TFG

THE FOSCHINI GROUP LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

SALIENT FEATURES

+9,2%

GROUP TURNOVER
(constant currency +12,6%) to R12,5 billion, a record for the Group

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46,7%

GROSS MARGIN EXPANSION
45,5% to 46,7% for TFG Africa*

+5,6%

HEADLINE EARNINGS
excluding acquisition costs (constant currency +7,9%)

+1,6%

HEADLINE EARNINGS PER SHARE
excluding acquisition costs (constant currency +3,9%) to 504,9 cents

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+1,6%

INTERIM DIVIDEND
of 325,0 cents per share – a 1,6% increase

R2,5 billion

SUCCESSFUL ACCELERATED BOOKBUILD
launched to fund acquisition of Retail Apparel Group

+58%

FREE CASH FLOW

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* *TFG Africa includes all operations on the African continent*

These results were prepared by the TFG Finance and Advisory department of The Foschini Group Limited, acting under supervision of Anthony Thunström CA(SA), CFO of The Foschini Group Limited.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Sept 2017 Unaudited Rm	Sept 2016 Unaudited Rm	March 2017 Audited Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**2 792,3**	2 380,1	2 469,0
Goodwill and intangible assets	**8 236,9**	4 861,4	4 675,9
Participation in export partnerships	**–**	10,6	–
Deferred taxation asset	**683,9**	519,7	483,6
	11 713,1	7 771,8	7 628,5
Current assets			
Inventory (note 4)	**6 276,0**	5 126,5	5 511,2
Trade receivables – retail	**7 121,0**	6 669,5	7 000,7
Other receivables and prepayments	**838,8**	726,3	771,0
Concession receivables	**267,9**	272,8	246,1
Participation in export partnerships	**–**	2,5	–
Cash	**744,8**	973,5	878,5
	15 248,5	13 771,1	14 407,5
Total assets	**26 961,6**	21 542,9	22 036,0
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited	**13 342,5**	9 951,1	10 515,3
Non-controlling interest	**4,1**	4,5	4,2
Total equity	**13 346,6**	9 955,6	10 519,5
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	**5 724,9**	4 119,4	4 442,2
Put option liability	**113,2**	40,7	74,7
Cash-settled share incentive scheme	**7,3**	7,2	6,8
Operating lease liability	**323,8**	247,8	255,7
Deferred taxation liability	**915,5**	381,5	337,9
Post-retirement defined benefit plan	**241,6**	225,2	233,1
	7 326,3	5 021,8	5 350,4
Current liabilities			
Interest-bearing debt	**2 821,6**	3 589,0	3 307,0
Trade and other payables	**3 388,9**	2 933,5	2 751,3
Operating lease liability	**18,9**	11,4	15,2
Taxation payable	**59,3**	31,6	92,6
	6 288,7	6 565,5	6 166,1
Total liabilities	**13 615,0**	11 587,3	11 516,5
Total equity and liabilities	**26 961,6**	21 542,9	22 036,0

CONDENSED CONSOLIDATED INCOME STATEMENT

	6 months ended 30 Sept 2017 Unaudited Rm	6 months ended 30 Sept 2016 Unaudited Rm	% change	Year ended 31 March 2017 Audited Rm
Revenue (note 5)	**13 972,2**	12 854,9		26 413,6
Retail turnover	**12 469,1**	11 415,7	9,2	23 548,7
Cost of turnover	**(6 109,3)**	(5 756,3)		(11 845,2)
Gross profit	**6 359,8**	5 659,4		11 703,5
Interest income (note 6)	**883,2**	862,8		1 736,9
Other income (note 7)	**619,9**	576,4		1 128,0
Trading expenses (note 8)	**(6 029,7)**	(5 369,5)		(10 757,2)
Operating profit before acquisition costs and finance costs	**1 833,2**	1 729,1	6,0	3 811,2
Acquisition costs	**(48,6)**	–		–
Finance costs	**(339,4)**	(307,5)		(607,4)
Profit before tax	**1 445,2**	1 421,6		3 203,8
Income tax expense	**(404,2)**	(378,8)		(851,3)
Profit for the period	**1 041,0**	1 042,8		2 352,5
Attributable to:				
Equity holders of The Foschini Group Limited	**1 040,2**	1 042,3		2 351,4
Non-controlling interest	**0,8**	0,5		1,1
Profit for the period	**1 041,0**	1 042,8		2 352,5
Earnings per ordinary share (cents)				
Total				
Basic	**475,1**	494,5	(3,9)	1 108,0
Diluted (basic)	**472,5**	491,6	(3,9)	1 098,6
Earnings per ordinary share (excluding acquisition costs) (cents) – (note 10)				
Headline	**504,9**	496,8	1,6	1 099,2
Diluted (headline)	**502,1**	493,9	1,7	1 089,9
Weighted average ordinary shares in issue (million)	**219,0**	210,8		212,2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 Sept 2017 Unaudited Rm	6 months ended 30 Sept 2016 Unaudited Rm	Year ended 31 March 2017 Audited Rm
Profit for the period	**1 041,0**	1 042,8	2 352,5
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Movement in effective portion of changes in fair value of cash flow hedges	**32,8**	(16,6)	24,2
Foreign currency translation reserve movements	**331,6**	(604,8)	(793,1)
Deferred tax on items that are or may be reclassified to profit or loss	**(9,2)**	4,7	(6,8)
Other comprehensive income for the period, net of tax	**355,2**	(616,7)	(775,7)
Total comprehensive income for the period	**1 396,2**	426,1	1 576,8
Attributable to:			
Equity holders of The Foschini Group Limited	**1 395,4**	425,6	1 575,7
Non-controlling interest	**0,8**	0,5	1,1
Total comprehensive income for the period	**1 396,2**	426,1	1 576,8

SUPPLEMENTARY INFORMATION

	Sept 2017 Unaudited	Sept 2016 Unaudited	March 2017 Audited
Net ordinary shares in issue (million)	**230,6**	213,4	214,0
Weighted average ordinary shares in issue (million)	**219,0**	210,8	212,2
Tangible net asset value per ordinary share (cents)	**2 214,1**	2 385,0	2 728,7

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2016 – audited	**9 896,7**	**4,0**	**9 900,7**
Total comprehensive income for the period	425,6	0,5	426,1
Profit for the period	1 042,3	0,5	1 042,8
Other comprehensive income			
Movement in effective portion of changes in fair value of cash flow hedges	(16,6)	–	(16,6)
Foreign currency translation reserve movements	(604,8)	–	(604,8)
Deferred tax on movement in other comprehensive income	4,7	–	4,7
Contributions by and distributions to owners			
Share-based payments reserve movements	60,2	–	60,2
Dividends paid	(814,8)	–	(814,8)
Scrip distribution: share capital issued and share premium raised	542,9	–	542,9
Proceeds from sale of shares in terms of share incentive schemes	73,9	–	73,9
Shares purchased in terms of share incentive schemes	(233,4)	–	(233,4)
Equity at 30 September 2016 – unaudited	**9 951,1**	**4,5**	**9 955,6**
Total comprehensive income for the period	1 150,1	0,6	1 150,7
Profit for the period	1 309,1	0,6	1 309,7
Other comprehensive income			
Movement in effective portion of changes in fair value of cash flow hedges	40,8	–	40,8
Foreign currency translation reserve movements	(188,3)	–	(188,3)
Deferred tax on movement in other comprehensive income	(11,5)	–	(11,5)
Contributions by and distributions to owners			
Share-based payments reserve movements	71,2	–	71,2
Dividends paid	(693,3)	(0,9)	(694,2)
Proceeds from sale of shares in terms of share incentive schemes	77,4	–	77,4
Shares purchased in terms of share incentive schemes	(1,4)	–	(1,4)
Increase in the fair value of the put option liability	(39,8)	–	(39,8)
Equity at 31 March 2017 – audited	**10 515,3**	**4,2**	**10 519,5**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2017 – audited	**10 515,3**	**4,2**	**10 519,5**
Total comprehensive income for the period	**1 395,4**	**0,8**	**1 396,2**
Profit for the period	**1 040,2**	**0,8**	**1 041,0**
Other comprehensive income			
Movement in effective portion of changes in fair value of cash flow hedges	**32,8**	**–**	**32,8**
Foreign currency translation reserve movements	**331,6**	**–**	**331,6**
Deferred tax on movement in other comprehensive income	**(9,2)**	**–**	**(9,2)**
Contributions by and distributions to owners			
Share-based payments reserve movements	**71,9**	**–**	**71,9**
Dividends paid	**(865,8)**	**(0,9)**	**(866,7)**
Share capital issued and share premium raised	**2 474,5**	**–**	**2 474,5**
Proceeds from sale of shares in terms of share incentive schemes	**6,8**	**–**	**6,8**
Shares purchased in terms of share incentive schemes	**(225,6)**	**–**	**(225,6)**
Increase in the fair value of the put option liability	**(30,0)**	**–**	**(30,0)**
Equity at 30 September 2017 – unaudited	**13 342,5**	**4,1**	**13 346,6**

	6 months ended 30 Sept 2017 Unaudited	6 months ended 30 Sept 2016 Unaudited	Year ended 31 March 2017 Audited
Dividend per ordinary share (cents)			
Interim	**325,0**	320,0	320,0
Final			400,0
Total	**325,0**	320,0	720,0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 Sept 2017 Unaudited Rm	6 months ended 30 Sept 2016 Unaudited Rm	Year ended 31 March 2017 Audited Rm
Cash flows from operating activities			
Operating profit before working capital changes (note 9)	**2 207,3**	2 053,5	4 488,6
Increase in working capital	**(73,8)**	(268,2)	(1 156,5)
Cash generated from operations	**2 133,5**	1 785,3	3 332,1
Interest income	**25,8**	11,6	33,1
Finance costs	**(339,4)**	(307,5)	(607,4)
Taxation paid	**(492,4)**	(353,3)	(777,5)
Dividends paid	**(866,7)**	(271,9)	(966,1)
Net cash inflows from operating activities	**460,8**	864,2	1 014,2
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**(372,3)**	(435,8)	(883,5)
Acquisition of assets through business combinations (note 11)	**(2 712,3)**	–	(33,8)
Proceeds from sale of property, plant and equipment	**5,8**	5,3	32,0
Repayment of participation in export partnerships	**–**	1,3	14,4
Net cash outflows from investing activities	**(3 078,8)**	(429,2)	(870,9)
Cash flows from financing activities			
Shares purchased in terms of share incentive schemes	**(225,6)**	(233,4)	(234,8)
Proceeds from sale of shares in terms of share incentive schemes	**6,8**	73,9	151,3
Increase in issued authorised share capital	**2 474,5**	–	–
Increase (decrease) in interest-bearing debt	**238,2**	(119,2)	36,8
Net cash inflows (outflows) from financing activities	**2 493,9**	(278,7)	(46,7)
Net (decrease) increase in cash during the period	**(124,1)**	156,3	96,6
Cash at the beginning of the period	**878,5**	888,8	888,8
Effect of exchange rate fluctuations on cash held	**(9,6)**	(71,6)	(106,9)
Cash at the end of the period	**744,8**	973,5	878,5

CONSOLIDATED SEGMENTAL ANALYSIS

6 months ended 30 September 2017	Retail trading divisions Unaudited Rm	Customer value-added products Unaudited Rm	Credit Unaudited Rm	Central and shared services Unaudited Rm	TFG London Unaudited Rm	TFG Australia Unaudited Rm	Total retail Unaudited Rm
External revenue	**9 300,0**	**429,9**	**171,0**	**19,0**	**2 272,8**	**896,3**	**13 089,0**
External interest income	**–**	**–**	**857,4**	**25,4**	**–**	**0,4**	**883,2**
Total revenue*	**9 300,0**	**429,9**	**1 028,4**	**44,4**	**2 272,8**	**896,7**	**13 972,2**
External finance costs				**(296,7)**	**(38,7)**	**(4,0)**	**(339,4)**
Depreciation and amortisation				**(245,5)**	**(57,5)**	**(28,3)**	**(331,3)**
Group profit before tax							**1 445,2**
Segmental profit (loss) before tax	**1 720,1**	**224,1**	**291,1**	**(892,0)**	**156,1**	**33,5**	**1 532,9**
Other material non-cash items							
Foreign exchange transactions							**(1,5)**
Share-based payments							**(71,9)**
Operating lease liability adjustment							**(14,3)**
Capital expenditure							**372,3**
Segment assets							**26 961,6**
Segment liabilities							**13 615,0**

6 months ended 30 September 2016	Unaudited Rm	Unaudited Rm	Unaudited Rm	Unaudited Rm	Unaudited Rm	Unaudited Rm	Unaudited Rm
External revenue	8 860,1	402,3	164,8	9,3	2 555,6	–	11 992,1
External interest income	–	–	851,2	11,6	–	–	862,8
Total revenue*	8 860,1	402,3	1 016,0	20,9	2 555,6	–	12 854,9
External finance costs				(259,8)	(47,7)	–	(307,5)
Depreciation and amortisation				(206,1)	(55,7)	–	(261,8)
Group profit before tax							1 421,6
Segmental profit (loss) before tax	1 668,2	204,6	256,8	(870,3)	222,3	–	1 481,6
Other material non-cash items							
Foreign exchange transactions							10,4
Share-based payments							(60,2)
Operating lease liability adjustment							(10,2)
Capital expenditure							435,8
Segment assets							21 542,9
Segment liabilities							11 587,3

* *Includes retail turnover, interest income and other income.*

The previously named International division, comprising of the Phase Eight and Whistles brands, has been renamed to the TFG London division.

During the current period, the Group acquired the Retail Apparel Group (RAG) and G-Star RAW Australia franchise stores, which will be reflected in a new TFG Australia reportable segment as defined by the Operating Board, being the chief operating decision-maker.

CONSOLIDATED SEGMENTAL ANALYSIS (CONTINUED)

Year ended 31 March 2017	Retail trading divisions Audited Rm	Customer value-added products Audited Rm	Credit Audited Rm	Central and shared services Audited Rm	TFG London Audited Rm	TFG Australia Audited Rm	Total retail Audited Rm
External revenue	18 912,8	783,3	331,5	13,2	4 635,9	–	24 676,7
External interest income	–	–	1 703,8	33,1	–	–	1 736,9
Total revenue*	18 912,8	783,3	2 035,3	46,3	4 635,9	–	26 413,6
External finance costs				(526,8)	(80,6)	–	(607,4)
Depreciation and amortisation				(437,6)	(102,7)	–	(540,3)
Group profit before tax							3 203,8
Segmental profit (loss) before tax	3 802,1	444,0	571,9	(1 802,2)	345,3	–	3 361,1
Other material non-cash items							
Foreign exchange transactions							(4,0)
Share-based payments							(131,4)
Operating lease liability adjustment							(21,9)
Capital expenditure							883,5
Segment assets							22 036,0
Segment liabilities							11 516,5

* *Includes retail turnover, interest income and other income.*

The previously named International division, comprising of the Phase Eight and Whistles brands, has been renamed to the TFG London division.

During the current period, the Group acquired the Retail Apparel Group (RAG) and G-Star RAW Australia franchise stores, which will be reflected in a new TFG Australia reportable segment as defined by the Operating Board, being the chief operating decision-maker.

NOTES

1. The unaudited interim condensed consolidated results for the half-year ended 30 September 2017 are prepared in accordance with the requirements of the Companies Act of South Africa, and in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The accounting policies applied in the preparation of these unaudited interim condensed consolidated results are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the previous consolidated annual financial statements except as noted in note 2. These results were prepared by the TFG Finance and Advisory department of The Foschini Group Limited, acting under supervision of Anthony Thunström CA(SA), CFO of The Foschini Group Limited.

2. During the period, the Group adopted the following revised accounting standards:

- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRS Standards 2014–2016 Cycle

The adoption of these standards had no material impact on these results.

3. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.

	6 months ended 30 Sept 2017 Unaudited Rm	**6 months ended 30 Sept 2016 Unaudited Rm**	Year ended 31 March 2017 Audited Rm
4. Inventory			
Inventory at period end	**6 276,0**	5 126,5	5 511,2
Inventory write-downs included above	**113,9**	91,4	233,0
5. Revenue			
Retail turnover	**12 469,1**	11 415,7	23 548,7
Interest income (note 6)	**883,2**	862,8	1 736,9
Other income (note 7)	**619,9**	576,4	1 128,0
	13 972,2	12 854,9	26 413,6
6. Interest income			
Trade receivables – retail	**857,4**	851,2	1 703,8
Sundry	**25,8**	11,6	33,1
	883,2	862,8	1 736,9

	6 months ended 30 Sept 2017 Unaudited Rm	6 months ended 30 Sept 2016 Unaudited Rm	Year ended 31 March 2017 Audited Rm
7. Other income			
Publishing income	**208,3**	196,1	400,8
Collection cost recovery	**171,0**	164,8	331,5
Insurance income	**181,0**	162,3	289,0
Mobile one2one airtime income	**40,6**	43,9	93,5
Sundry income	**19,0**	9,3	13,2
	619,9	576,4	1 128,0
8. Trading expenses			
Depreciation and amortisation	**(331,3)**	(261,8)	(540,3)
Employee costs	**(2 062,4)**	(1 799,9)	(3 669,8)
Occupancy costs	**(1 461,1)**	(1 171,5)	(2 431,8)
Net bad debt	**(464,6)**	(485,6)	(896,1)
Other operating costs	**(1 710,3)**	(1 650,7)	(3 219,2)
	(6 029,7)	(5 369,5)	(10 757,2)
9. Operating profit before working capital changes			
Profit before tax	**1 445,2**	1 421,6	3 203,8
Finance costs	**339,4**	307,5	607,4
Operating profit before finance costs	**1 784,6**	1 729,1	3 811,2
Interest income – sundry	**(25,8)**	(11,6)	(33,1)
Non-cash items	**448,5**	336,0	710,5
Depreciation and amortisation	**331,3**	261,8	540,3
Operating lease liability adjustment	**14,3**	10,2	21,9
Share-based payments	**71,9**	60,2	131,4
Post-retirement defined benefit medical aid movement	**8,5**	7,9	15,8
Foreign currency translation reserve movements	**1,5**	(10,4)	4,0
Loss on disposal of property, plant and equipment	**21,4**	6,5	12,2
Profit on disposal of property, plant and equipment	**(0,4)**	(0,2)	(15,1)
	2 207,3	2 053,5	4 488,6

	6 months ended 30 Sept 2017 Unaudited Rm	6 months ended 30 Sept 2016 Unaudited Rm	Year ended 31 March 2017 Audited Rm
10. Reconciliation of profit for the period to headline earnings			
Profit for the period attributable to equity holders of The Foschini Group Limited	**1 040,2**	1 042,3	2 351,4
Adjusted for:			
Profit on disposal of property, plant and equipment	**(0,4)**	(0,2)	(15,1)
Loss on disposal of property, plant and equipment	**21,4**	6,5	12,2
Headline earnings before tax	**1 061,2**	1 048,6	2 348,5
Tax on headline earnings adjustments	**(4,3)**	(1,5)	(15,7)
Headline earnings	**1 056,9**	1 047,1	2 332,8
Acquisition costs	**48,6**	–	–
Adjusted headline earnings*	**1 105,5**	1 047,1	2 332,8

* *Adjusted headline earnings is calculated to remove the impact of the acquisition costs of the RAG and G-Star RAW franchise rights acquisition.*

Earnings per ordinary share (cents)	6 months ended 30 Sept 2017 Unaudited	6 months ended 30 Sept 2016 Unaudited	% change	Year ended 31 March 2017 Audited
Total (excluding acquisition costs)				
Basic	**497,3**	494,5	0,6	1 108,0
Headline	**504,9**	496,8	1,6	1 099,2
Diluted (basic)	**494,5**	491,6	0,6	1 098,6
Diluted (headline)	**502,1**	493,9	1,7	1 089,9
Total				
Basic	**475,1**	494,5	(3,9)	1 108,0
Headline	**482,7**	496,8	(2,8)	1 099,2
Diluted (basic)	**472,5**	491,6	(3,9)	1 098,6
Diluted (headline)	**480,0**	493,9	(2,8)	1 089,9

11. Acquisitions for the period

G-Star RAW franchise stores

With effect from 3 April 2017, the Group acquired 14 G-Star RAW franchise stores in Australia for AUD13,9 million (R141,8 million).

Retail Apparel Group (RAG)

The Group has acquired 100% of the share capital of Retail Apparel Group Pty Ltd (RAG) effective from 24 July 2017. RAG is a leading speciality menswear retailer in the Australian market. The purchase price has been capped at the lower of 7 times RAG's audited normalised EBITDA, for the year ending June 2017, and AUD302,5 million, which was adjusted for normalised working capital and net debt at acquisition. The Group has obtained 100% control of RAG and is exposed to variable returns from its involvement with RAG. The Group has the ability to use its power through potential voting rights over RAG to affect the amount of returns earned by RAG.

The acquisition of RAG was at an enterprise value of AUD293,9 million (R3 000,2 million) with an equity value of AUD263,2 million (R2 685,5 million) after taking into account net debt and related adjustments.

Certain fair values are provisional and subject to further review for a period of up to one year from the acquisition date. The at-acquisition AUD values have been translated at the closing exchange rate at 24 July 2017 of AUD1:R10,21. These results include two months of RAG trading.

TFG has measured the identifiable assets and liabilities of RAG at their acquisition-date fair values.

The provisional at-acquisition values are presented below:

	Rm	AUDm
Non-current assets	**2 217,8**	**217,4**
Property, plant and equipment	251,7	24,7
Intangible assets	1 781,8	174,6
Deferred taxation asset	184,3	18,1
Current assets	**751,7**	**73,6**
Inventory	619,5	60,7
Other receivables and prepayments	17,2	1,6
Cash	115,0	11,3
Non-current liabilities	**1 001,2**	**98,1**
Interest-bearing debt	416,4	40,8
Operating lease liability	55,2	5,4
Deferred taxation liability	529,6	51,9
Current liabilities	**555,0**	**54,4**
Trade and other payables	519,2	50,9
Taxation payable	35,8	3,5
Total identifiable net assets at fair value	**1 413,3**	**138,5**
Goodwill arising from acquisition	1 272,2	124,7
Purchase consideration	**2 685,5**	**263,2**
Cash and cash equivalents acquired	(115,0)	(11,3)
Cash outflow on acquisition	**2 570,5**	**251,9**

11. Acquisitions for the period (continued)

Retail Apparel Group (RAG) (continued)

Goodwill of AUD124,7 million (R1,3 billion) and the RAG brands amounting to AUD173,0 million (R1,8 billion) has been recognised as intangible assets at acquisition. Goodwill represents the value paid in excess of the provisional fair value of the net assets. This consists largely of the value assigned to the unique operating business model and future growth prospects. Retail turnover and profit and loss for the two-month trading post acquisition amounted to R792,8 million and R57,8 million respectively. Acquisition costs related to the acquisition of R48,6 million have been expensed in the current period.

12. Related parties

During the period, the Group entered into related party transactions in the ordinary course of business, the substance of which are similar to those disclosed in the Group's annual financial statements for the year ended 31 March 2017.

13. Fair value

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The Group only has level 2 financial instruments. There are no level 1 or level 3 financial instruments within the Group and there were no transfers between levels during the period.

14. Subsequent events

No further significant events took place between the period ending 30 September 2017 and date of issue of this report.

15. Changes in authorised share capital

On 4 August 2017, the Group made an application to the JSE for a listing of 17 241 380 ordinary shares at an issue price of R145,00 per ordinary share for a total consideration of R2,5 billion. The shares were allotted and issued as a result of an Accelerated Bookbuild offering that was launched and concluded after close of market on 31 July 2017. On 4 August 2017, the total shares in issue increased from 219 515 434 shares to 236 756 814 shares.

16. Change in auditors

In October 2017, the Group appointed Deloitte & Touche as their external auditors for the year ending 31 March 2018.

17. Changes in directors

There were no changes in directors during the current period.

COMMENTARY

INTRODUCTION
Given the increasing global footprint of TFG, we will use the naming conventions defined below to assist our stakeholders in understanding the Group's activities:
- "TFG" or "the Group" - refers to the consolidated performance of TFG Limited and all its subsidiaries
- "TFG Africa" – refers to all operations on the African continent
- "TFG London" – refers to the consolidated performance of Dress Holdco A Limited and all its subsidiaries including the Phase Eight and Whistles' brands
- "TFG Australia" – refers to the consolidated performance of TFG Retailers Proprietary Limited and all its subsidiaries including the Retail Apparel Group (RAG) and G-Star Australia brands
- "TFG International" – refers to all operations outside the African continent and includes both TFG London and TFG Australia

In the commentary below, numbers quoted refer to the Group unless otherwise specified.

BACKGROUND
As was announced on SENS on 25 May 2017, with a further update on 14 July 2017, the Group acquired, through a wholly-owned subsidiary, the entire issued ordinary and preference share capital of RAG. The effective date of the acquisition was 24 July 2017 and as a result, two months' trading of RAG has been included in these results.

In addition, the Group acquired 14 G-Star RAW franchise stores in Australia with effect from 3 April 2017 and as such six months' trading has been included in these results.

PERFORMANCE OVERVIEW
The Group performed satisfactorily against a backdrop of difficult political and economic conditions in both South Africa and the United Kingdom, two of the three major economies in which we trade, and against a strong base in the corresponding period.

Total Group retail turnover growth of 9,2% (constant currency 12,6%) was achieved, with growth of 5,0% (ZAR) in TFG Africa and 4,1% (GBP) in TFG London with the balance coming from TFG Australia. This growth is pleasing, coming off a high base of 16,9% turnover growth in the corresponding prior period. Comparable store turnover growth of 1,0% was achieved in TFG Africa.

Group cash turnover grew by 11,1% for the period with growth of 3,8% (ZAR) in TFG Africa and 4,1% (GBP) in TFG London with the balance coming from TFG Australia. The low cash turnover growth in TFG Africa was due to the challenging trading environment as well as the high base of 19,0% growth achieved in the corresponding prior period. Turnover growth in TFG London was driven by online channels, which now accounts for 28,3% of their total turnover, as consumers shop less in high streets in favour of e-commerce channels. Total cash turnover now contributes 62,5% to total Group turnover (Sept 2016: 61,4%).

Group credit turnover growth at 6,2% was stronger than the growth in the corresponding period of 1,4%. This was in line with expectation, as the negative impact of the Affordability Regulations is now in the base.

Group gross margin for the period improved to 51,0% from 49,6% at September 2016. In TFG Africa, gross margin improved across all merchandise categories with the exception of cosmetics. Total gross margin for TFG Africa was 46,7% compared to 45,5% at September 2016. TFG London's gross margin was 63,6% (Sept 2016: 63,9%).

Total Group trading expenses increased by 12,3% over the previous period with growth of 6,8% in TFG Africa, 7,5% in TFG London and the balance as a result of the inclusion of TFG Australia. Whilst our focus on cost control continues, we are pleased with the resulting improvement in expense growth that our cost saving initiatives have delivered thus far.

Headline earnings excluding acquisition costs grew by 5,6% (constant currency +7,9%) for the period to R1,1 billion. Headline earnings per share excluding acquisition costs increased by 1,6% (constant currency +3,9%) to 504,9 cents per share for the period, up from 496,8 cents per share in the previous period.

An interim cash dividend of 325,0 cents per share has been declared, an increase of 1,6% (Sept 2016: 320,0 cents per share).

The Group opened 144 outlets during the period, 74 in TFG Africa, 46 in TFG London and 24 in TFG Australia. In line with our focus on capital allocation, specific focus was placed on underperforming outlets which resulted in 77 closures during the period (TFG Africa: 30, TFG London: 39, TFG Australia: 8). This brings the total number of outlets at end September to 3 809 in 32 countries. Net trading space in our African operations increased by 2,5% since September 2016.

Our e-commerce roll-out continued during the period with the launch of @homelivingspace and Exact. The Group now has a total of 17 brands trading online, with turnover from online trading growing to 6% of total turnover. E-commerce remains a key strategic focus area for the Group.

MERCHANDISE CATEGORIES

Turnover growths in the various merchandise categories are as follows:

	% turnover growth (Group)	% turnover growth (TFG Africa) ZAR	% same store turnover growth (TFG Africa) ZAR	% turnover growth (TFG London) GBP
Clothing	12,3	7,4	2,8	4,1
Jewellery	(1,0)	(1,0)	(2,5)	
Cellphones	1,5	1,5	(1,1)	
Homeware and furniture	(0,8)	(0,8)	(4,5)	
Cosmetics	(1,9)	(1,9)	(3,9)	

TFG Africa same store turnover grew by 1,0% whilst product deflation averaged approximately 0,7%.

CREDIT

The retail debtors' book of R7,1 billion, grew by 1,7% compared to March 2017 and by 6,8% compared to September 2016. Net bad debt decreased by 4,3% as strong recoveries growth was maintained at 13,3% (Sept 2016: 29,0%).

At September 2017, net bad debt as a percentage of the closing debtors' book was 10,9%, down from 11,3% at March 2017 and 12,1% at September 2016. The book continues to be adequately provisioned at 11,0%, down from 11,8% at the previous year-end and 13,0% at the end of September 2016.

BALANCE SHEET STRUCTURE

A R2,5 billion Accelerated Bookbuild was successfully launched on 31 July 2017 to fund the acquisition of RAG. As a result, 17 241 380 ordinary shares were issued at R145 per share, a 0,9% premium to the 30-day VWAP of R143,68 as at the close of trade on 31 July 2017.

At September 2017, the Group's total debt to equity improved to 58,5% from 65,3% at March 2017. TFG Africa's recourse debt to equity ratio improved to 46,0% from 53,6% at March 2017.

TFG AUSTRALIA

RAG's trading for the two months' since acquisition has been ahead of management's expectation. Clear strategic objectives and KPIs have been set and are on track to be met by year-end. G-Star trading for the past six months was impacted by stock availability which has now largely been resolved.

OUTLOOK

The uncertainty within the domestic and global economy continues and this has been further exacerbated by political issues which, particularly in South Africa, have had a negative impact on consumer and business confidence.

As previously mentioned, the Affordability Regulations have had and will continue to have a negative impact on the Group's credit turnover. The Group, together with two other major listed retailers, initiated legal action against the National Credit Regulator (NCR) and Department of Trade and Industry (dti) and we await the ruling from the court case which was heard in August of this year.

The Group, along with other corporates who belong to Business Leadership South Africa (BLSA), has committed itself to the contract that BLSA announced with South Africa. This contract highlights six key areas that business believes will drive opportunity and inclusive growth across the country whilst driving the eradication of corruption.

Despite the political and economic outlook, we believe that continued commitment to our strategic objectives around growth, profit, customer and leadership development will support our efforts to achieve a reasonable result for the full year. We plan to open in excess of 100 new outlets in the second half of the year and will continue our initiatives in respect of working capital management and capital optimisation in the second half of the year.

As always, the Group is heavily dependent on Christmas trading which will largely determine our performance for the full year.

Total retail turnover growth for the first 5 weeks of the second half is at similar levels to the first half.

PREFERENCE DIVIDEND ANNOUNCEMENT

Dividend no. 162 of 3,25% (6,5 cents per share) (gross) in respect of the six months ending 31 March 2018 has been declared from income reserves, payable on Monday, 19 March 2018 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 16 March 2018. The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 13 March 2018. The Foschini Group Limited preference shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 14 March 2018 and the record date, as indicated, will be Friday, 16 March 2018.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 14 March 2018 to Friday, 16 March 2018, both dates inclusive.

In terms of section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

1) Local dividend tax rate is 20%;
2) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 5,20000 cents;
3) The issued preference share capital of The Foschini Group Limited is 200 000 shares at 2 November 2017; and
4) The Foschini Group Limited's tax reference number is 9925/133/71/3P.

INTERIM ORDINARY DIVIDEND ANNOUNCEMENT

The directors have declared a gross interim ordinary dividend of 325,0 cents per ordinary share from income reserves, for the period ended 30 September 2017, payable on Monday, 8 January 2018 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 5 January 2018. The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 2 January 2018. The Foschini Group Limited ordinary shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 3 January 2018 and the record date, as indicated, will be Friday, 5 January 2018.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 3 January 2018 to Friday, 5 January 2018, both dates inclusive.

In terms of section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

1) Local dividend tax rate is 20%;
2) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 260,00000 cents;
3) The issued ordinary share capital of The Foschini Group Limited is 236 756 814 shares at 2 November 2017; and
4) The Foschini Group Limited's tax reference number is 9925/133/71/3P.

Signed on behalf of the Board.

M Lewis
Chairman

A D Murray
CEO

Cape Town
2 November 2017

CORPORATE INFORMATION

Executive directors:	A D Murray, A Thunström
Non-executive directors:	M Lewis (Chairman), Prof F Abrahams, S E Abrahams, G Davin, D Friedland, B L M Makgabo-Fiskerstrand, E Oblowitz, N V Simamane, R Stein
Company Secretary:	D van Rooyen
Registered office:	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500
Registration number:	1937/009504/06
Share codes:	TFG – TFGP
ISIN:	ZAE000148466 – ZAE000148516
Transfer secretaries:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
Sponsor:	UBS South Africa Proprietary Limited

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MAT & MAY

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Phase Eight

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