINESS COMBINATIONS (continued)

4.1 Acquisitions (continued)

RETAIL STORES ACQUIRED

During the financial year, SPAR acquired the assets of four (2020: nine) retail stores in South Africa and the BWG Group acquired the assets of 13 stores in the United Kingdom (UK) (2020: 28 stores in the UK and two in Ireland). The principal activity of these acquisitions is that of retail trade and all its aspects. These stores were purchased as part of the strategy for growth in the UK, and the goodwill arising on the business combinations is indicative of future turnover expected to be made by the group as a result of wholesale sales to these acquired stores as well as net profits to be made by the stores. These acquisitions were funded from available cash resources.

Assets acquired and liabilities assumed at date of acquisition:

	2021			
Rmillion	**SSAG**	**UK retail stores**	**SA retail stores**	**Total**
Assets	**1 504.6**	**128.9**	**14.7**	**1 648.2**
Property, plant and equipment	2.6	2.7	14.7	20.0
Right-of-use assets	1 246.9	118.7		1 365.6
Goodwill and intangible assets	1.4			1.4
Deferred taxation asset	21.7			21.7
Inventories	100.5	7.5		108.0
Trade and other receivables	53.8			53.8
Cash and cash equivalents	77.7			77.7
Liabilities	**(1 538.3)**	**(118.7)**	**–**	**(1 657.0)**
Trade and other payables	(132.2)			(132.2)
Income tax payable	(9.4)			(9.4)
Finance lease liability	(1 246.9)	(118.7)		(1 365.6)
Post-employment benefit obligations	(149.8)			(149.8)
Total identifiable net (liabilities)/assets at fair value	(33.7)	10.2	14.7	(8.8)
Goodwill arising from acquisition	210.5	46.9	29.5	286.9
Purchase consideration	176.8	57.1	44.2	278.1
Cash balances acquired	(77.7)			(77.7)
Business acquisition costs	1.7	4.7		6.4
Contingent consideration (note 4.5)	(57.4)			(57.4)
Net cash outflow on acquisition	43.4	61.8	44.2	149.4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

4. BUSINESS COMBINATIONS (continued)

4.2 Assets and liabilities at date of disposal

The assets and liabilities disposed of relate to ten South African retail stores (2020: four retail stores), three (2020: 16) retail stores in Poland, and two retail stores in the UK (2020: nil).

	2021			
Rmillion	**Polish retail stores**	**UK retail stores**	**SA retail stores**	**Total**
Assets	**201.2**	**2.0**	**121.9**	**325.1**
Property, plant and equipment	8.6	0.3	39.4	48.3
Loans and other receivables	46.6			46.6
Trade and other receivables	145.1		1.1	146.2
Inventory		1.2		1.2
Goodwill		0.5	81.4	81.9
Cash and cash equivalents	0.9			0.9
Liabilities	**201.2**	**–**	**–**	**201.2**
Trade and other payables	199.0			199.0
Long-term borrowings	2.2			2.2
Profit on disposal of businesses	12.6	–	2.0	14.6
Proceeds	12.6	2.0	123.9	138.5
Cash and cash equivalents disposed	(0.9)			(0.9)
Net cash inflow on disposal	11.7	2.0	123.9	137.6

4.3 Contribution to results for the year

Rmillion	**SSAG**	**UK retail stores**	**SA retail stores**	**Total**
Revenue	780.1	151.7	45.4	977.2
Operating profit/(loss)	31.0	10.4	(1.4)	40.0

Had all acquisitions been consolidated from the beginning of the financial year, the contribution to the result would have been as follows:

Rmillion	**SSAG**	**UK retail stores**	**SA retail stores**	**Total**
Revenue	1 337.4	283.0	80.8	1 701.2
Operating profit/(loss)	53.1	23.0	(2.5)	73.6

Revenue figures included are those contributed by the business inclusive of intercompany sales to SPAR.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

4. BUSINESS COMBINATIONS (continued)

4.4 Cash flow on acquisition of business/subsidiaries

The cash flow on acquisition of businesses/subsidiaries is noted as being the amount disclosed in note 4.1 and the contingent consideration and deferred consideration as described below.

Rmillion	2021	2020
Net cash outflow	**149.4**	654.3
Contingent consideration cash outflow on retail stores acquired in 2020 (note 4.5)	**52.6**	27.3
Deferred consideration on retail stores acquired in 2020 (note 4.5)	**6.7**	
Total net cash outflow relating to acquisitions	**208.7**	681.6

4.5 Contingent and deferred consideration

The contingent consideration payable on the SSAG acquisition was settled during October 2021 at an amount of R57.4 million, based on the contractual agreement, at a fixed price.

The contingent consideration payable for UK and Irish retail stores acquired in 2020 was settled in October 2020 at an amount of R52.6 million.

The deferred consideration on UK retail stores acquired in 2020 of R6.7 million was identified as an additional consideration on an acquisition after it was deemed to be income in the hands of the seller by UK tax authorities, payment was made subsequent to the September 2021 financial year end.

The contingent consideration for the Heaney Meats acquisition in 2020 is still payable at the option of the sellers, based on profits of any year until 2025, and is estimated at an amount of R73.4 million at current exchange rates.

5. FINANCIAL LIABILITIES

Rmillion	2021	2020
Present value		
TIL JV Ltd		1 078.7
SPAR Holding AG		1 023.8
S Buys Holdings (Pty) Ltd	**50.1**	49.7
Total financial liabilities	**50.1**	2 152.2
Less: Short-term portion of financial liabilities	**–**	(2 102.5)
Long-term portion of financial liabilities	**50.1**	49.7
Undiscounted value		
TIL JV Ltd		1 100.4
SPAR Holding AG		1 106.9
S Buys Holdings (Pty) Ltd	**55.9**	55.9
	55.9	2 263.2
Difference between undiscounted value and the carrying amount of the financial liabilities	**5.8**	111.0

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

5. FINANCIAL LIABILITIES (continued)

TIL JV Ltd

On 1 August 2014 SPAR acquired a controlling shareholding of 80% in the BWG Group, which is held by TIL JV Ltd, a wholly owned subsidiary of SPAR. SPAR 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. The group has recognised 100% of the attributable profit.

In March 2020, 10.106% of the 20% minority interest was settled at an amount of R884.4 million. In January 2021, the remaining balance of 9.894% was settled at R1 041.7 million. 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. Fair value adjustments on the financial liability were presented in other non-operating items.

SPAR Holding AG

On 1 April 2016 SPAR acquired a controlling shareholding of 60% in SPAR Holding AG, which is held by SAH Ltd, a wholly owned subsidiary of SPAR. 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 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. This obligation was settled in March 2021 at an amount of R920.4 million.

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.

S Buys Holdings (Pty) Ltd

On 1 October 2017 SPAR 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 2021, the financial liability was valued at R50.1 million (2020: R49.7 million) based on management's expectation of future profit performance. This liability has been classified as non-current as at 30 September 2021 as the group has an unconditional right to defer settlement beyond the next 12 months.

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.

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	2021	2020
TIL JV Ltd		
Carrying value at beginning of year	**1 078.7**	1 326.3
Finance costs recognised in profit or loss	**20.0**	105.7
Net exchange differences arising during the period		(33.5)
Fair value adjustment		255.6
Settlement of financial liability	**(1 041.7)**	(884.4)
Exchange rate translation	**(57.0)**	309.0
Carrying value at end of year	**–**	1 078.7
S Buys Holdings (Pty) Ltd		
Carrying value at beginning of year	**49.7**	37.2
Finance costs recognised in profit or loss	**0.4**	12.5
Carrying value at end of year	**50.1**	49.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

5. FINANCIAL LIABILITIES (continued)

MOVEMENTS IN FINANCIAL LIABILITIES HELD AT AMORTISED COST

Rmillion	2021	2020
SPAR Holding AG		
Carrying value at beginning of year	**1 023.8**	840.9
Finance costs recognised in profit or loss	**1.9**	13.5
Net exchange differences arising during the period	**(23.6)**	7.9
Settlement of financial liability	**(920.4)**	
Exchange rate translation	**(81.7)**	161.5
Carrying value at end of year	**–**	1 023.8
Total financial liabilities	**50.1**	2 152.2

6. FINANCIAL RISK MANAGEMENT

Rmillion	2021	2020
Financial instruments classification		
Financial assets held at amortised cost		
Net bank balances	**(770.9)**	723.1
Loans and other receivables	**899.8**	999.4
Block discounting loan receivable	**202.3**	362.6
Finance lease receivable	**5 896.9**	5 430.2
Trade and other receivables	**15 327.9**	15 637.9
Financial liabilities at amortised cost		
Block discounting loan payable	**(207.2)**	(371.3)
Finance lease payable	**(13 876.4)**	(12 928.8)
Trade and other payables	**(18 266.4)**	(19 411.4)
Borrowings	**(7 649.8)**	(7 055.9)
Financial liabilities at amortised cost		(1 023.8)
Financial assets and liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	**(50.1)**	(1 128.4)

Fair value hierarchy

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

Level 1 financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

6. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

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

Rmillion	Carrying value	Fair value Level 1	Fair value Level 2	Fair value Level 3
2021				
Financial liabilities at fair value through profit or loss	**(50.1)**			**(50.1)**
Total	**(50.1)**	**–**	**–**	**(50.1)**
2020				
Financial liabilities at fair value through profit or loss	(1 128.4)			(1 128.4)
Total	(1 128.4)	–	–	(1 128.4)

LEVEL 3 SENSITIVITY INFORMATION

The fair value of the level 3 financial liabilities of R50.1 million (2020: R1 128.4 million) was estimated by applying an income approach valuation method including a present value discount technique. The fair value measurement is based on significant inputs that are not observable in the market. Key inputs used in the valuation include the assumed future profit targets and the discount rates applied. The assumed profitability was based on historical performances but adjusted for expected growth. The S Buys financial liability is based on a minimum profit value. A change in fair value would only result if profits increased between 60% and 65%.

The following tables show how the fair value of the level 3 financial liability would change in relation to changes in the estimated future profit target by 0.5%.

S Buys Holdings (Pty) Ltd

	Discount rate %	Sensitivity % change	Liability Rmillion
2021			
Financial liability	**8.8**	**0.5**	**(0.3)**
Financial liability	**8.8**	**(0.5)**	**0.3**
2020			
Financial liability	6.5	0.5	(0.6)
Financial liability	6.5	(0.5)	0.6

7. COMMITMENTS

Rmillion	2021	2020
Capital commitments		
Contracted	**907.5**	665.3
Approved but not contracted	**388.0**	832.2
Total capital commitments	**1 295.5**	1 497.5
Analysed as follows:		
Property, plant and equipment	**976.4**	757.3
Intangible assets	**319.1**	740.2

Capital commitments will be financed from group resources.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS (continued)

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 it is not probable that the amount will be paid.

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 group had a facility with Wesbank where SPAR undertook to stand guarantee for loans issued to retailers up to a limit of R1.0 billion. This new facility arrangement was concluded in July 2019 under a direct deal basis which meant that the retailer signed the loan agreement directly with the bank and SPAR signed a separate guarantee for this loan. Exposure on the direct deals facility is disclosed as a financial guarantee and is not recognised on our balance sheet. The balance disclosed in the statement of financial position as at September 2021 relate to the full recourse deals.

The board has limited the guarantee facility to R220.0 million (2020: R190.0 million) relating to Numlite (Pty) Ltd. In 2009 the company sold its investment in retail computer equipment and ceded its right to receive payment of the existing and future rental streams to Numlite (Pty) Ltd, who in turn raises finance via a loan facility with an independent financial institution. The group has provided a limited guarantee relating to this loan facility, exposing the group to credit risk in the event that Numlite (Pty) Ltd defaults on its loan facility payments. At year end, 1 039 SPAR stores (2020: 1 031), 699 TOPS at SPAR stores (2020: 669), 69 Pharmacy at SPAR stores (2020: 73) and 88 Build it stores (2020: 71) were participants in the IT retail scheme, with an average debt of R106 630 (2020: R92 531) per store.

The table below represents the full exposure of the group in relation to utilisation on these financial guarantees as at 30 September:

Rmillion	2021	2020
Guarantee of Wesbank direct deal loan agreements	**461.4**	255.9
Guarantee of Numlite (Pty) Ltd finance obligations	**202.1**	170.6
	663.5	426.5

9. 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 significantly affect the financial position of the group or the results of its operations.

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a gross final cash dividend of 536.0 cents (2020: 665.0 cents) per share has been declared by the board in respect of the year ended 30 September 2021. The dividend has been declared out of income reserves. This brings the total gross dividend for the year to 816.0 cents (2020: 865.0 cents) per ordinary share.

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

Last day to trade cum-dividend	Tuesday, 7 December 2021
Shares to commence trading ex-dividend	Wednesday, 8 December 2021
Record date	Friday, 10 December 2021
Payment of dividend	Monday, 13 December 2021

Shareholders will not be permitted to dematerialise or rematerialise their shares between Wednesday, 8 December 2021 and Friday, 10 December 2021, 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 428.8 cents per share for shareholders liable to pay tax on dividends, and 536.0 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
- The SPAR Group Ltd's tax reference number is 9285/168/20/0

DISCONTINUATION OF DIVIDEND PAYMENTS BY CHEQUE

During the course of the previous financial year, the banking industry commenced a process of phasing out cheques in a bid to combat the increase in cheque fraud. The discontinuation of cheque transactions was thereafter formalised in terms of joint communication issued to the public by the South African Reserve Bank (SARB), Financial Sector Conduct Authority (FSCA), Payments Association of South Africa (PASA) and the Banking Association South Africa (BASA) that cheques will not be supported by the country's national payment system from 1 January 2021.

As a result, The SPAR Group Ltd has discontinued payments by cheque effective from the distribution of its 2020 final dividends and accordingly, payment of any Cash Dividend to Certificated Shareholders will be processed via electronic funds transfer (EFT) which is dependent on the Transfer Secretaries being in possession of such Certificated Shareholder's banking details.

Investors are therefore informed that The SPAR Group Ltd dividend payments will be withheld until such time as you furnish JSE Investor Services (Pty) Ltd with your bank details. Shareholders who have not yet provided their bank account details to the transfer secretaries are reminded to contact them on 086 147 2644 or +27 11 713 0800 with their bank account details into which the dividends can be paid electronically.

By order of the board

KJ O'Brien
Acting Company Secretary

Pinetown
17 November 2021

COMMENTARY

SALIENT FEATURES

Rmillion	Year ended 30 Sep 2021	Year ended 30 Sep 2020[2]	% Change
Turnover[1]	**127 940.5**	124 277.4	2.9
Operating profit	**3 392.6**	3 442.6	(1.5)
Earnings per share (cents)	**1 176.3**	1 078.7	9.0
Headline earnings per share (cents)	**1 196.2**	1 135.3	5.4
Diluted Headline earnings per share (cents)	**1 193.7**	1 131.5	5.5
Dividend per share (cents)	**816.0**	865.0	(5.7)
Net asset value per share (cents)	**4 350.5**	4 102.2	6.1

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

[2] The prior comparative period includes 366 days, versus 365 days in the current period.

The weighted average number of ordinary shares (net of treasury shares) is 192 598 768 (2020: 192 331 706). For diluted headline earnings per share the weighted average number of ordinary shares (net of treasury shares) is 192 998 737 (2020: 192 986 402).

PERFORMANCE OVERVIEW

The group has delivered a robust performance despite the numerous challenges endured during the period. Turnover increased by 2.9% to R127.9 billion. In constant currency, turnover increased by 3.9%, highlighting the impact of the strengthening rand on the current period. The group has experienced ongoing COVID-19 restrictions across all markets, as well as the impact of the civil unrest in South Africa. Irish and Swiss operations once again delivered strong performances. In Poland, although a great deal of progress has been made to lay the foundations for future growth, this region failed to deliver the expected financial improvement. The mixed performance across regions delivered group operating profit of R3.4 billion, down 1.5% on the prior period. Diluted headline earnings per share increased by 5.5%, influenced positively by the final settlement of the minority interests in the Irish and Swiss businesses during the period, thereby reducing accounting adjustments for these financial liabilities. The board of directors (board) has declared a final dividend of 536.0 cents per share.

- **SPAR Southern Africa** contributed growth in wholesale turnover of 3.4% to R81.3 billion. Our core wholesale food business sales declined by 0.4%. As previously reported, the business has seen changing consumer behaviour over the past 18 months due to the pandemic, the impact of the extended lockdowns and restricted liquor trading, all of which have weighed heavily on certain stores. Furthermore, the civil unrest and subsequent closure of damaged and looted stores has also negatively impacted the business during the fourth quarter. The liquor business lost over a third of its total trading days due to the retail bans on the sale of liquor, versus a third of trading days lost in the prior period. The TOPS at SPAR liquor business delivered wholesale turnover growth of 11.2%, but was still down 6.4% against the year ended 30 September 2019, indicating the severity of the liquor bans on trading yet again this year. Build it delivered an outstanding performance, with wholesale turnover up 23.5%, driven by the continued rural home development and urban home improvement spend. During the period, the total Southern African store network grew to 2 440 stores, with 26 net new stores opened across all brands, heavily impacted by the closure of 53 stores due to the civil unrest which remain closed at year end. The group completed 373 store upgrades (219 SPAR stores), against 310 upgrades (167 SPAR stores) in the comparable prior period and 298 upgrades (181 SPAR stores) in 2019, highlighting the aggressive upgrade programme, as well as retailer appetite to reinvest in their stores.
- **BWG Foods** (Ireland and South West England) once again delivered an impressive performance with turnover growth of 3.5% in EUR-denominated currency, amid a year of significant management transition, as well as the realisation of Brexit, which were extremely well managed. All retail brands recorded positive sales growth. Hospitality has continued to suffer due to ongoing COVID-19 restrictions, negatively impacting the foodservice and cash and carry businesses, which have remained resilient within an industry that has seen significant change. Appleby Westward in South West England delivered a strong performance. A key setback for both of these markets during the second half has been the severe shortage of labour in both warehousing and transportation, which currently remains an industry-wide challenge. Combined, the total store network of BWG Foods has grown to 1 406 stores, a net increase of 15 stores.
- **SPAR Switzerland** delivered another excellent performance with turnover increasing by 5.6% in CHF-denominated currency. Having benefited from initial severe lockdowns and border closures during 2020, this business has managed to retain a significant portion of the new business acquired during that time, as locals shopped closer to home. The acquisition of the Store Services AG (SSAG) business, the owner of 60 petro-convenience stores in March 2021, has positively impacted the wholesale business and all stores have been successfully integrated into SPAR, with approximately half of them already rebranded SPAR Express stores. Our TopCC cash and carry business has been impacted by the disruptive closure of restaurants and pandemic-related restrictions on eating out. SPAR Switzerland's total store network has grown to 386 stores (a net increase of 53 stores) during the period, with 32 stores upgraded.
- **SPAR Poland** has made significant progress during the period, despite the many challenges this new business has had to overcome as a result of trying to launch during the onset of the COVID-19 pandemic. Turnover increased by 16.2% in PLN-denominated currency terms and continued to reflect the slowly improving retailer loyalty. Retailer loyalty level for the existing SPAR retailers in the South was 27.0% for September 2021, falling short of the 40.0% target. In the month of September 2021, management made the strategic decision not to sell a food production factory in Poznań, profits from which had been included in the 2021 forecast for this region. The Polish store network stands at 227 stores, including just one remaining Piotr i Paweł store yet to convert to a SPAR store.

COMMENTARY (continued)

GROUP FINANCIAL REVIEW

Summary segment analysis

Rmillion	Southern Africa	Ireland	Switzerland	Poland	The SPAR Group Ltd
Income statement					
Turnover*	81 261.4	30 332.1	13 983.2	2 363.8	127 940.5
Gross profit	8 256.8	4 092.6	2 633.5	376.1	15 359.0
Operating profit/(loss)	2 486.2	968.4	415.2	(477.2)	3 392.6
Profit/(loss) before taxation	2 371.3	793.2	379.2	(526.6)	3 017.1
Financial position					
Total assets	25 006.5	14 917.5	9 965.0	2 177.8	52 066.8
Total liabilities	19 888.4	12 625.1	8 258.3	2 915.9	43 687.7

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

Turnover for the group increased by 2.9% to R127.9 billion (2020: R124.3 billion), with 36.5% (2020: 36.8%) of total turnover generated in foreign currency by BWG Foods with its operations in Ireland and South West England (EUR-denominated), Switzerland (CHF-denominated) and Poland (PLN-denominated). Other than Poland, which started onboarding SPAR retailers in April 2020, all regions have traded against elevated COVID-19 bases (high-base effect) brought on by the extreme lockdown regulations which started in March 2020 and lasted for months as consumers remained fearful of the pandemic and worked and schooled from home, resulting in much higher levels of consumer home consumption in 2020. Ireland and Switzerland performed strongly despite the effect of the high base. The overall turnover performance in ZAR-denominated currency has been negatively impacted by the strengthening of the rand.

Gross margin for the group has increased to 12.0%, up from 11.9% in the prior year, boosted by margin increases in both Ireland and Switzerland. In South Africa, gross margins declined from 9.5% to 9.4%. Building materials trading at lower margins were dilutionary during the period, given the strong performance of the Build it business. SPAR Encore was slightly margin enhancing, as this business traded at a gross profit margin of 14.8%. BWG Foods and Switzerland both operate in the higher-margin convenience sector, reporting gross margins of 13.5% (2020: 13.4%) and 18.8% (2020: 18.4%) respectively. Both regions benefited from an increase in the number of corporate stores. Poland gross margin decreased from 22.2% to 15.9%, reflecting fewer corporate retail stores during the period versus the prior reporting period, which trade at higher gross margins than wholesale operations.

Operating expenses for the group increased by 5.3% to R14.6 billion (2020: R13.9 billion). SPAR Southern Africa expenses increased by 9.9%, partially impacted by the timing of acquisition of SPAR Encore in 2020, being part of the group for seven months in the prior reporting period against 12 months in the current reporting period. Operating expenses for the pharmaceutical business, S Buys, were contained to an increase of 3.3%, with specific focus on terminating high-cost service contracts. Excluding SPAR Encore and S Buys, underlying operating expenses for Southern Africa increased by 7.6% to R6.2 billion (2020: R5.8 billion). Employee expenses, including COVID-19-related costs, were well managed with a total increase of R75.6 million (up 3.1%). Computer costs increased to R67.8 million (an increase of 31.2%), arising on software licenses to support remote working, as well as increased IT consultancy support for maintenance and technical consultation ahead of the implementation of SAP. Advertising and promotional costs increased by 21.8% due to increased promotional activity across all of the brands, representing an increase of R75.4 million against the prior year. BWG Foods saw an increase in operating expenses of 1.6% in EUR-denominated currency (2.8% in reporting currency), due to well managed expenditure by this business. SPAR Switzerland operating expenses increased by 7.7% in CHF-denominated currency (4.5% in reporting currency), driven by higher volumes and the integration of the newly-acquired SSAG business. SPAR Poland expenditure has primarily been driven by the increase in wholesale costs required to prepare the business for future expansion. Operating expenditure in this region declined by 1.4% in PLN-denominated currency (a decrease of 11.7% in reporting currency).

Operating profit for the group is down 1.5% from R3 442.6 million to R3 392.6 million, predominantly driven by the weak performance in Southern Africa due to the items mentioned in the performance overview. SPAR Southern Africa delivered operating profit of R2 486.2 million (2020: R2 573.5 million), down 3.4%. BWG Foods delivered operating profit growth of 1.0% in EUR-denominated currency, down 1.0% in reporting currency from R978.2 million to R968.4 million. This is an overall strong performance given the impact of the COVID-19 pandemic and the varying levels of restrictions that were in place during the year. SPAR Switzerland delivered operating profit growth of 14.9% to R415.2 million (2020: R361.5 million) and 18.3% growth in CHF-denominated currency, boosted by the new petro-convenience business of 60 stores. This is an excellent performance, on the back of an exceptional performance in the prior period. SPAR Poland operating loss improved by 6.34% in PLN-denominated currency, however, worsened by 1.4% in reporting currency to R477.2 million (2020: R470.6 million), reflecting the impact arising on translation to reporting currency.

Profit before tax increased by 11.9% to R3.0 billion (2020: R2.7 billion), fundamentally and positively impacted by the final settlement of the minority interests in the Irish and Swiss businesses in the first half, thereby reducing accounting adjustments for these financial liabilities in the current period against the prior reporting period.

Profit after tax for the group increased by 12.9% to R2.2 billion (2020: R2.0 billion). For the financial period, the group's effective tax rate has decreased by 0.7% from 27.5% to 26.8%. The largest contributor towards the higher rate in the prior period was the fair valuation of the financial liability relating to the future acquisition of the minority interests.

COMMENTARY (continued)

Headline earnings per share increased by 5.4% to 1 196.2 cents (2020: 1 135.3 cents). Diluted headline earnings per share increased by 5.5% to 1 193.7 cents (2020: 1 131.5 cents).

A final **dividend** of 536 cents has been declared, taking the total dividend to 816 cents (2020: 865 cents) per share for the current period.

Cash generated from operations totalled R4.9 billion (2020: R6.4 billion) and reflected a substantial decrease compared to the prior year due to the timing of working capital movements at year end and weaker trading performance. A total of R1.8 billion in dividends was paid to shareholders. The group's cash outflow from investing activities was R658.2 million (2020: R1 502.4 million), as a result of considerably less business acquisitions in 2021 than the prior year which included Heaney Meats, corporate stores and SPAR Encore. Acquisitions in the current reporting period include SSAG in Switzerland, as well as corporate stores. Cash outflows from financing activities increased to R2.5 billion, primarily reflecting the amounts paid to settle the minority interests in both BWG Foods and SPAR Switzerland. The group finished the year with a net overdraft of R770.9 million (2020: R723.1 million net cash balance).

At period end, group net debt for covenant purposes and excluding the impact of IFRS 16 totalled R8.7 billion (2020: R8.7 billion). Approximately 97.0% of the group debt is foreign currency denominated (approximately 63.0% EUR-denominated and 34.0% CHF-denominated). Foreign currency borrowings are raised in and serviced by the relevant regions, thereby eliminating any foreign currency exchange risk for the Southern African company.

GEOGRAPHICAL REVIEW

Rmillion	2021	2020	% Change
SPAR – core grocery business	**62 608.1**	62 851.2	(0.4)
TOPS/Liquor sales	**7 157.5**	6 436.5	11.2
SPAR & TOPS	**69 765.6**	69 287.7	0.7
Build it	**9 836.3**	7 965.0	23.5
South Africa	**79 601.9**	77 252.7	3.0
S Buys – Pharmaceutical business	**1 175.0**	1 072.8	9.5
SPAR Encore	**484.5**	279.9	73.1
Total Southern Africa	**81 261.4**	78 605.4	3.4
Ireland	**30 332.1**	29 896.7	1.5
Switzerland	**13 983.2**	13 641.9	2.5
Poland	**2 363.8**	2 133.4	10.8
Total Group	**127 940.5**	124 277.4	2.9

SPAR Southern Africa

SPAR Southern Africa turnover increased by 3.4% to R81.3 billion (2020: R78.6 billion). SPAR core grocery business wholesale turnover declined by 0.4% to R62.6 billion (2020: R62.9 billion). This decline has been driven by complexities surrounding the pandemic, including the high base effect in the prior year, the continued impact on the cigarette market, the impact of liquor bans on liquor sales, as well as the impact of the liquor bans on grocery trading in rural areas as reported by our independent retailers. Combined food and liquor wholesale turnover growth was recorded at 0.7%. Internally measured food inflation for the period was 4.9%. This inflation measure has decreased from 5.2% measured at half year, but increased against 3.9% reported for 2020. Case volumes handled through the six distribution centres reflect a decline in volumes of 7.2% from 246.0 million cases to 228.3 million cases. At a retail level, turnover increased by 0.5% to R92.3 billion (2020: R91.8 billion) and recorded like-for-like retail sales growth of 0.5%.

SPAR Encore saw turnover growth of 73.1% from R279.9 million to R484.5 million, reflecting its contribution towards the group for 12 months against seven months in the prior period. Turnover from total house brands increased by 1.2% to R15.2 billion, representing 24.3% (2020: 23.6%) of core SPAR turnover. House brands comprise all of SPAR's internally generated brands, including SPAR private label products. SPAR private label turnover declined by 0.4% to R10.5 billion, representing 16.8% of core turnover (2020: 16.7%). Overall private label performance was affected in the fourth quarter, due to five SPAR private label manufacturers being severely impacted by the civil unrest. Of the five affected factories, two factories (snacking and pet food categories) resumed production in the month of September and were able to meet approximately 90% of SPAR's volume requirements. The remaining three factories were still closed at period end. SPAR Encore has made procurement contingency plans where possible. Unfortunately, two of the factories produce short shelf-life perishable products, and thus moving procurement in the short term was not deemed viable, primarily due to the scale of SPAR private label volumes required and the potential assessed food safety risk.

The group remains focused on driving organic retail growth through store upgrades. During the period, 219 stores representing 22.4% of the existing SPAR stores portfolio were upgraded (2020: 167 stores). Store openings were impacted by the civil unrest and general apprehension that followed thereafter. The total number of SPAR stores increased to 979 (2020: 975).

TOPS at SPAR withstood another year of severe pandemic-related trading restrictions. Despite making some recovery with wholesale turnover growth of 11.2% to R7.2 billion (2020: 6.4 billion) in the current year, liquor sales are down 6.4% on 2019. Our retailers saw retail sales growth of 7.7% to R11.3 billion (2020: R10.5 billion), with like-for-like sales growth of 6.4%. During the period, the TOPS at SPAR store network increased by 10 stores on a net basis to 852 stores, while 74 stores were revamped.

COMMENTARY (continued)

Build it's wholesale turnover increased by an impressive 23.5% to R9 836.3 million (2020: R7 965.0 million). Although this result has been buoyed by the effect of the low base in 2020, due to the closure of stores for five weeks during the initial pandemic lockdown, this business has seen incredible levels of growth since then, driven by home improvements in rural and urban areas, with consumers spending more time at home due to the pandemic. Furthermore, the relatively new Build it branding has been well received at retail and refurbished stores have delivered an approximate 6.0% increase in turnover versus non-refurbished stores on average, during the period. Total retail sales for Build it increased by 18.3% to R17.0 billion, with like-for-like growth of 17.2%. At period end, Build it's store network totalled 384 stores, down eight stores on a net basis, however this includes Build it stores still closed at year end due to the civil unrest. Given the ongoing success of the store upgrade programme, retailers have continued to reinvest in their stores. A total of 68 stores (2020: 65 stores) were upgraded during the period.

The Pharmacy at SPAR business developed 20 new stores during the year, however total store numbers were also impacted by store closures due to the civil unrest with 137 stores at period end (2020: 132 stores). The growing trend of self-care and self-medication is driving growth in retail pharmacy, supported by consumers becoming more astute and interested in their health. The S Buys pharmaceutical business performed strongly, backed by growth from both Scriptwise Specialised Pharmacy and Pharmacy at SPAR, with turnover increasing by 9.5% to R1.2 billion (2020: R1.1 billion).

BWG Foods (Ireland and South West England)

The BWG Group delivered another solid performance with reported turnover growth of 1.5% to R30.3 billion (2020: R29.9 billion). Operating profit decreased by 1.0% to R968.4 million (2020: 978.2 million), however in local currency operating profit increased by 1.0%. Brexit took effect in January 2021, however the team had an excellent plan in place to mitigate the risks thereof, reporting limited disruption to the business during the reporting period. The COVID-19 restrictions continued to have a severe impact on the performance of the hospitality industry in Ireland, which impacted the Value Centre cash and carry and foodservice businesses. All retail symbols, including EUROSPAR, saw solid retail turnover growth, as consumers continued to support their local convenience stores. In the third quarter, EUROSPAR and Londis lapped the unrepeatable major sales spikes of 2020 during the initial lockdown, however still managed to deliver growth for the period. Appleby Westward, the business in South West England, has once again delivered a strong performance, driven by consumer support of local stores and new corporate stores. However, the UK labour market has been heavily disrupted with an estimated shortage of 100 000 heavy goods vehicle drivers, thus inflating wages for drivers, as well as others in the supply chain. These same pressures on the supply chain are being experienced in Ireland and across Europe. In Ireland, there was little change in store movements in 2021, largely due to the impact of COVID-19 which resulted in construction activity being curtailed for long periods. The Irish business finished the year with 1 087 stores. Appleby Westward in South West England increased its store base by net 13 stores to 319 stores.

SPAR Switzerland

This business has delivered another excellent result. SPAR Switzerland reported an increase in turnover of 2.5% to R14.0 billion (2020: R13.6 billion) and an increase in operating profit of 14.9% to R415.2 million (2020: R361.5 million). In local currency, turnover increased 5.6% and operating profit increased 18.3%. Operating expenditure has once again been well managed, with 7.1% growth in local currency attributable to increased volumes and the integration of the SSAG business acquired in March 2021, for a consideration of CHF10.6 million. With the easing of pandemic-related restrictions, this business did give up a portion of sales gained during the initial lockdown, as the local market and borders reopened and trading patterns started normalising. However, this result demonstrates that in the current year, the Swiss business has managed to retain a portion of those new customers gained during 2020. Our TopCC cash and carry business has suffered under the forced closure of the hospitality sector during the year, however it has strengthened its position within the industry. During the fourth quarter, the business launched its first EUROSPAR supermarket, which has traded ahead of forecasts since its launch and has been well received by Swiss consumers.

SPAR Poland

The pandemic-related restrictions have continued to frustrate the team's efforts to develop retailer support and loyalty, resulting in the missed target of 40% loyalty for the existing SPAR retailers in the South of the country. Due to the pandemic-related closure of malls, our corporate stores have seen dramatically reduced footfall resulting in reduced sales for the reporting period. The Polish business generated turnover of R2.4 billion (2020: R2.1 billion), an increase of 10.8%, contributing 1.9% towards total turnover for the period. The primary objective for this year, was to bed down the business and stabilise the business following the completion of the business rescue proceedings of Piotr i Pawel. The legal proceedings for this process were completed in April 2021 and amounts owing were settled in August 2021. Settlement of these proceedings, which were delayed for a year due, has enabled SPAR Poland to build improved relationships with major suppliers in Poland and negotiate better terms.

RESPONSE TO CIVIL UNREST

We were shocked and deeply saddened by the civil unrest that occurred in South Africa in July this year. Many of our retailers in the Gauteng and predominantly Kwa-Zulu Natal provinces were significantly impacted by the unrest. SPAR reacted quickly to the initial violence by closing all distribution centres considered to be at risk and increasing security protocols at these facilities, for the safety of our staff and to secure the group's assets. No harm came to our people and SPAR's Central Office and distribution centres remained secure and undamaged during the unrest. Only one SPAR truck was lost in the violence.

Of the 184 SPAR stores that were initially affected, 131 stores had reopened by the end of the period. The group continues to work closely with the affected retailers in an effort to open the remaining stores as soon as possible.

COMMENTARY (continued)

At the wholesale level, the group is adequately covered for asset damage, stock and business interruption The estimated wholesale turnover loss for the period is R638.4 million across our core grocery, liquor and Build it businesses (approximately 0.8% of turnover for these businesses combined). During the reporting period, we recognised R30.0 million for loss of profits, as confirmed by our insurers. SPAR has worked closely with its independent retailers and certain suppliers impacted by the looting and unrest to provide assistance with their insurance claims and has helped facilitate the payout of R572.0 million to them from the South African Special Risks Insurance Association. The group continues to assist all SPAR retailers affected by the unrest, by suspending repayment of all trade accounts until they can reopen their stores.

The group expresses its deepest gratitude to its people, the SPAR retailers and their communities, who pulled together and worked tirelessly to protect, clean, restock and rebuild stores, bringing hope to their communities at a time when there were serious concerns around safety and food security.

PROSPECTS

Across our geographies, there remains a degree of uncertainty around the COVID-19 pandemic. However, all our businesses have learnt to deal with these disruptions and react accordingly. Despite the extraordinary and unexpected setbacks experienced in recent times, we remain focused on our vision of being the first-choice brand in the communities we serve and how we can continue to adapt and evolve to assist our retailers in addressing the ever-changing needs of consumers. In the year ahead we will embark on the group-wide roll out of SAP. We have an excellent team and execution plan in place to ensure that any interruption to business operations is mitigated.

In South Africa, the consumer environment is expected to remain constrained. We have increased our promotional programme for the year ahead to assist our retailers in supporting consumers and their communities. We have a strong pipeline of new stores for development, as well a robust store upgrade programme committed to by our retailers. We remain focused on driving retailer profitability, recognising that our success lies in the success of our retailers. Furthermore, we are developing a centralised e-commerce platform for our retailers, in response to the growing demand for grocery online shopping and will be launching this in the year ahead. This system will also be available to provide greater support with online demand in our other regions.

The Irish economy is expected to return to a greater level of normality in 2022. BWG Foods management is cautiously optimistic about both Ireland and South West England, due to the unprecedented labour challenges and related increasing costs. However, the businesses are strong and remain well positioned for a positive year ahead.

In Switzerland, the team is focused on retaining the new business acquired through its community-based stores with their convenient offering focused on excellence in 'fresh' and food-to-go and will be driving deeper penetration of the newly launched three-tier private label offering. The Swiss team will convert the balance of SSAG stores to SPAR Express stores, as well as explore new opportunities within the petro-convenience space – an area where SPAR is rapidly building a firm partner reputation.

In Poland, our management team is acutely aware that urgent improvement is needed to make this business work for our stakeholders and to realise the opportunity we continue to see in this growing market. We will be adopting new measures in how we do business with our SPAR retailers and driving greater efficiencies in logistics to reduce costs. With the integration of existing SPAR retailers now complete, we are ready and determined to drive new business development, targeting a 30% increase on the existing number of stores in this region.

The group has commenced a strategic SAP implementation and looks to continue the expansion of the Polish business. In order to fund these initiatives, the board is investigating various financing alternatives and wishes to advise that this might include an adjustment to the current dividend policy.

We thank our people and our retailers for their unwavering commitment and resilience to embed SPAR at the heart of its communities, living our brand essence of 'it's personal', because to us at SPAR, it is personal. We also thank them for embodying our purpose and leading the way to inspire people to do and be more.

Graham O'Connor
Chairman

Brett Botten
Chief Executive Officer

17 November 2021

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(Independent non-executive) (** Non-executive)*

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KJ O'Brien

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