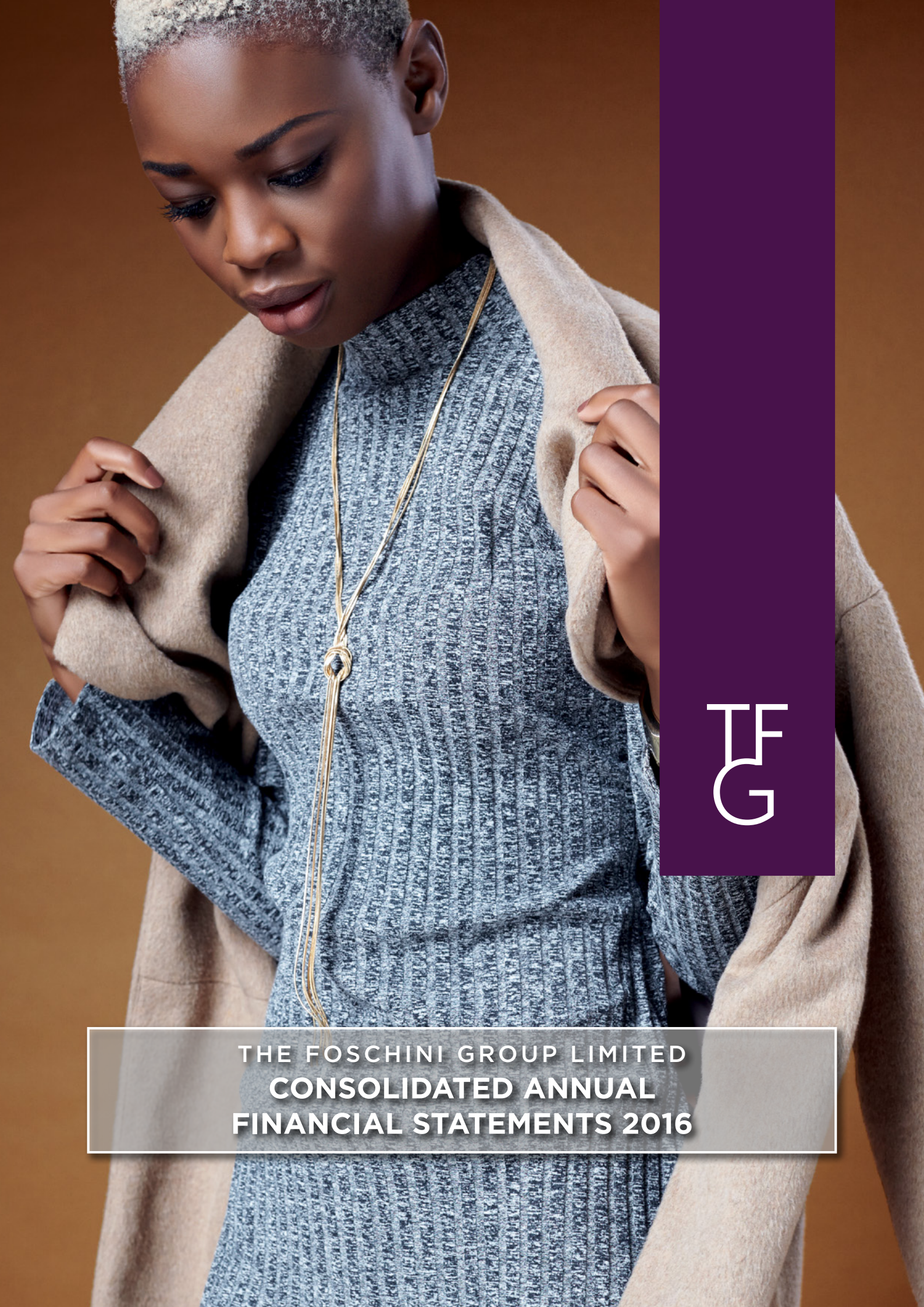


THE FOSCHINI GROUP LIMITED

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 2016

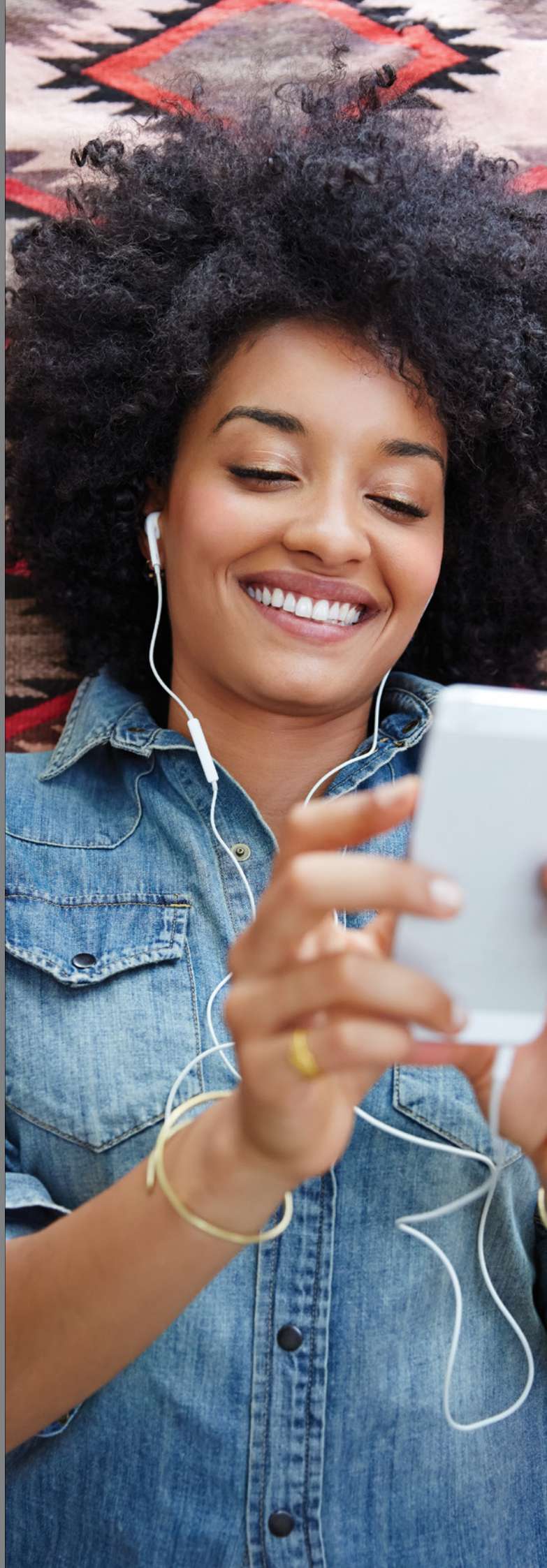
CONTENTS

The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholders:

These consolidated financial statements represent the financial information of The Foschini Group Limited and were audited in compliance with section 30 of the Companies Act, No. 71 of 2008. These financial statements 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.

These statements were authorised by the board of directors on 29 June 2016 and published on 18 July 2016.

* *The supplementary information presented does not form part of the financial statements and is unaudited.*



DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of The Foschini Group Limited, comprising the statement of financial position at 31 March 2016, and the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the consolidated segmental analysis and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of The Foschini Group Limited, as identified in the first paragraph, were approved by the board of directors on 29 June 2016 and signed by:

M Lewis
Chairman

Authorised director

A D Murray
Chief Executive Officer

Authorised director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

REVIEW OF ACTIVITIES
Nature of business
The Foschini Group Limited (TFG) is an investment holding company whose subsidiaries, through their retail brands – @home, @homelivingspace, American Swiss, Charles & Keith, Colette (newly acquired – refer to note 42), DonnaClaire, Duesouth, Exact, Fabiani, The FIX (previously Fashion Express), Foschini, G-Star Raw, *hi*, Markham, Mat & May, Next (new franchise agreement), Phase Eight, SODA Bloc, Sportscene, Sterns, Totalsports and Whistles (newly acquired – refer to note 42) – retail clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, and homeware and furniture across diverse LSM groupings from value to upper-end consumers internationally.

The group operates predominantly within the South African Common Monetary Area. Retail turnover emanating from Botswana, Nigeria, Zambia and Ghana accounts for 1,7% of the group's turnover, while the remaining international turnover emanating from Phase Eight accounts for 17,1% of the group's turnover.

Dress Holdco A Limited is the ultimate United Kingdom (UK) holding company of Phase Eight and Whistles. Phase Eight and Whistles operate through retail outlets throughout the UK and internationally, as well as online.

GENERAL REVIEW
The financial results are reflected in the annual financial statements on pages 14 to 89. The analysis of shareholdings and definitions are contained in the appendices on pages 90 to 92.

AUTHORISED AND ISSUED SHARE CAPITAL
The group's share buy-back programme commenced at the end of May 2001. At 31 March 2016, 1,0 (2015: 1,0) million shares are owned by a subsidiary of the company, 2,5 (2015: 2,3) million shares are held by employees of TFG in terms of share incentive schemes and 2,5 (2015: 2,3) million shares are owned by the share incentive trust. These were eliminated on consolidation. For further details of authorised and issued share capital and treasury shares, refer to notes 11 and 12.

On 20 July 2015, 2,2 million fully paid-up ordinary shares were issued to ordinary shareholders by way of a scrip distribution increasing the total shares in issue from 211 005 054 shares to 213 171 190 shares. On 18 January 2016, a further 2,2 million fully paid-up ordinary shares were issued to ordinary shareholders by way of a scrip distribution increasing the total shares in issue from 213 171 190 shares to 215 350 885 shares.

DISTRIBUTIONS
Interim ordinary
The directors declared an interim scrip distribution with a cash dividend alternative of 306,0 (2015: 263,0) cents per ordinary share, which was paid on Monday, 18 January 2016, to ordinary shareholders recorded in the books of the company at the close of business on Friday, 15 January 2016.

Final ordinary
The directors declared a final scrip distribution with a cash dividend alternative of 385,0 (2015: 325,0) cents per ordinary share, payable on Monday, 25 July 2016, to ordinary shareholders recorded in the books of the company at the close of business on Friday, 22 July 2016.

Preference
The company paid the following dividends to holders of 6,5% cumulative preference shares:

21 September 2015 – R13 000 (22 September 2014 – R13 000)
22 March 2016 – R13 000 (23 March 2015 – R13 000)

DIRECTORS

The names of the company's directors at the year end are:

Independent non-executive directors

M Lewis (Chairman)*
Prof F Abrahams
S E Abrahams
G H Davin*
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane

Non-executive director

R Stein*

Executive directors

A D Murray (CEO)
A E Thunström (CFO)*

Changes to directors in the current financial year*

- Mr M Lewis was appointed as Deputy Chairman on 28 May 2015 and as Chairman on 19 June 2015.
- Mr D M Nurek resigned from the board on 19 June 2015.
- Mr P S Meiring retired at the end of June 2015 and resigned from the board.
- Mr R Stein retired as an executive director at the end of June 2015 and remains on the board in a non-executive capacity.
- On 1 July 2015, Mr A E Thunström was appointed as CFO and as an executive director.
- On 5 November 2015, Mr G H Davin was appointed as an independent non-executive director.

The following directors retire by rotation in terms of the memorandum of incorporation (MOI) but, being eligible, offer themselves for re-election as directors:

M Lewis
Prof F Abrahams
S E Abrahams

In addition, Mr G H Davin will be proposed for re-election as an independent non-executive director.

For details of directors' interests in the company's issued shares, refer to note 11. Details of directors' remuneration are set out in note 34.

AUDIT COMMITTEE

The directors confirm that the audit committee addressed the specific responsibilities required in terms of section 94(7) of the Companies Act, No. 71 of 2008. Further details are contained within the board audit committee report.

SUBSIDIARIES

The names of, and certain financial information relating to, the company's key subsidiaries appear in note 2 of the company financial statements.

SPECIAL RESOLUTIONS

On 1 September 2015, shareholders approved the remuneration to be paid to non-executive directors for the period 1 October 2015 to 30 September 2016 and, in order to align the fee increase date with the annual general meeting, moved the fee increase date from 1 April to 1 October. Fees paid to directors from 1 April 2015 to 30 September 2015 were approved at the previous annual general meeting subject to the proviso that the annual increase may not be more than 2% in excess of CPI.

On 1 September 2015, shareholders renewed the approval, as a general authority, of the acquisition by the company or any of its subsidiaries of the issued ordinary shares of the company, valid until the next annual general meeting. At the next annual general meeting to be held on 1 September 2016, shareholders will be asked to renew this general authority as set out in the notice of annual general meeting.

On 1 September 2015, shareholders also approved that the company may provide direct or indirect financial assistance to a related or interrelated company or corporation (including to directors and prescribed officers of such entities) provided that such financial assistance may only be provided within two years from the date of the adoption of the special resolution and subject to sections 44 and 45 of the Companies Act, No. 71 of 2008, and the JSE Listings Requirements.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

No special resolutions of any significance were passed during the year under review.

COMPANY SECRETARY

On 22 May 2016, Ms Dee Sheard resigned as Company Secretary and Mr Darwin van Rooyen assumed the position.

STAFF SHARE INCENTIVE AND SHARE OPTION SCHEMES

Details are reflected in note 33.

SUBSEQUENT EVENTS

Details are reflected in note 24.

GOING CONCERN

These financial statements were prepared on the going concern basis.

The board performed a review of the company and its subsidiaries' ability to continue trading as going concerns in the foreseeable future and, based on this review, the directors are satisfied that the group is a going concern and continued to adopt the going concern basis in preparing the financial statements.

COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 31 MARCH 2016

I certify that The Foschini Group Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all returns as required by a public company in terms of the Companies Act of South Africa, and that all such returns appear to be true, correct and up to date.

D van Rooyen
Company Secretary

29 June 2016

BOARD AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The audit committee is pleased to present its report for the financial year ended 31 March 2016 to the shareholders of TFG.

This report is in compliance with the requirements of the Companies Act of South Africa, No. 71 of 2008 (the Act), and the King Code of Governance for South Africa 2009 (King III).

AUDIT COMMITTEE MANDATE

The committee is governed by a formal audit committee charter that has recently been reviewed and which incorporates all the requirements of the Act. This charter guides the committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the board.

The audit committee recognises its important role as part of the risk management and corporate governance processes and procedures of TFG.

DUTIES OF THE COMMITTEE

The duties of the audit committee are, *inter alia*:

Statutory duties as prescribed in the Act

General

- to receive and deal appropriately with any concerns or complaints (whether internal or external) or on its own initiative relating to the accounting practices and internal audit of TFG, the content or auditing of TFG's financial statements, the internal financial controls of TFG or any related matter.

External auditors

- to evaluate the independence, effectiveness and performance of the external auditors;
- to obtain assurance from the auditors that adequate accounting records are being maintained and appropriate accounting policies are in place, which have been consistently applied;
- to evaluate the appointment of the external auditors on an annual basis and to ensure that such appointment is in terms of the provisions of the Act and any other legislation;
- to approve the audit fee and fees in respect of any non-audit services; and
- to determine the nature and extent of any non-audit services the auditor may provide to the group and pre-approve proposed agreements for non-audit services.

Financial results

- to make submissions to the board on any matter concerning the group's accounting policies, financial control, records and reporting; and
- to provide, as part of the integrated annual report, a report by the audit committee.

Duties assigned and delegated by the board

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and coordinated and that the combined assurance received is appropriate to address all significant risks; and
- to assist the board in carrying out its risk management and IT responsibilities.

External auditors

- to consider and respond to any questions from the board and shareholders regarding the resignation or dismissal of the external auditor, if necessary;
- to review and approve the external audit plan; and
- to ensure that the scope of the external audit has no limitations imposed by management and that there is no impairment on its independence.

Internal control and internal audit

- to review the effectiveness of the group's systems of internal control, including internal financial control and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal control are submitted to the board annually by all divisional Managing Directors and General Managers (these being representations that provide assurance on the adequacy and effectiveness of the group's systems of internal control);
- to monitor and supervise the effective functioning and performance of the internal audit function;
- to review and approve the annual internal audit plan and the internal audit charter;
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment on its independence; and
- to review, specifically in the current year, that appropriate internal controls and an internal audit plan are prepared to cover the Phase Eight operations.

Finance function

- to consider the appropriateness of the expertise and experience of the Chief Financial Officer; and
- to satisfy itself of the expertise, resources and experience of the finance function.

Financial results

- to consider any accounting treatments, significant unusual transactions, or accounting judgements and estimates that could be contentious;
- to review management's assessment of going concern and make a recommendation to the board that the going concern concept be adopted by the group; and
- to review the integrated annual report, as well as the annual financial statements, interim reports, preliminary reports or other financial information prior to submission and approval by the board.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

The committee comprised four independent non-executive directors and the Chairman of the committee is not the Chairman of the board. The following directors served on the committee during the year under review:

NAME OF MEMBER	DATE APPOINTED TO COMMITTEE
S E Abrahams (Chairman)	29 January 1999
N V Simamane	24 February 2010
E Oblowitz	1 October 2010
B L M Makgabo-Fiskerstrand	1 October 2015

On 1 April 2016, Mr D Friedland was co-opted as a member.

Meeting attendance

NAME OF MEMBER	QUALIFICATIONS	25 MAY 2015	7 NOVEMBER 2015	4 MARCH 2016
S E Abrahams	FCA CA(SA)	✓	✓	✓
E Oblowitz	B Comm CA(SA) CPA(Isr)	✓	✓	✓
N V Simamane	BSc (Biochem) (Hons)	✓	✓	✓
B L M Makgabo-Fiskerstrand*		n/a*	✓	✓
D Friedland (by invitation)	B Comm, Certificate in the Theory of Accountancy CA(SA)	✓	✓	✓

* *Appointed to the committee on 1 October 2015.*

The committee held three formal meetings during the 2016 financial year. In addition, the Chairman held ad hoc meetings with management, the Head of Internal Audit and the external auditors from time to time. The committee considered the draft interim and annual financial reports prepared by management and recommended its adoption to the board subject to certain amendments. The Chairman provided written reports to the main board that summarise the committee's findings and recommendations.

Details of fees paid to committee members appear in note 34 of the annual financial statements.

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Company Secretary and the external audit partner and staff attended meetings invitation of the committee by regular invitation. David Friedland and Ronnie Stein, non-executive directors, also attend the meetings by invitation of the committee. In addition, other members of executive management are invited to attend various meetings on an ad hoc invitational basis. The Chairman of the group has an open invitation to attend meetings of the audit committee.

COMMITTEE EVALUATION

The annual board evaluation (which includes an evaluation of all subcommittees) in respect of the previous calendar year was completed last year. This evaluation formally assessed the performance of audit committee members during the past year, as well as their independence in terms of the independence requirements of King III and the Companies Act. It is noted that all members of the committee continue to meet the independence requirements.

ELECTION OF COMMITTEE MEMBERS

The following members made themselves available for election to the committee. Such election was recommended by the nomination committee and will be proposed to shareholders at the upcoming annual general meeting:

S E Abrahams
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane

COMMITTEE FUNCTIONING

The committee typically meets three times a year with the main focus of each respective meeting being as follows:

- consideration of control risks and risk management (typically in February/March each year);
- approval of annual results (typically in May each year); and
- approval of interim results (typically in November each year).

Independently of management, members of the committee meet separately with the Head of Internal Audit and the external auditors respectively. The Head of Internal Audit reports directly to the audit committee.

Meeting dates and topics are agreed well in advance each year. Each meeting is preceded by the distribution to each attendee of an audit committee pack, *inter alia*, comprising:

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by management including:
  - compliance and legal,
  - IT governance,
  - internal audit,
  - loss statistics, and
  - fraud.

The Chairman of this committee has an open invitation to attend meetings of the board risk committee (BRC).

SPECIFIC RESPONSIBILITIES

The committee confirms that it has carried out its functions in terms of the board audit committee charter and section 94 (7) of the Companies Act, No. 71 of 2008, by:

- confirming the nomination of KPMG Inc. as the group's registered auditor for the year ending 31 March 2017 and being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to KPMG Inc.;
- ensuring that the appointment of KPMG Inc. complies with the provisions of the Companies Act;
- determining the nature and extent of any non-audit services, which the external auditors provide to the company or a related company;
- pre-approving proposed agreements with KPMG Inc. for the provision of any non-audit services;
- preparing this report for inclusion in the annual financial statements and in the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints;
- making submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting; and
- performing such other oversight functions as may be determined by the board.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

Based on the assessment of the system of internal financial controls conducted by internal audit, as well as information and explanations given by management and discussions held with the external auditor on the results of their audit, the committee is of the opinion that TFG's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements in respect of the year under review.

In addition, during the 2016 financial year, the committee was not made aware of any:

- material breaches of any laws or regulations; or
- material breaches of internal controls or procedures.

RISK MANAGEMENT

While the board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the risk committee, assists the board in the assessment of the adequacy of the risk management process. The Chairman of this committee has an open invitation to risk committee meetings to ensure that relevant information is regularly shared. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

As reported last year, the continued cooperation with the board risk committee (BRC) resulted in further clarification and delineation in the roles and responsibilities of both committees. The strategies adopted by each committee ensure timely review of any internal control weakness identified by any of the assurance providers. In addition, there were significant improvements in the development of Enterprise Risk Management (ERM) methodologies, which will further enhance the group's risk management coverage and focus.

Further details on the risk management approach and process is included in the risk report, which appear in the integrated annual report.

PHASE EIGHT

This acquisition received continuing attention during the year and various workshops were arranged and will continue to be convened with the object of fully integrating the Phase Eight operations into the overall risk management framework of the group. Internal audit drew up an audit plan to cover the major risks identified and audits were conducted to cover those risks. No major concerns surfaced from their initial audit work, although it must be appreciated that it is still work in progress to achieve full integration into the group's risk management framework.

The focus for the 2016 year end was directed at verifying the carrying values of stock and trade debtors. Both internal and external audit provided the board audit committee with positive reports on these significant asset classes.

WHISTLES

As the Whistles operations were acquired by TFG Brands (London) Limited (previously Dress Holdco B Limited) at the end of the financial year, only review work was undertaken by the external auditors. Further to the review on the Phase Eight operations in the integrated annual report, it is the intention to apply the same procedures to the Whistles operations, with the initial combined workshop to be held in July 2016.

THE FINANCIAL AND BUSINESS ENVIRONMENT

As presented in the previous years' integrated annual reports, the concerns expressed in this report that relate to the financial and business environment remain relevant and are accordingly once again presented in this report.

The South African political turmoil, which triggered the uncertainty in December 2015 that was caused by the "ins and outs" of finance ministers, the lack of GDP growth and hence the inability to increase job creation, the increased regulatory landscape and intermittent interest rate increases, put our credit customers under immense pressure. It is therefore pleasing to report that, despite the unstable and unfavourable macroeconomic environment, TFG in South Africa achieved an improvement in bad debt statistics. This is as a result of a concerted effort to be vigilant to trends and not to attempt to increase customer numbers by lowering the credit granting criteria. Going forward, the board audit committee will continue to focus on the ability of the group to curtail bad debts. Supported by an in-depth review undertaken by the external auditors, I can confirm that, in the opinion of the board audit committee, the provision for doubtful debts is adequate to sustain the year-end carrying value of trade receivables.

During the year, group management has been able to negotiate more favourable terms for future funding requirements by having an improved balance among short-term, medium-term and longer-term facilities. Although there had always been a significant funding headroom, the quality of the headroom is much improved currently.

The group continues to place importance on IT risk management and consistently reviews the measures to curb the threat of cybercrime and IT fraud in general. The governance over the IT support system is considered to be best of breed and complies with the recommendations contained in King III.

Regrettably, the group continues to suffer from ever-increasing financial loss arising from increased levels of crime-related incidents. Senior management is continuing to explore ways to reduce or curtail these operating losses. The introduction of a specialist ERM division soon to be bolstered by the hiring of a forensics expert are some of the initiatives being introduced to examine ways to make our stores, distribution centres, etc. more secure.

EXTERNAL AUDITORS

The group's external auditors are KPMG Inc. and the designated auditor is Mr P Farrand. KPMG Inc. is afforded unrestricted access to the group's records and management, and present any significant issues arising from the annual audit to the committee. In addition, Mr P Farrand, where necessary, raises matters of concern directly with the Chairman of the committee.

The committee gave due consideration to the independence of the external auditors and is satisfied that KPMG Inc. is independent of the group and management and therefore able to express an independent opinion on the group's annual financial statements.

The committee nominated, for approval at the annual general meeting, KPMG Inc. as the external auditor and Mr P Farrand as designated auditor for the 2017 financial year, having satisfied itself that the audit firm is accredited by the JSE.

FINANCIAL STATEMENTS

The committee reviewed the financial statements of the company and the group and is satisfied that they comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

In addition, the committee reviewed management's assessment of going concern and recommended to the board that the going concern concept be adopted by TFG.

INTEGRATED ANNUAL REPORT

The committee fulfils an oversight role in respect of TFG's integrated annual report. In this regard, the committee gave due consideration to the need for assurance on the sustainability information contained in this report and concluded that obtaining independent assurance would not be beneficial to stakeholders.

The committee considered the sustainability information as disclosed in the integrated annual report, assessed its consistency with the annual financial statements and is satisfied that the sustainability information is in no way contradictory to that disclosed in the annual financial statements.

EXPERTISE OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee considers the appropriateness of the expertise and experience of the Chief Financial Officer and finance function on an annual basis.

In respect of the above requirement, the committee believes that Mr A E Thunström, the Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities in that position.

The committee further considers that the expertise, resources and experience of the finance function are appropriate based on the nature, complexity and size of the group's operations.

APPROVAL

The committee recommended the approval of the annual financial statements and the integrated annual report to the board.

S E Abrahams
Chairman: Audit committee

29 June 2016

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2016

TO THE SHAREHOLDERS OF THE FOSCHINI GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of The Foschini Group Limited, which comprise the statement of financial position at 31 March 2016 and the income statement and the statement of comprehensive income, changes in equity and cash flows for the year then ended and the consolidated segmental analysis, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 85.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of The Foschini Group Limited at 31 March 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER MATTERS

The supplementary schedules set out on pages 86 to 92 do not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the directors' report, the board audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc., as well as previously associated firms, has been the auditor of The Foschini Group Limited for 45 years.

KPMG Inc.
Registered Auditor

Per: Patrick Farrand
Chartered Accountant (SA)
Registered Auditor
Director

8th Floor, MSC House
1 Mediterranean Street
Cape Town, 8001

29 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	2016 Rm	Restated 2015 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	2	**2 335,7**	1 925,2
Goodwill and intangible assets	3	**5 577,8**	4 637,0
Participation in export partnerships	4	**8,2**	8,4
Deferred taxation asset	5	**527,2**	354,7
		8 448,9	6 925,3
Current assets			
Inventory	6	**5 116,1**	3 813,9
Trade receivables – retail	7	**6 695,0**	6 199,9
Other receivables and prepayments	8	**592,9**	624,2
Concession receivables	9	**347,2**	156,5
Participation in export partnerships	4	**6,2**	13,2
Cash	10	**888,8**	800,4
		13 646,2	11 608,1
Total assets		**22 095,1**	18 533,4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited			
Share capital	11	**3,0**	3,0
Share premium		**1 078,5**	498,7
Treasury shares	12	**(613,2)**	(555,9)
Dividend reserve	13	**829,1**	685,8
Hedging (deficit) surplus	14	**(26,0)**	24,6
Share-based payments reserve		**–**	533,2
Foreign currency translation reserve	15	**534,7**	70,7
Put option reserve	16	**(43,0)**	(15,8)
Post-retirement defined benefit plan reserve	17	**(58,8)**	(50,3)
Retained earnings		**8 192,4**	6 936,9
		9 896,7	8 130,9
Non-controlling interest	18	**4,0**	2,7
Total equity		**9 900,7**	8 133,6
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	19	**5 026,3**	3 709,5
Put option liability	16	**48,1**	20,3
Cash-settled share incentive scheme	20	**8,5**	0,7
Operating lease liability	21	**238,2**	223,1
Deferred taxation liability	5	**435,4**	345,2
Post-retirement defined benefit plan	17	**217,3**	192,6
		5 973,8	4 491,4
Current liabilities			
Interest-bearing debt	19	**3 139,4**	3 333,0
Trade and other payables	22	**3 046,7**	2 553,0
Operating lease liability	21	**10,8**	9,0
Taxation payable		**23,7**	13,4
		6 220,6	5 908,4
Total liabilities		**12 194,4**	10 399,8
Total equity and liabilities		**22 095,1**	18 533,4

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

Continuing operations	Note	2016 Rm	2015 Rm
Revenue	26	**23 746,4**	18 544,0
Retail turnover		**21 107,5**	16 085,9
Cost of turnover		**(10 613,1)**	(8 484,2)
Gross profit		**10 494,4**	7 601,7
Interest income	27	**1 533,0**	1 367,7
Other income	28	**1 105,9**	1 090,4
Trading expenses	29	**(9 537,2)**	(7 252,7)
Operating profit before once-off acquisition costs and finance costs		**3 596,1**	2 807,1
Once-off acquisition costs		**(65,9)**	(292,4)
Finance costs	30	**(509,0)**	(228,1)
Profit before tax		**3 021,2**	2 286,6
Income tax expense	31	**(863,9)**	(748,8)
Profit from continuing operations		**2 157,3**	1 537,8
Discontinued operations			
Profit from discontinued operations, net of tax – RCS Group	43	**–**	86,2
Profit on disposal of discontinued operation – RCS Group	43	**–**	273,2
Profit for the year		**2 157,3**	1 897,2
Attributable to:			
Continuing operations		**2 155,6**	1 537,4
Discontinued operations		**–**	320,6
Equity holders of The Foschini Group Limited		**2 155,6**	1 858,0
Non-controlling interest		**1,7**	39,2
Profit for the year		**2 157,3**	1 897,2
Earnings per ordinary share (cents)	32		
Total			
Basic		**1 041,5**	909,4
Headline		**1 024,0**	780,3
Diluted (basic)		**1 031,9**	901,7
Diluted (headline)		**1 014,5**	773,7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2016 Rm	2015 Rm
Profit for the year	**2 157,3**	1 897,2
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Actuarial losses on post-retirement defined benefit plan	**(11,8)**	–
Deferred tax on items that will never be reclassified to profit or loss	**3,3**	–
Items that are or may be reclassified to profit or loss		
Movement in effective portion of changes in fair value of cash flow hedges	**(70,3)**	32,9
Continuing operations	**(70,3)**	41,1
Discontinued operations	**–**	(8,2)
Foreign currency translation reserve movement	**464,0**	66,0
Continuing operations	**464,0**	66,0
Deferred tax on items that are or may be reclassified to profit or loss	**19,7**	(9,2)
Other comprehensive income for the year, net of tax	**404,9**	89,7
Total comprehensive income for the year	**2 562,2**	1 986,9
Attributable to:		
Continuing operations	**2 560,5**	1 633,0
Discontinued operations	**–**	317,4
Equity holders of The Foschini Group Limited	**2 560,5**	1 950,4
Non-controlling interest	**1,7**	36,5
Total comprehensive income for the year	**2 562,2**	1 986,9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Share capital Rm	Share premium Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	**Attributable to equity holders of The Foschini Group Limited Rm**	Non-controlling interest Rm	**Total equity Rm**
Equity at 31 March 2014	**3,0**	**498,7**	**(738,7)**	**1 056,6**	**6 409,0**	**7 228,6**	**861,3**	**8 089,9**
Total comprehensive income for the year				74,7	1 875,7	**1 950,4**	36,5	**1 986,9**
Profit for the year								
Continuing operations					1 537,4	**1 537,4**	0,4	**1 537,8**
Discontinued operations					320,6	**320,6**	38,8	**359,4**
Other comprehensive income								
Continuing operations								
Movement in effective portion of changes in fair value of cash flow hedges (note 14)				41,1		**41,1**		**41,1**
Foreign currency translation reserve movement (note 15)				66,0		**66,0**		**66,0**
Deferred tax on movement in other comprehensive income (note 5)				(11,5)		**(11,5)**		**(11,5)**
Discontinued operations								
Movement in effective portion of changes in fair value of cash flow hedges (note 14)				(4,5)		**(4,5)**	(3,7)	**(8,2)**
Realisation of reserves on disposal of subsidiary (note 14 and 15)				(17,7)	17,7	**–**		**–**
Deferred tax on movement in other comprehensive income (note 14)				1,3		**1,3**	1,0	**2,3**
Contributions by and distributions to owners								
Share-based payments reserve movements				97,4		**97,4**		**97,4**
Realisation of non-controlling interest on disposal of discontinued operations						**–**	(895,1)	**(895,1)**
Transfer from dividend reserve (note 13)				(650,5)	650,5	**–**		**–**
Dividends paid					(1 146,9)	**(1 146,9)**		**(1 146,9)**
Transfer to dividend reserve (note 13)				685,8	(685,8)	**–**		**–**
Realisation of reserves on disposal of discontinued operations					24,2	**24,2**		**24,2**
Repurchase of shares from subsidiary	0,1		(0,1)			**–**		**–**
Cancellation of issued shares	(0,1)					**(0,1)**		**(0,1)**
Realisation of reserve on delisting of shares			120,6		(120,6)	**–**		**–**
Proceeds from sale of shares in terms of share incentive schemes					132,6	**132,6**		**132,6**
Shares purchased in terms of share incentive schemes			(175,7)			**(175,7)**		**(175,7)**
Delivery of shares by share incentive schemes			201,8		(201,8)	**–**		**–**
Increase in the fair value of the put option liability (note 16)				(15,8)		**(15,8)**		**(15,8)**
Current tax on shares purchased			12,1			**12,1**		**12,1**
Deferred tax on shares purchased			24,1			**24,1**		**24,1**
Equity at 31 March 2015	**3,0**	**498,7**	**(555,9)**	**1 248,2**	**6 936,9**	**8 130,9**	**2,7**	**8 133,6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Share capital Rm	Share premium Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	**Attributable to equity holders of The Foschini Group Limited Rm**	Non-controlling interest Rm	**Total equity Rm**
Equity at 31 March 2015	**3,0**	**498,7**	**(555,9)**	**1 248,2**	**6 936,9**	**8 130,9**	**2,7**	**8 133,6**
Total comprehensive income for the year				**404,9**	**2 155,6**	**2 560,5**	**1,7**	**2 562,2**
Profit for the year								
Continuing operations					**2 155,6**	**2 155,6**	**1,7**	**2 157,3**
Other comprehensive income								
Continuing operations								
Actuarial losses on post-retirement defined benefit plan (note 17)				**(11,8)**		**(11,8)**		**(11,8)**
Movement in effective portion of changes in fair value of cash flow hedges (note 14)				**(70,3)**		**(70,3)**		**(70,3)**
Foreign currency translation reserve movement (note 15)				**464,0**		**464,0**		**464,0**
Deferred tax on movement in other comprehensive income (note 5)				**23,0**		**23,0**		**23,0**
Contributions by and distributions to owners								
Share-based payments reserve movements				**114,7**		**114,7**		**114,7**
Transfer from dividend reserve (note 13)				**(685,8)**	**685,8**	**–**		**–**
Transfer of share-based payments reserves to retained earnings				**(647,9)**	**647,9**	**–**		**–**
Dividends paid					**(1 327,2)**	**(1 327,2)**	**(0,4)**	**(1 327,6)**
Transfer to dividend reserve (note 13)				**829,1**	**(829,1)**	**–**		**–**
Scrip distribution: share capital issued and share premium raised	**–***	**579,8**				**579,8**		**579,8**
Proceeds from sale of shares in terms of share incentive schemes					**18,1**	**18,1**		**18,1**
Shares purchased in terms of share incentive schemes			**(193,6)**			**(193,6)**		**(193,6)**
Delivery of shares by share incentive schemes			**95,6**		**(95,6)**	**–**		**–**
Increase in the fair value of the put option liability (note 16)				**(27,2)**		**(27,2)**		**(27,2)**
Current tax on shares purchased			**13,6**			**13,6**		**13,6**
Deferred tax on shares purchased			**27,1**			**27,1**		**27,1**
Equity at 31 March 2016	**3,0**	**1 078,5**	**(613,2)**	**1 236,0**	**8 192,4**	**9 896,7**	**4,0**	**9 900,7**

* *Zero as a result of rounding to millions.*

	2016	2015
Distribution per ordinary share (cents)		
Interim	**306,0**	263,0
Final	**385,0**	325,0
Total	**691,0**	588,0

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	2016 Rm	2015 Rm
Cash flows from operating activities			
Operating profit before working capital changes	36	**4 127,2**	3 047,4
Increase in working capital	36	**(1 509,4)**	(998,4)
Cash generated from operations	36	**2 617,8**	2 049,0
Interest income		**22,3**	30,0
Finance costs		**(509,0)**	(228,1)
Taxation paid	37	**(921,8)**	(765,7)
Dividends paid	38	**(747,8)**	(1 146,9)
Net cash inflows (outflows) from operating activities		**461,5**	(61,7)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(901,0)**	(669,8)
Acquisition of assets through business combinations, net of cash	42	**(152,4)**	(2 576,9)
Proceeds from sale of property, plant and equipment		**14,6**	10,2
Repayment of participation in export partnerships		**7,2**	14,2
Proceeds from disposal of investment		**1,1**	–
Proceeds from disposal of discontinued operations		**–**	1 442,7
Net cash outflows from investing activities		**(1 030,5)**	(1 779,6)
Cash flows from financing activities			
Shares purchased in terms of share incentive schemes		**(193,6)**	(175,7)
Proceeds from sale of shares in terms of share incentive schemes		**18,1**	132,6
Increase in interest-bearing debt		**760,6**	2 371,6
Net cash inflows from financing activities		**585,1**	2 328,5
Net increase in cash during the year		**16,1**	487,2
Cash at the beginning of the year		**800,4**	301,3
Effect of exchange rate fluctuations on cash held		**72,3**	11,9
Cash at the end of the year	10	**888,8**	800,4

CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Retail trading divisions Rm	Customer value-added products Rm	Credit Rm	Central and shared services Rm	Inter-national divisions** Rm	Total retail Rm
2016						
External revenue	**17 504,4**	**778,4**	**312,4**	**15,1**	**3 603,1**	**22 213,4**
External interest income	**–**	**–**	**1 510,7**	**22,3**	**–**	**1 533,0**
Total revenue*	**17 504,4**	**778,4**	**1 823,1**	**37,4**	**3 603,1**	**23 746,4**
External finance costs				**(409,5)**	**(99,5)**	**(509,0)**
Depreciation and amortisation				**(347,1)**	**(117,6)**	**(464,7)**
Group profit before tax						**3 021,2**
Segmental profit (loss) before tax	**3 683,4**	**437,6**	**320,1**	**(1 531,0)**	**241,3**	**3 151,4**
Other material non-cash items						
Foreign exchange transactions						**1,4**
Share-based payments						**(114,7)**
Operating lease liability adjustment						**(16,9)**
Capital expenditure						**901,0**
Segment assets						**22 095,1**
Segment liabilities						**12 194,4**
2015						
External revenue	15 683,8	775,1	304,1	11,2	402,1	17 176,3
External interest income	–	–	1 337,7	30,0	–	1 367,7
Total revenue*	15 683,8	775,1	1 641,8	41,2	402,1	18 544,0
Inter-segment revenue				9,7		9,7
External finance costs				(209,3)	(18,8)	(228,1)
Depreciation and amortisation				(412,7)	(15,4)	(428,1)
Group profit before tax						2 286,6
Segmental profit (loss) before tax	3 380,9	450,9	93,6	(1 233,0)	(287,7)	2 404,7
Other material non-cash items						
Foreign exchange transactions						(4,8)
Share-based payments						(97,4)
Operating lease liability adjustment						(15,9)
Capital expenditure						669,8
Segment assets						18 533,4
Segment liabilities						10 399,8

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

** *Phase Eight operating division was renamed to international divisions. Whistles was acquired on 23 March 2016 and is reflected under the international operating divisions as defined by the board being the chief operating decision-maker.*

Discontinued operations – RCS Group#	2016 Rm	2015 Rm
External revenue	–	164,5
External interest income	–	298,2
Total revenue*	–	462,7
Inter-segment revenue	–	2,7
External finance costs	–	(65,0)
Depreciation and amortisation	–	(4,8)
Segmental profit before tax	–	480,4
Capital expenditure	–	4,9
Segment assets	–	–
Segment liabilities	–	–

Year ended 31 March 2015 represents three months of trading prior to the disposal of RCS Group.

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

For management purposes, the following operating divisions were identified as the group's reportable segments:

- **Retail trading divisions** comprising the @home division, Exact, The FIX division, the Foschini division, the Jewellery division, the Markham division and the Sports division, retail clothing, jewellery, cosmetics, cellphones and homeware and furniture.
- **Customer value-added products** manage the group's financial service products such as publishing and associated magazines, insurance products and the one2one product.
- **Credit** manages the group's trade receivables and related functions with regard to the granting of credit.
- **Central and shared services** provide services to the trading divisions including, but not limited to, finance and advisory, internal audit, information technology, logistics, human resources, facilities management and real estate.
- **International divisions** comprising the Phase Eight and Whistles divisions, which operate internationally in the retail sector under the Phase Eight and newly acquired Whistles brand. The retail brand operates across Europe, Asia, Australasia and North America.
- **Discontinued operations – RCS Group**, an operationally independent consumer finance business that provided a broad range of financial services under its own brand in South Africa, Namibia and Botswana.

The Chief Executive Officer, identified as chief operating decision-maker, in conjunction with the board, reviews the results of these business units on a monthly basis for the purpose of allocating resources and evaluating performance.

Performance is measured based on segmental profit (loss) before tax, as included in the monthly management report reviewed by the chief operating decision-maker.

CONSOLIDATED SEGMENTAL ANALYSIS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

GEOGRAPHICAL INFORMATION

The retail trading divisions, customer value-added products and credit reportable segments earn revenue from South Africa, Namibia, Botswana, Zambia, Swaziland, Lesotho, Nigeria and Ghana. Phase Eight and Whistles operate through retail outlets throughout the UK and internationally, as well as online. The RCS Group earned revenue from South Africa, Namibia and Botswana.

In presenting information on the basis of geographical segments, segment revenue is based on the location of the customers while segment assets are based on the location of the asset.

The geographical information is presented in the table below:

	Retail trading divisions Rm	Customer value-added products Rm	Credit Rm	Central and shared services Rm	Inter-national divisions** Rm	Total retail Rm
2016						
Segment revenue						
South Africa	16 384,8	770,2	1 770,5	35,7	–	18 961,2
Namibia	601,1	8,0	36,6	1,5	–	647,2
Botswana	186,4	–	10,8	–	–	197,2
Zambia	131,2	–	–	0,2	–	131,4
Swaziland	38,5	0,2	2,0	–	–	40,7
Lesotho	61,1	–	3,2	–	–	64,3
Nigeria	7,9	–	–	–	–	7,9
Ghana	26,8	–	–	–	–	26,8
UK and Ireland	–	–	–	–	2 183,9	2 183,9
Rest of the World	–	–	–	–	708,6	708,6
E-commerce	66,6	–	–	–	710,6	777,2
Total segment revenue	17 504,4	778,4	1 823,1	37,4	3 603,1	23 746,4
Segment non-current assets						
South Africa						2 961,1
Namibia						54,3
Botswana						15,4
Zambia						28,5
Swaziland						6,5
Lesotho						6,9
Nigeria						2,6
Ghana						10,6
UK and Ireland						5 222,5
Rest of the World						140,5
Total segment non-current assets						8 448,9

	Retail trading divisions Rm	Customer value-added products Rm	Credit Rm	Central and shared services Rm	Inter-national divisions** Rm	Total retail Rm
2015						
Segment revenue						
South Africa	14 763,3	767,1	1 591,2	38,8	–	17 160,4
Namibia	559,2	7,8	38,6	1,8	–	607,4
Botswana	148,5	–	7,8	0,1	–	156,4
Zambia	98,8	–	–	0,2	–	99,0
Swaziland	29,5	0,2	1,5	–	–	31,2
Lesotho	45,7	–	2,7	–	–	48,4
Nigeria	12,0	–	–	–	–	12,0
Ghana	9,0	–	–	0,3	–	9,3
UK and Ireland	–	–	–	–	233,0	233,0
Rest of the World	–	–	–	–	78,4	78,4
E-commerce	17,8	–	–	–	90,7	108,5
Total segment revenue	15 683,8	775,1	1 641,8	41,2	402,1	18 544,0
Segment non-current assets						
South Africa						2 380,6
Namibia						46,5
Botswana						12,3
Zambia						23,5
Swaziland						5,1
Lesotho						3,8
Nigeria						5,6
Ghana						9,8
UK and Ireland						4 320,9
Rest of the World						117,2
Total segment non-current assets						6 925,3

Discontinued operations – RCS Group#	2016 Rm	2015* Rm
Segment revenue		
South Africa	–	456,3
Namibia	–	2,7
Botswana	–	3,7
Total segment revenue	–	462,7
Segment non-current assets		
South Africa	–	–
Namibia	–	–
Botswana	–	–
Total segment non-current assets	–	–

\# *Year ended 31 March 2015 represents three months of trading prior to the disposal of RCS Group.*

* *RCS Group is treated as a discontinued operation in terms of IFRS 5 at March 2014. The disposal transaction was concluded on 6 August 2014.*

** *Phase Eight operating division was renamed to international divisions. Whistles was acquired on 23 March 2016 and is reflected under the international operating divisions as defined by the board being the chief operating decision-maker.*

Non-current assets consist of property, plant and equipment, goodwill and intangible assets, deferred taxation and the non-current portion of participation in export partnerships.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES

Reporting entity

The Foschini Group Limited (the "company") is a company domiciled in South Africa. The address of the company's registered office is Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500, South Africa. The consolidated financial statements (together referred to as the "financial statements") of the company for the year ended 31 March 2016 comprise the company and its subsidiaries (together referred to as the "group").

Nature of business

The Foschini Group Limited (TFG) is an investment holding company whose subsidiaries, through their retail brands – @home, @homelivingspace, American Swiss, Charles & Keith, Colette (newly acquired – refer to note 42), DonnaClaire, Duesouth, Exact, Fabiani, The FIX (previously Fashion Express), Foschini, G-Star Raw, *hi*, Markham, Mat & May, Next (new franchise agreement), Phase Eight, SODA Bloc, Sportscene, Sterns, Totalsports and Whistles (newly acquired – refer to note 42) – retail clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, and homeware and furniture across diverse LSM groupings from value to upper-end consumers internationally.

The group operates predominantly within the South African Common Monetary Area. Retail turnover emanating from Botswana, Nigeria, Zambia and Ghana accounts for 1,7% of the group's turnover, while the remaining international turnover emanating from Phase Eight accounts for 17,1% of the group's turnover.

Dress Holdco A Limited is the ultimate UK holding company of Phase Eight and Whistles. Phase Eight and Whistles operate through retail outlets throughout the UK and internationally, as well as online.

1.1 Basis of preparation

Statement of compliance

The financial statements are prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards (IFRS), The South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and disclosure required by the Companies Act and the JSE Listings Requirements, and consistently applied with those adopted in the prior year except as noted otherwise.

The financial statements were authorised for issue by the directors on 29 June 2016.

Basis of measurement

The financial statements are prepared on the going concern and historical cost basis, except where otherwise stated.

Functional and presentation currency

The financial statements are presented in South African Rands, which is the company's functional currency, rounded to the nearest million, unless otherwise stated.

1.2 Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements made in applying the group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are as follows:

Trade receivables impairment
Trade receivables are disclosed net of any accumulated impairment losses. The calculation of the impairment amount is performed using the internationally recognised Markov model. The Markov model is a statistical model utilised to quantify the probability of default by analysing the observed patterns of delinquency and default over an appropriate period of time to determine the inherent rate of bad debt in a debtors' book. The probability of default is applied to the accounts receivable balance at statement of financial position date. Accounts that are known to have applied for debt review are fully impaired. The board of directors believes that the application of the Markov model results in trade receivable balances being measured reliably (refer to note 7).

Inventory valuation
Inventory is valued at the lower of cost and net realisable value. The allowances for markdown and obsolescence of inventory take into account historic information related to sales trends and represent the expected markdown between the original cost and the estimated net realisable value. The net realisable value assigned to this inventory is the net selling price in the ordinary course of business less the estimated costs of completion (where applicable) less the estimated costs to make the sale (refer to note 6).

Fair value estimation
The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values due to their short-term nature. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments (refer to note 23).

Taxation
The group is subject to income tax in more than one jurisdiction. Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (refer to note 31).

Other
Further estimates and judgements are made in relation to residual values, useful lives and depreciation and amortisation methods (refer to note 2 and 3); goodwill impairment tests (refer to note 3); estimating the fair value of share incentives granted (refer to note 33); provisions; and pension fund and employee obligations (refer to note 33).

1. ACCOUNTING POLICIES continued

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company, its subsidiaries and structured entities. The financial statements of subsidiaries are prepared using consistent accounting policies.

Subsidiaries and structured entities are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use power over the entity to affect the amount of the investor's returns. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Adjustments made on changes of interest in subsidiaries are recognised in equity when control is retained, and in profit or loss when control is lost.

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resultant gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The group established a structured entity in the form of the share incentive trust. The group does not have any direct or indirect shareholding in the share incentive trust. The results of the share incentive trust that in substance are controlled by the group, are consolidated.

All intra-group transactions, intra-group balances and any unrealised gains and losses are eliminated on consolidation.

The financial statements of foreign operations are translated in terms of the accounting policy on foreign currencies.

The company's financial statements measure investments in subsidiaries at fair value.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations, which are recognised at the lower of carrying value and fair value less costs to sell.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Where the purchase price of a highly probable future business combination was hedged using a cash flow hedge, the effective portion of that hedge is capitalised as part of the purchase price paid when the business combination occurs.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is an accounting policy choice, but is selected for each individual business combination and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

1.4 Cost of turnover

Cost of turnover is calculated as the cost of goods sold, including all costs of purchase, costs of conversion and other costs, including costs incurred in bringing inventories to their present location and condition. Costs of purchase include royalties paid, import duties and other taxes, and transport costs. Costs of conversion are immaterial. Inventory write-downs are recognised in cost of turnover.

1.5 Distributions

Dividend distributions are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date are accordingly not recognised as liabilities at the reporting date. However, final dividends declared after the reporting date are transferred to a dividend reserve.

1.6 Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share incentives granted to employees.

Headline EPS is calculated per the requirements of SAICA Circular 2/2015, using the same number of shares as the EPS and diluted EPS calculation.

1. ACCOUNTING POLICIES continued

1.7 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages, salaries, annual and sick leave represent the amount the group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits are calculated at undiscounted amounts based on current wage and salary rates.

Post-employment benefits

The company and its subsidiaries contribute to several defined benefit and defined contribution plans.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension, provident and retirement funds are recognised as an employee benefit expense in profit or loss when the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Post-retirement medical aid benefits

Where the group has an obligation to provide post-retirement medical aid benefits to employees, the group recognises the cost of these benefits in the year in which the employees render the services using the accounting methodology as described in respect of defined benefit plans below.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of a defined benefit plan is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods – that benefit is discounted to determine its present value and deducting the fair value of any plan assets.

The Projected Unit Credit Method is used to determine the present value of the defined benefit post-retirement medical aid obligations and the related current service cost and, where applicable, past service cost. This calculation is performed by a qualified actuary. When the calculation results in a benefit to the group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits is available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the group if it is realisable during the life of the plan or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income (OCI). The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains or losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payment transactions
The group grants equity-settled share instruments to certain employees under an employee share plan. These share instruments will be settled in shares. The grant date of fair value of options, share appreciation rights (SARs) and forfeitable shares granted to employees is recognised as an expense, with a corresponding increase in equity in a separate reserve over the period that the employees become unconditionally entitled to the instruments. The fair value is measured at the grant date using a binomial option pricing model and is spread over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share instruments for which the related service and non-market vesting conditions are expected to be met so that the amount ultimately recognised as an expense is based on the number of share instruments that meet the related service and non-market performance conditions at the vesting date. Costs incurred in administering the schemes are expensed as incurred.

Shares forfeited are sold on the open market and resultant gain or loss is recognised in equity.

Cash-settled share-based options
Certain employees of the group receive remuneration in the form of cash-settled share options whereby they render services in exchange for remuneration based on the earnings before finance cost, tax, depreciation and amortisation (EBITDA) adjusted for net debt.

The fair value of the amount payable to employees in respect of the options, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the options. Any changes in the liability are recognised in profit or loss.

1.8 Expenses
Finance costs
Finance costs comprise interest paid and payable on borrowings calculated using the effective interest method. All borrowing costs are recognised in profit or loss.

Operating lease payments
Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Contingent rent is expensed as incurred.

1.9 Financial instruments
A financial instrument is recognised when the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial asset created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

1. ACCOUNTING POLICIES continued

1.9 Financial instruments continued

Initial measurement

Financial instruments are initially recognised at fair value plus any directly attributable transaction costs. Except in the case of financial assets measured at fair value through profit or loss, transaction costs are recognised in profit or loss. Subsequent to initial recognition, financial instruments are measured as described below.

Non-derivative financial instruments

Non-derivative financial instruments recognised in the statement of financial position include cash, trade and other receivables, concession receivables, participation in export partnerships, investments, interest-bearing debt and trade and other payables.

Cash

Cash comprises cash on hand and amounts held on deposit at financial institutions. Cash is measured at amortised cost based on the relevant exchange rates at reporting date. Outstanding cheques are included in trade and other payables and added back to cash balances included in the statement of financial position.

Loans and receivables

Trade receivables – retail, concession receivables and participation in export partnerships are classified as loans and receivables and are carried at amortised cost using the effective interest method, less any accumulated impairment losses. Amortised cost for the group's participation in export partnerships is the group's cost of original participation, less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment as a result of uncollectibility.

The fair value of loans and receivables determined for disclosure purposes is estimated based on the present value of future principal and interest cash flows discounted at the relevant market rate of interest for a similar instrument at the reporting date.

Financial liabilities measured at amortised cost

Non-derivative financial liabilities including interest-bearing debt and trade and other payables are recognised at amortised cost, comprising original debt less principal payments and amortisations.

The fair value of non-derivative financial liabilities determined for disclosure purposes is estimated based on the present value of future principal and interest cash flows discounted at the relevant market rate of interest for a similar instrument at the reporting date.

Gains and losses on subsequent measurement

Hedged instruments are accounted for as described in the hedge accounting policy note (refer to note 1.13).

Put option to acquire the Phase Eight group equity

Where a minority shareholder has the right to put equity instruments of a subsidiary to another group entity, the group records a financial liability for its obligation to pay the put option exercise price and derecognises the related non-controlling interest. This recognition occurs when the put option contract is signed.

Where the put option is entered into as part of a business combination, the put option is accounted for as a financial liability and is recognised as a component of the consideration transferred. No non-controlling interest is recorded.

Subsequent to this recognition, the put option liability is remeasured as a financial liability at fair value through profit or loss, with changes in the carrying amount of the liability recorded directly in equity in the put option reserve. Changes in the carrying amount of the liability include translation differences arising from translating foreign currency put option liabilities into the presentation currency.

When the put option is exercised, the amount paid by the group will be recognised as a reduction in the put option liability. If the put option is not exercised, the put option liability is reclassified as a non-controlling interest on the date when the option lapses.

Where the put option arises as part of a share-based payment transaction, accounting policy 1.7 is applied.

Forward agreement to acquire the Phase Eight group equity
Where a minority shareholder has the right to require the group to acquire the shares of a subsidiary, the group records a financial liability for its obligation to pay the forward price and derecognises the related non-controlling interest. This recognition occurs when the forward contract is signed.

Where the forward is entered into as part of a business combination, the forward is accounted for as a financial liability and is recognised as a component of the consideration transferred. No non-controlling interest is recorded.

Subsequent to this recognition, the forward liability is remeasured as a financial liability at fair value through profit or loss, with changes in the carrying amount of the liability recorded in profit or loss. Changes in the carrying amount of the liability include translation differences arising from translating foreign currency put option liabilities into the presentation currency.

When the forward is exercised, the amount paid by the group will be recognised as a reduction in the forward liability.

Where the forward arises as part of a share-based payment transaction, accounting policy 1.7 is applied.

Call option to acquire the Phase Eight group equity
Where the group has a call option to acquire a non-controlling interest, this instrument is regarded as an equity instrument and is recognised directly in equity at cost. When the call option is exercised, the purchase price is recognised in equity, and the related interests of the parent and non-controlling interest are adjusted to reflect the revised interests. Any gain or loss on the transaction arising with the non-controlling interest (calculated as the purchase price paid compared to the carrying value of the non-controlling interest acquired) is recognised directly in equity.

Derivative financial instruments
The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are subsequently measured at fair value, with the gain or loss on remeasurement being recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any gain or loss depends on the nature of the hedge (refer to note 1.13).

1. ACCOUNTING POLICIES continued

1.9 Financial instruments continued

***Derivative financial instruments** continued*

The fair value of interest rate swaps is the estimated amount the group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is the present value of their forward price.

Fair value determination

The fair values of any quoted investments in the company are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that make maximum use of market inputs and rely on entity-specific inputs as little as possible.

Offset

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the group and company have a legally enforceable right to offset the recognised amounts, and intend either to settle them on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

1.10 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share instruments are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity. Dividends thereon are recognised as distributions within equity.

Treasury shares

The Foschini Group Limited shares purchased and held by the company or its subsidiaries are classified as treasury shares and are presented as a deduction from equity. Dividend income on treasury shares is eliminated on consolidation. Gains or losses on disposal of treasury shares are accounted for directly in equity. Issued and weighted average numbers of shares are reduced by treasury shares for earnings per share purposes.

1.11 Foreign currencies

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates.

Foreign currency transactions

Transactions in currencies other than the entity's functional currency are translated at the rates of exchange ruling on the transaction date.

Monetary assets and liabilities denominated in such currencies are translated at the rates of exchange ruling at the reporting date.

Non-monetary assets and liabilities denominated in such currencies are measured based on historical cost and translated using the exchange rate at the date of the transaction.

Foreign currency gains and losses arising on translation are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedges are effective are recognised in OCI.

Foreign operations

As at the reporting date, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the group at the rate of exchange ruling at the reporting date. The income statement and statement of comprehensive income are translated at the exchange rates at the dates of the transactions or the average rates if it approximates the actual rates.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. When a foreign operation is disposed in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the transaction reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to NCI.

1.12 Goodwill

For business combinations after 1 April 2010, goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interest and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held interest in the acquiree, as well as the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3). If the difference between the above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.

Goodwill arising on the acquisition of subsidiaries is subsequently measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and tested annually for impairment and whenever there is an indication of impairment.

1.13 Hedge accounting

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss, with an adjustment to the carrying amount of the hedged item.

To the extent that they are effective, gains and losses from remeasuring the hedging instruments relating to a cash flow hedge to fair value are initially recognised directly in other comprehensive income and accumulated in the hedging reserve in equity. If the hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or a liability, the cumulative amount recognised in other comprehensive income up to the transaction date is adjusted against the initial measurement of the asset or liability.

For other cash flow hedges, the cumulative amount recognised in other comprehensive income is included in profit or loss in the period when the hedged item affects profit or loss. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

1. ACCOUNTING POLICIES continued

1.14 Impairment of assets

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset, which can be reliably measured.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

Individually significant financial assets are tested for impairment on an individual basis. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can objectively be related to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying values of the group's non-financial assets, other than inventories and deferred taxation assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and to then reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Intangible assets (excluding goodwill)

Intangible assets acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The useful life of an intangible asset that is considered to be indefinite is assessed annually or whenever there is an indication that the intangible asset may be impaired. Currently, the Instinct, Fabiani, G-Star Raw, Phase Eight, Prestige and Whistles trademarks are considered to have indefinite useful lives.

Computer software is classified as an intangible asset with a finite useful life. Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss. Expenditure on research activities is recognised in profit or loss as incurred.

Amortisation for intangible assets with finite useful lives is recognised in profit or loss on a straight-line basis over their estimated useful lives from the date they are available for use, at the following rate per annum:

Colette	over the lifetime of the contract
Computer software	8,33% – 20%

Amortisation methods, useful lives and residual values are reassessed at each reporting date.

1.16 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first in, first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Costs may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

1.17 Property, plant and equipment

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets, includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to transition to IFRS are measured on the basis of deemed cost, being the fair value at the date of transition.

1. ACCOUNTING POLICIES continued

1.17 Property, plant and equipment continued

Items of property, plant and equipment are depreciated on a straight-line basis over the periods of their estimated useful lives, at the following rates per annum:

Shopfittings	14% – 20%
Passenger vehicles	20%
Commercial vehicles	20%
Computer equipment	8,33% – 33%
Office equipment	4% – 33%
Furniture and fixtures	16,67%
Buildings	3,33%
Leasehold improvements	over the period of lease
Land is not depreciated	

The above depreciation rates are consistent with the comparative period except for the change in useful lives of certain shopfittings assets. Refer to note 41 that details the change in estimate.

The group previously accounted for software under property, plant and equipment. In order to provide a more detailed disclosure, software in property, plant and equipment has subsequently been reclassified to goodwill and intangible assets (refer to note 44 that details the reclassification).

Depreciation of an item of property, plant and equipment commences when the item is ready for its intended use. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The day-to-day servicing costs of property, plant and equipment are recognised in profit or loss as incurred.

Gains or losses on the disposal of property, plant and equipment are recognised in profit or loss. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.18 Revenue and other income

Revenue is defined as the sum of the items described in further details below:

Retail turnover

Turnover represents the invoiced value of retail sales, excluding intra-group sales and value added tax. Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, there is no continuing management involvement with the goods, the amount of revenue can be measured reliably, costs and possible return of goods can be measured reliably and receipt of the future economic benefits is probable.

Revenue is measured at the fair value of the consideration received or receivable, net of returns and rebates.

Interest income

Interest is recognised using the effective interest method.

Dividend income
Dividends received on equity instruments are recognised in profit or loss when the right to receive payment is established.

Publishing income, collection cost recovery and mobile one2one airtime income
Publishing income and mobile one2one airtime income are recognised in profit or loss over the period during which the services are provided. Publishing income and mobile one2one airtime income arise when the publishing products and mobile one2one services are provided by the group. Revenue is recognised in the month during which the service is rendered. Collection cost recovery is recognised in profit or loss as incurred.

Insurance and sundry income
Insurance and sundry income are recognised in profit or loss when due and no further services are required.

1.19 Segmental reporting
An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the board, identified as the chief operating decision-maker, to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results reported to the board include items directly attributable to a segment and those that can be allocated on a reasonable basis. Unallocated items comprise mainly the operating lease liability adjustment and the share-based payments reserve movements.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and computer software.

Amounts reported in the group segmental analysis are measured in accordance with IFRS.

The group is organised into six reportable operating divisions:

- **Retail trading divisions** comprising the @home division, Exact, The FIX division, the Foschini division, the Jewellery division, the Markham division and the Sports division, retail clothing, jewellery, cosmetics, cellphones and homeware and furniture.
- **Customer value-added products** manage the group's financial service products such as publishing and associated magazines, insurance products and the one2one product.
- **Credit** manages the group's trade receivables and related functions with regard to the granting of credit.
- **Central and shared services** provide services to the trading divisions including, but not limited to, finance and advisory, internal audit, information technology, logistics, human resources, facilities management and real estate.
- **International divisions** comprising the Phase Eight and Whistles divisions, which operate internationally in the retail sector under the Phase Eight and newly acquired Whistles brand. The retail brand operates across Europe, Asia, Australasia and North America.
- **Discontinued operations – RCS Group**, an operationally independent consumer finance business that provided a broad range of financial services under its own brand in South Africa, Namibia and Botswana.

The group operates in South Africa, Namibia, Botswana, Zambia, Swaziland, Lesotho, Nigeria and Ghana, as well as internationally. In presenting information on the basis of geographical segment, segment revenue is based on the location of the customers while segment assets are based on the location of the asset.

1. ACCOUNTING POLICIES continued

1.20 Taxation

Income tax expense comprises current and deferred taxation.

Income tax expense is recognised in profit or loss, except to the extent that it relates to a transaction recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or equity as appropriate.

Current tax is the expected taxation payable that is calculated on the basis of taxable income for the year using the tax rates enacted or substantively enacted at the reporting date and any adjustment of taxation payable for previous years.

Deferred taxation is recognised in respect of temporary differences between the tax base of an asset or liability and its carrying amount. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they probably will not reverse in the foreseeable future.

Deferred taxation is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Deferred taxation assets are recognised for all deductible temporary differences and assessed losses to the extent that it is probable that taxable profit will be available against which such deductible temporary differences and assessed losses can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.21 Reinsurance contracts

Reinsurance contracts issued in cell captive arrangements

Reinsurance contracts issued are those contracts that transfer significant insurance risk from the insurer to the group in a cell captive arrangement. The group agrees to compensate the insurer if a specified uncertain future event adversely affects the underwriting business carried out by the insurer in the cell captive arrangement.

Reinsurance premium revenue

Reinsurance revenue consists of premiums received or receivable from the insurer. Reinsurance premiums are recognised on a straight-line basis over the period of the contract as insurance risk is covered by the group evenly throughout each year.

Claims
Claims incurred and reported, and the movement in the provisions for claims incurred but not reported, are recognised in profit or loss when the loss events occur. Claims incurred but not yet reported are estimated for compensation payable to the insurer and are recognised in profit or loss.

Underwriting fees
Underwriting fees are recognised in profit or loss when services are received from the insurer.

Amount receivable from insurer
The amount receivable from the insurer is initially recognised as the amount paid for the ordinary shares issued by the insurer to the group.

The amount receivable from the insurer represents the right to the residual interest in the cell captive and is, after initial recognition, measured based on the net asset position of the cell captive at the end of the reporting period. This amount is reduced by dividends declared by the insurer on the ordinary shares held by the group.

The amount receivable from the insurer is assessed for impairment at each reporting period. If there is objective evidence that the amount receivable is impaired, the carrying amount of the reinsurance asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss.

Investment income
Interest receivable on the amount receivable is calculated on a monthly basis based on the cash held in the cell and is presented as interest income in profit or loss.

2. PROPERTY, PLANT AND EQUIPMENT

	2016			Restated 2015		
	Cost/ deemed cost Rm	Accumulated depreciation Rm	Carrying value at the end of the year Rm	Cost/ deemed cost Rm	Accumulated depreciation Rm	Carrying value at the end of the year Rm
Land and buildings	**339,8**	**(80,9)**	**258,9**	334,2	(70,9)	263,3
Shopfittings and furniture and fixtures	**4 824,1**	**(3 140,0)**	**1 684,1**	3 812,1	(2 469,4)	1 342,7
Motor vehicles	**115,3**	**(35,9)**	**79,4**	109,6	(35,8)	73,8
Office equipment	**67,9**	**(49,4)**	**18,5**	67,4	(43,0)	24,4
Computer equipment	**689,2**	**(400,1)**	**289,1**	480,1	(265,5)	214,6
Leasehold improvements	**6,5**	**(0,8)**	**5,7**	6,5	(0,1)	6,4
Total	**6 042,8**	**(3 707,1)**	**2 335,7**	4 809,9	(2 884,7)	1 925,2

Reconciliation of property, plant and equipment – 2016 (Rm)

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Depreciation	Total
Land and buildings	**263,3**	**5,7**	**–**	**–**	**–**	**(10,1)**	**258,9**
Shopfittings and furniture and fixtures	**1 342,7**	**576,8**	**85,7**	**(6,9)**	**43,7**	**(357,9)**	**1 684,1**
Motor vehicles	**73,8**	**27,6**	**–**	**(9,8)**	**–**	**(12,2)**	**79,4**
Office equipment	**24,4**	**0,6**	**–**	**–**	**–**	**(6,5)**	**18,5**
Computer equipment	**214,6**	**67,7**	**37,5**	**–**	**1,8**	**(32,5)**	**289,1**
Leasehold improvements	**6,4**	**–**	**–**	**–**	**–**	**(0,7)**	**5,7**
Total	**1 925,2**	**678,4**	**123,2**	**(16,7)**	**45,5**	**(419,9)**	**2 335,7**

Reconciliation of property, plant and equipment – 2015 (Rm) – Restated

	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Depreciation	Total
Land and buildings	265,3	7,9	–	–	–	(9,9)	263,3
Shopfittings and furniture and fixtures	935,7	468,6	260,0	(6,8)	4,0	(318,8)	1 342,7
Motor vehicles	70,4	23,3	0,3	(9,2)	(0,1)	(10,9)	73,8
Office equipment	22,4	7,6	–	(0,1)	–	(5,5)	24,4
Computer equipment	175,8	75,8	16,3	(5,7)	0,5	(48,1)	214,6
Leasehold improvements	–	6,5	–	–	–	(0,1)	6,4
Total	1 469,6	589,7	276,6	(21,8)	4,4	(393,3)	1 925,2

None of the group's assets are in any way encumbered.

Registers of the land and buildings are available for inspection at the registered office of the company at Parow East.

As required by IAS 16, the group reassessed the useful lives of its property, plant and equipment during the year. The group determined that certain asset categories generally had longer useful lives than was being used for depreciation purposes. In the current year, management revised certain useful lives of shopfittings assets from five years to seven years in accordance with IAS 8, effective 1 April 2015. Refer to note 41.

The group previously accounted for software under property, plant and equipment. In order to provide more detailed disclosure, software in property, plant and equipment with a net book value of R271,8 million (2015) and R226,5 million (2014) has subsequently been reclassified to goodwill and intangible assets. Refer to note 44.

3. GOODWILL AND INTANGIBLE ASSETS

	2016			Restated 2015		
	Cost Rm	Accumulated amortisation Rm	Carrying value Rm	Cost Rm	Accumulated amortisation Rm	Carrying value Rm
Intangible asset on acquisition of trademarks	**1 957,7**	**(1,7)**	**1 956,0**	1 641,1	–	1 641,1
Goodwill	**3 170,5**	**–**	**3 170,5**	2 724,1	–	2 724,1
Computer software	**671,4**	**(220,1)**	**451,3**	448,8	(177,0)	271,8
Total	**5 799,6**	**(221,8)**	**5 577,8**	4 814,0	(177,0)	4 637,0

Reconciliation of goodwill and intangible assets – 2016 (Rm)

	Opening balance	Additions	Additions through business combinations	Amortisation	Foreign exchange movements	Total
Intangible asset on acquisition of trademarks	**1 641,1**	**–**	**42,1**	**(1,7)**	**274,5**	**1 956,0**
Goodwill	**2 724,1**	**–**	**–**	**–**	**446,4**	**3 170,5**
Computer software	**271,8**	**222,6**	**–**	**(43,1)**	**–**	**451,3**
Total	**4 637,0**	**222,6**	**42,1**	**(44,8)**	**720,9**	**5 577,8**

Reconciliation of goodwill and intangible assets – 2015 (Rm) – Restated

	Opening balance	Additions	Additions through business combinations	Realised through disposal of subsidiary	Amortisation	Foreign exchange movements	Total
Intangible asset on acquisition of trademarks	29,9	–	1 537,6	28,5	–	45,1	1 641,1
Goodwill	33,5	–	2 615,8	–	–	74,8	2 724,1
Computer software	226,5	80,1	–	–	(34,8)	–	271,8
Total	289,9	80,1	4 153,4	28,5	(34,8)	119,9	4 637,0

3. GOODWILL AND INTANGIBLE ASSETS continued

The Instinct brand intangible asset represents registered rights to the exclusive use of the Instinct brand name. The useful life of the Instinct brand is considered to be indefinite. This useful life is assessed annually or whenever there is an indication of impairment.

The Fabiani brand intangible asset represents registered rights to the exclusive use of the Fabiani brand name. The useful life of the Fabiani brand is considered to be indefinite. This useful life is assessed annually or whenever there is an indication of impairment.

The G-Star Raw brand intangible asset represents TFG's rights in terms of various franchise agreements to operate G-Star Raw stores in South Africa. The useful life of the G-Star Raw brand is considered to be indefinite. This useful life is assessed annually or whenever there is an indication of impairment.

The Phase Eight intangible asset represents registered rights to the exclusive use of the Phase Eight brand name. The useful life of the Phase Eight brand is considered to be indefinite. This useful life is assessed annually or whenever there is an indication of impairment.

The Colette brand intangible asset represents TFG's rights in terms of franchise agreements to operate Colette stores in South Africa (refer to note 42). The useful life of the Colette brand is considered to be definite. The intangible asset will be amortised over the remaining useful life of the franchise agreement. This useful life is assessed annually or whenever there is an indication of impairment.

The Whistles intangible asset represents registered rights to the exclusive use of the Whistles brand name (refer to note 42). The useful life of the Whistles brand is considered to be indefinite. This useful life is assessed annually or whenever there is an indication of impairment.

Assessment of indefinite brands above:
All brands above meet the following criteria:

- The brands can be managed effectively by another management team and are therefore not linked to the tenure of current management.
- Management does not intend to change the current brands identity or discontinue a product line;
- The brands are all well established within the areas of trading.
- The group's ongoing investment ensures that the above brands remain up to date and fashionable.

Goodwill is tested annually for impairment or whenever there is an indication of impairment.

Impairment testing of indefinite life intangible assets and goodwill
Goodwill acquired through business combinations has been allocated to the individual cash-generating units as follows:

	2016 Rm	2015 Rm
Totalsports	**9,3**	9,3
Prestige Clothing	**24,2**	24,2
Phase Eight	**3 137,0**	2 690,6
	3 170,5	2 724,1

Key assumptions used in recoverable value calculation
The assumptions below have been applied to calculate the recoverable amount of the Phase Eight, Totalsports and Prestige Clothing cash-generating units based on a value-in-use or fair value less costs of disposal:

Sales growth rates: Sales growth rates are based on the approved forecast sales growth for the forecast period of five years. The sales growth is between 3% and 11%.

Gross margins: Gross margins are based on the approved forecast gross margin for the forecast period and are between 45% and 65%.

Discount rates: Discount rates between 10% and 12% represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the group and its operating segments and is derived from its weighted average cost of capital (WACC).

Long-term growth rates: These rates are based on the longer-term inflation expectations across the current operating retail industry at 2%.

4. PARTICIPATION IN EXPORT PARTNERSHIPS

	2016 Rm	2015 Rm
Loans and receivables		
Participation in export partnerships	**14,4**	21,6
Deduct amount to be repaid within one year, included in current assets	**(6,2)**	(13,2)
	8,2	8,4

Certain subsidiary companies participated in various export partnerships whose business was the purchase and export sale of shipping containers. The partnerships bought and sold the containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10- to 15-year period.

The group's management of and exposure to credit and market risk is disclosed in note 23.

	2016 Rm	2015 Rm
5. DEFERRED TAXATION		
Balance at 1 April	**9,5**	294,4
Brand acquisition	**(35,9)**	(316,5)
Amounts recognised directly in other comprehensive income		
Forfeitable shares deduction deferred	**9,0**	9,1
Foreign currency movements	**(17,8)**	–
Financial instrument reserves	**19,7**	(11,5)
Post-retirement defined benefit plan reserve	**3,3**	–
Current year movement in temporary differences recognised in profit or loss		
Prior year under (over) provision	**88,5**	(9,9)
Operating leases	**(66,9)**	8,2
Working capital allowances	**(7,0)**	37,7
Capital allowances	**50,8**	(15,8)
Restraint of trade payments	**1,1**	(10,2)
Export partnerships (refer to note 4)	**7,3**	14,1
Rate change	**36,6**	–
Assessed loss	**(6,4)**	9,9
At 31 March	**91,8**	9,5
Arising as a result of:		
Deferred taxation assets		
Foreign currency and financial instrument reserves	**9,8**	(9,9)
Operating leases	**0,6**	66,8
Working capital allowances	**394,1**	312,7
Capital allowances	**43,1**	(62,8)
Restraint of trade payments	**–**	(25,8)
Trademarks	**0,1**	0,1
Forfeitable shares	**39,2**	30,2
Assessed loss	**17,5**	23,9
Post-retirement defined benefit plan reserve	**22,8**	19,5
Deferred taxation asset	**527,2**	354,7
Arising as a result of:		
Deferred taxation liability		
Capital allowances	**(57,7)**	(2,7)
Restraint of trade	**(24,7)**	–
Export partnerships (refer to note 4)	**(18,7)**	(26,0)
Operating leases	**(0,7)**	–
Intangible assets	**(333,6)**	(316,5)
Deferred taxation liability	**(435,4)**	(345,2)
Net deferred taxation	**91,8**	9,5

	2016 Rm	2015 Rm
6. INVENTORY		
Merchandise	**4 954,1**	3 695,6
Raw materials	**112,2**	98,3
Shopfitting stock	**34,8**	14,8
Consumables	**15,0**	5,2
Inventory at year end	**5 116,1**	3 813,9
Inventory write-downs included above	**174,9**	154,0
7. TRADE RECEIVABLES – RETAIL		
6-month revolving credit	**1 048,0**	995,8
12-month extended credit	**5 647,0**	5 204,1
	6 695,0	6 199,9

The effective rate of interest earned on the above receivables during the year under review is 20,2% (2015: 19,3%). The group's management of and exposure to credit and market risk is disclosed in note 23.

8. OTHER RECEIVABLES AND PREPAYMENTS		
Loans and receivables		
Financial instrument asset	**–**	38,7
Miscellaneous debtors and other receivables	**311,4**	327,1
Other receivables		
Prepaid expenses	**136,0**	130,7
Insurance receivable (refer to note 40)	**145,5**	127,7
	592,9	624,2

The group's management of and exposure to credit and market risk is disclosed in note 23.

9. CONCESSION RECEIVABLES		
Concession receivables	**347,2**	156,5

The group's management of and exposure to credit and market risk is disclosed in note 23.

10. CASH		
Bank balances	**888,8**	800,4

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

11. SHARE CAPITAL

	Number of shares	
	2016 Rm	**2015 Rm**
Authorised		
200 000 (2015: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
600 000 000 (2015: 600 000 000) ordinary shares of 1,25 cents each	**7,5**	7,5
	7,9	7,9
	Rm	Rm
Issued		
Ordinary share capital		
Ordinary shares of 1,25 cents each		
Total in issue	**2,7**	2,7
Shares held by subsidiary	**–***	–*
Shares held in terms of the share incentive schemes	**(0,1)**	(0,1)
Total in issue at the end of the year – company	**2,7**	2,7
Total in issue at the end of the year – group	**2,6**	2,6
Preference share capital		
200 000 (2015: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
Total in issue at the end of the year – company	**3,1**	3,1
Total net issued share capital – group	**3,0**	3,0

** Zero as a result of rounding.*

	Number of shares	Number of shares
Reconciliation of number of shares issued:		
Total in issue	**215 350 885**	211 005 054
Shares held by subsidiary	**(1 049 824)**	(1 049 824)
Shares held in terms of share incentive schemes	**(5 044 150)**	(4 597 750)
Total in issue at the end of the year – company	**215 350 885**	211 005 054
Total in issue at the end of the year – group	**209 256 911**	205 357 480

On 20 July 2015, 2,2 million fully paid-up ordinary shares were issued to ordinary shareholders by way of a scrip distribution increasing the total shares in issue from 211 005 054 shares to 213 171 190 shares. On 18 January 2016, a further 2,2 million fully paid-up ordinary shares were issued to ordinary shareholders by way of a scrip distribution increasing the total shares in issue from 213 171 190 shares to 215 350 885 shares.

Distributions and voting rights
The holders of ordinary shares are entitled to receive distributions as declared from time to time and are entitled to one vote per share at meetings of the company. Holders of the cumulative preference shares receive a cumulative dividend of 6,5 cents per share at interim (September) and year end (March) of each year. Holders of ordinary shares received the following distributions during the year:

Interim: 306,0 cents per share paid on 15 January 2016.

Final: 385,0 cents per share payable on 25 July 2016.

Unissued ordinary shares
In terms of the provisions of the Companies Act and limited to the issuing of shares in terms of the company's obligations under the staff share incentive schemes, the unissued ordinary shares are under the control of the directors only until the forthcoming annual general meeting.

Directors' interest
At 31 March 2016, the directors had the following interest in the company's issued shares:

	Shares '000	Share appreciation rights accepted '000	Price per share R	Year of delivery	2016 Total '000	2015 Total '000
Non-executive						
M Lewis (indirect non-beneficial)	9 799,8	–	–		**9 799,8**	9 351,4
M Lewis (indirect beneficial)	–	–	–		**–**	89,0
Prof F Abrahams	–	–	–		**–**	–
S E Abrahams	–	–	–		**–**	–
G H Davin[3]	–	–	–		**–**	–
D Friedland (direct beneficial)	41,1	–	–		**41,1**	30,3
B L M Makgabo-Fiskerstrand	–	–	–		**–**	–
E Oblowitz (direct beneficial)	2,1	–	–		**2,1**	2,0
N V Simamane (direct beneficial)	1,6	–	–		**1,6**	1,5
D M Nurek (indirect beneficial)[1]	–	–	–		**–**	10,0
	9 844,6	–			**9 844,6**	9 484,2
R Stein (direct beneficial)[2]	751,6	–	–		**751,6**	709,2
R Stein (indirect beneficial)[2]	281,7	–	–		**281,7**	275,7
R Stein (performance-based restricted forfeitable shares)[2]	–	–	–		**–**	38,9
R Stein (restricted forfeitable shares)[2]	–	–	–		**–**	5,9
R Stein[2]	–	43,7	86,62	2017	**43,7**	43,7
R Stein[2]	–	32,2	136,22	2017	**32,2**	32,2
R Stein[2]	–	67,9	96,86	2017	**67,9**	67,9
R Stein[2]	–	45,5	111,10	2017	**45,5**	45,5
	1 033,3	189,3			**1 222,6**	1 219,0
Total non-executive	10 877,9	189,3			**11 067,2**	10 703,2

[1] *Resigned 19 June 2015.*
[2] *Retired as an executive director at the end of June 2015 and remains on the board in a non-executive capacity.*
[3] *Appointed 5 November 2015.*

11. SHARE CAPITAL continued

	Shares '000	Share appreciation rights accepted '000	Price per share R	Year of delivery	2016 Total '000	2015 Total '000
Executive						
A D Murray (direct beneficial)	1 207,1	–	–		**1 207,1**	1 150,0
A D Murray (indirect beneficial)	699,6	–	–		**699,6**	650,0
A D Murray (performance-based restricted forfeitable shares)	92,8	–	–		**92,8**	76,4
A D Murray (restricted forfeitable shares)	–	–	–		**–**	11,5
	1 999,5	–			**1 999,5**	1 887,9
A D Murray	–	85,2	86,62	2017	**85,2**	85,2
A D Murray	–	62,8	136,22	2017	**62,8**	62,8
A D Murray	–	133,4	96,86	2017	**133,4**	133,4
A D Murray	–	89,4	111,10	2018	**89,4**	89,4
A D Murray	–	76,4	148,15	2019	**76,4**	–
	–	447,2			**447,2**	370,8
P S Meiring (direct beneficial)[4]	–	–	–		**–**	206,7
P S Meiring (indirect beneficial)[4]	–	–	–		**–**	294,9
P S Meiring (performance-based restricted forfeitable shares)[4]	–	–	–		**–**	35,8
P S Meiring (restricted forfeitable shares)[4]	–	–	–		**–**	5,4
	–	–			**–**	542,8
P S Meiring[4]	–	40,0	86,62	2017	**40,0**	40,0
P S Meiring[4]	–	29,5	136,22	2017	**29,5**	29,5
P S Meiring[4]	–	62,7	96,86	2017	**62,7**	62,7
P S Meiring[4]	–	41,7	111,10	2017	**41,7**	41,7
	–	173,9			**173,9**	173,9
A E Thunström (direct beneficial)[5]	–	–	–		**–**	–
A E Thunström (indirect beneficial)[5]	–	–	–		**–**	–
A E Thunström (performance-based restricted forfeitable shares)[5]	25,2	–	–		**25,2**	–
	25,2	–			**25,2**	–
A E Thunström[5]	–	31,2	148,15	2019	**31,2**	–
	–	31,2			**31,2**	–
Executive						
Total executive excluding share appreciation rights	2 024,7				**2 024,7**	3 460,4
Total executive share appreciation rights		652,3			**652,3**	734,0
Total excluding share appreciation rights	12 902,6				**12 902,6**	12 944,6
Total share appreciation rights		841,6			**841,6**	734,0

[4] *Retired as an executive director at the end of June 2015. SARs were accepted in the capacity of an executive director.*
[5] *Appointed as CFO and as an executive director 1 July 2015.*

The following changes took place since 31 March 2016:

1. On 2 June 2016, the executive directors accepted the following share appreciation rights (SARs).

	SARs accepted '000**	Price per SAR R
A D Murray	119,0	142,72
A E Thunström	37,8	142,72

** *Subject to performance criteria.*

2. On 2 June 2016, these executive directors accepted the following ordinary shares in terms of the group's 2010 share incentive scheme for nil consideration. The shares vest on the third anniversary of the grant date provided the recipient remains in the group's employ and the requisite performance conditions are satisfied.

	Shares accepted '000**	Estimated value Rm#
A D Murray	54,9	8,1
A D Murray***	142,9	21,0
A E Thunström	17,4	2,6

Estimated value based on closing share price of R147,00 on 2 June 2016.

** *Subject to performance criteria.*

*** *Special share award of R20 million restricted shares granted. Vesting of this share award subject to specific number of objectives being met.*

3. On 2 June 2016, an executive director sold ordinary shares previously granted on 13 June 2013, with performance-based restrictions in terms of the group's 2010 share incentive scheme.

	Shares sold '000	Value Rm
A D Murray	21,7	3,2

4. On 8 June 2016, a non-executive director converted share appreciation rights (previously granted to him in capacity as an executive director on 3 June 2011, 19 July 2012, 13 June 2013 and 10 June 2014) into ordinary shares and sale thereof in open market.

	Shares sold '000	Value Rm
R Stein	61,5	9,2

12. TREASURY SHARES

In terms of a special resolution passed at the annual general meeting of the company on 1 September 2015, shareholders renewed the approval, as a general authority, of the acquisition by the company or any of its subsidiaries of the issued ordinary shares of the company not exceeding 5% in aggregate in any one financial year. The general authority is subject to the Listings Requirements of the JSE and the Companies Act, No. 71 of 2008, and is valid only until the company's next annual general meeting.

	Number of shares	
	2016	**2015**
Foschini Stores Proprietary Limited	**1 049 824**	12 049 824
The Foschini Share Incentive Trust	**2 294 000**	3 613 495
Employees of TFG in terms of share incentive schemes	**2 303 750**	2 088 435
Balance at the beginning of the year	**5 647 574**	17 751 754
The Foschini Share Incentive Trust	**299 900**	374 000
Employees of TFG in terms of share incentive schemes	**920 700**	1 112 500
Shares purchased during the year in terms of share incentive schemes	**1 220 600**	1 486 500
The Foschini Share Incentive Trust	**(65 056)**	(856 715)
Employees of TFG in terms of share incentive schemes	**(57 000)**	(76 600)
Shares sold during the year	**(122 056)**	(933 315)
The Foschini Share Incentive Trust	**(27 344)**	(836 780)
Employees of TFG in terms of share incentive schemes	**(624 800)**	(820 585)
Shares delivered during the year	**(652 144)**	(1 657 365)
Foschini Stores Proprietary Limited – sale of shares	**–**	(11 000 000)
The Foschini Group Limited – purchase of shares from subsidiary	**–**	11 000 000
The Foschini Group Limited – cancellation of shares	**–**	(11 000 000)
Share transactions during the year in terms of repurchase arrangement	**–**	(11 000 000)
Foschini Stores Proprietary Limited	**1 049 824**	1 049 824
The Foschini Share Incentive Trust	**2 501 500**	2 294 000
Employees of TFG in terms of share incentive schemes	**2 542 650**	2 303 750
Balance at the end of the year	**6 093 974**	5 647 574

As at 31 March 2016, a subsidiary, Foschini Stores Proprietary Limited, held 1 049 824 (2015: 1 049 824) shares, representing 0,5% (2015: 0,5%) of the company's share capital. The Foschini Share Incentive Trust held 2 501 500 (2015: 2 294 000) shares, representing 1,2% (2015: 1,1%) of the company's share capital, and employees of TFG held 2 542 650 (2015: 2 303 750) shares, representing 1,2% (2015: 1,1%) of the company's share capital. The Foschini Share Incentive Trust and employees of TFG hold shares in terms of share incentive schemes.

13. DIVIDEND RESERVE

A liability for cash dividends is recognised in the period when the dividend is declared. An amount equal to dividends declared subsequent to the reporting date is transferred to the dividend reserve. A prudent approach has been followed to recognise the full final distribution in the dividend reserve, which is consistent with the approach followed in the prior year.

A final scrip distribution with a cash alternative of 385,0 (2015: 325,0) cents per ordinary share was declared on 26 May 2016 and is payable on 25 July 2016.

No liability has been raised as this distribution was declared subsequent to the reporting date.

	2016 Rm	2015 Rm
Balance at 1 April	**685,8**	650,5
Transfer from dividend reserve to distributable earnings	**(685,8)**	(650,5)
Transfer to dividend reserve from distributable earnings	**829,1**	685,8
Balance at 31 March	**829,1**	685,8

14. HEDGING (DEFICIT) SURPLUS

The hedging (deficit) surplus comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	2016 Rm	2015 Rm
Balance at 1 April	**24,6**	13,1
Continuing operations		
Effective portion of changes in fair value of cash flow hedges	**(70,3)**	41,1
Deferred tax on movement in effective portion of cash flow hedges	**19,7**	(11,5)
Discontinued operations		
Effective portion of changes in fair value of cash flow hedges	**–**	(4,5)
Deferred tax on movement in effective portion of cash flow hedges	**–**	1,3
Realisation of reserve on disposal of subsidiary		
Effective portion of changes in fair value of cash flow hedges	**–**	(20,7)
Deferred tax on movement in effective portion of cash flow hedges	**–**	5,8
Balance at 31 March	**(26,0)**	24,6
Comprised as follows:		
Forward exchange contracts – fair value	**(35,7)**	34,6
Total fair value of cash flow hedges	**(35,7)**	34,6
Deferred tax on forward exchange contracts	**9,7**	(10,0)
Total deferred tax on cash flow hedges	**9,7**	(10,0)
Balance at 31 March	**(26,0)**	24,6

The opening balance of R24,6 million was realised during the year and recycled to profit or loss. The forward exchange contracts are used to hedge the estimated foreign currency exposure to forecast purchases over the next six months.

15. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises gains and losses arising on translation of the assets, liabilities, income and expenses of foreign operations.

	2016 Rm	2015 Rm
Balance at 1 April	**70,7**	7,5
Foreign currency translation differences	**464,0**	66,0
Realisation of reserve on disposal of subsidiary	**–**	(2,8)
Balance at 31 March	**534,7**	70,7

16. PUT OPTION RESERVE AND LIABILITY

Through put/call arrangements, the group has the right to acquire and management has the right to sell all TFG Brands (London) Limited (which houses the Phase Eight investment) (previously Dress Holdco B Limited) shares held by management in three equal tranches on the earlier of (i) the publication of the audited accounts of TFG Brands (London) Limited for each of the fourth, fifth and sixth years following completion of the Phase Eight acquisition or (ii) six months following the fourth, fifth and sixth-year anniversaries of completion of the acquisition. As these put/call arrangements are a consequence of the business combination, they are accounted for as a financial liability. Accordingly, no non-controlling interest is recorded as indicated in accounting policy 1.9. The exercise price is based on a formula designed to approximate the fair value of the shares. The acquisition of the management shares will be performed on the basis of a 9,36 times EBITDA adjusted for net debt applied to the audited financial results of TFG Brands (London) Limited at the applicable time as mentioned above.

	2016 Rm	2015 Rm
Put option liability movement		
Balance at 1 April	**20,3**	–
Additions through business combinations	**–**	4,3
Increase in the fair value of the put option liability	**27,2**	15,8
Foreign exchange movements	**0,6**	0,2
Balance at 31 March	**48,1**	20,3
Put option reserve movement		
Balance at 1 April	**15,8**	–
Increase in the fair value of the put option liability	**27,2**	15,8
Balance at 31 March	**43,0**	15,8

The group's management of and exposure to cash flow and liquidity risk is disclosed in note 23.

17. POST-RETIREMENT DEFINED BENEFIT PLAN

Defined benefit plan

At March 2016, the group had an obligation to provide post-retirement health care to 804 (2015: 807) members. These members belong to the TFG Medical Aid Scheme, registered in terms of the Medical Schemes Act, No. 131 of 1998, as amended.

	2016 Rm	2015 Rm
Movements for the year		
Balance at 1 April	**192,6**	180,4
Settlements	**(8,6)**	(7,9)
Service cost	**3,6**	3,3
Interest cost	**17,9**	16,8
Actuarial losses	**11,8**	–
Balance at 31 March	**217,3**	192,6
Net expense recognised in profit or loss		
Settlements	**(8,6)**	(7,9)
Service cost	**3,6**	3,3
Interest cost	**17,9**	16,8
	12,9	12,2
Post-retirement defined benefit plan reserve included in other comprehensive income		
Balance at 1 April	**50,3**	50,3
Actuarial losses	**11,8**	–
Actuarial loss remeasurements due to:		
Demographic assumptions	**0,5**	–
Financial assumptions	**5,0**	–
Experience adjustments	**6,3**	–
Deferred tax on actuarial losses	**(3,3)**	–
	58,8	50,3
Key assumptions used		
Gross discount rates used	**10,6%**	9,5 %
Implied allowances for medical scheme contribution inflation	**10,2%**	8,9 %

Other assumptions

Mortality assumptions:

- Pre-retirement Male "SA85–90 (Lite)"
- Pre-retirement Female "SA85-90 (Lite)"
- Post-retirement Male "PA90" males – rated down by 1 year
- Post-retirement Female "PA90" females – rated down by 1 year

"SA85-90 (Lite)" and "PA85-90 (Lite)" are standard actuary mortality tables used as the basis for the assumptions regarding the life expectancy of employees and pensioners in the valuation.

The same assumptions were used for 2015.

17. POST-RETIREMENT DEFINED BENEFIT PLAN continued

Withdrawal and retirement assumptions:

- Employees are assumed to retire at their normal retirement date of 60 or 65, dependent on the employee.
- Withdrawal assumptions: 0% – 20,3% depending on age of employee.

The same assumptions were used for 2015.

It was also assumed that no significant changes would occur in the structure of the medical arrangements or in the subsidy scales for members (except for adjustments above).

Sensitivity analysis

Possible changes at the reporting date to one of the relevant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation as indicated below.

Total actuarial liability 31 March 2016:

	Defined benefit obligation	
	Increase Rm	Decrease Rm
Health cost inflation (1% movement)	**247,1**	**192,5**
Expected retirement age (1 year movement)	**212,1**	**222,8**
Discount rate (1% movement)	**192,4**	**260,2**

18. NON-CONTROLLING INTEREST

Certain minorities have an insignificant shareholding in an entity which is majority-owned by the group.

19. INTEREST-BEARING DEBT

	2016 Rm	2015 Rm
Non-current liabilities	**5 026,3**	3 709,5
Unsecured fluctuating loans in terms of long-term bank facilities	**4 379,6**	3 253,9
Unsecured fluctuating loans in terms of long-term management loans	**646,7**	455,6
Current liabilities		
At amortised cost	**3 139,4**	3 333,0
Balance at 31 March	**8 165,7**	7 042,5

Interest-bearing debt includes banking facilities amounting to R3 170,0 (2015: R1 000,0) million, which bears variable interest at a margin of 1,37% – 1,75% (2015: 1,55% – 1,60%) above three-month JIBAR, and R2 682,0 (2015: R3 754,0) million, which bears variable interest linked to the overnight call rate. The effective rate (excluding Phase Eight) for 2016 was 7,32% Nominal Annual Compounded Monthly (NACM) (2015: 6,95% NACM). The balance of interest-bearing debt bears interest at 7,84% NACM (2015: 6,89% NACM) at 31 March. In addition to the above, a GBP75,0 (2015: GBP80,2) million loan, which bears variable interest at a margin of three-month London Interbank Offered Rate (LIBOR) plus margin: 3,75% – 5,25%. Management loans include GBP20,1 (2015: GBP19,1) million loan, which bears interest at 5%.

The group's borrowing powers in terms of its memorandum of incorporation are unlimited.

The group's management of and exposure to liquidity and market risk is disclosed in note 23.

20. CASH-SETTLED SHARE INCENTIVE SCHEME

A cash-settled equity instrument was issued to the employees of the Phase Eight group. The cash-settled share-based payments are treated in accordance with IFRS 2: Share-based payments and arose from the acquisition of Phase Eight. The group has given management of Phase Eight ordinary shares, which will vest in three equal tranches, commencing in 2019. The fair value of the amount payable to the employees in respect of the shares issued, which will be settled in cash, is recognised as an expense with a corresponding increase in the cash-settled share incentive scheme liability.

The fair value of the ordinary shares has been measured based on a formula designed to approximate the fair value of the shares. The acquisition of the management shares will be performed on the basis of a 9,36 times EBITDA adjusted for net debt applied to the audited financial results of TFG Brands (London) Limited at the applicable time as mentioned above.

	2016 Rm	2015 Rm
Liability arising from the cash-settled share incentive scheme		
Balance at 1 April	**0,7**	–
Current employee costs recognised in profit or loss	**7,7**	0,7
Foreign exchange movements	**0,1**	–
Balance at 31 March	**8,5**	0,7

21. OPERATING LEASE LIABILITY

Accrual for straight-lining of operating leases:		
Non-current liabilities	**238,2**	223,1
Current liabilities	**10,8**	9,0
Balance at 31 March	**249,0**	232,1

The group leases most of its trading premises under operating leases.

Leases on trading premises are contracted for periods of between five and 10 years, with renewal options for a further five years, wherever possible. The lease agreements for certain stores provide for a minimum annual rental payment and additional payments determined on the basis of turnover. Turnover rentals, where applicable, average approximately 4,5% of turnover. Rental escalations vary, but average at a rate of approximately 7% per annum.

At 31 March, future non-cancellable minimum lease rentals are as follows:

Less than 1 year	**1 575,7**	1 380,5
More than 1 year and less than 5 years	**3 848,1**	3 089,3
More than 5 years	**210,0**	154,4

22. TRADE AND OTHER PAYABLES

	2016 Rm	2015 Rm
Financial liabilities		
Trade payables	**2 105,0**	1 788,2
Other liabilities		
Other payables and accruals	**715,4**	587,8
Employee-related accruals	**134,6**	125,2
Gift card liability	**56,9**	51,8
Financial instrument liability	**34,8**	–
	3 046,7	2 553,0

The group's management of and exposure to market and cash flow and liquidity risk is disclosed in note 23.

23. RISK MANAGEMENT

Overview

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks and the group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly on its activities to the board of directors.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group audit committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and to the risk committee.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises on trade and other receivables, concession receivables, cash and participation in export partnerships. The group does not consider there to be any significant concentration of credit risk in respect of which adequate impairment has not been raised.

Trade receivables – retail
The group does not have any balances past due date which have not been adequately provided for, as the provisioning methodology applied takes the entire debtor population into consideration.

The risk arising on retail trade receivables is managed through a stringent group policy on the granting, continual review and monitoring of credit facilities. The group established a credit policy under which each application for a new credit facility is analysed individually for creditworthiness. This process applies information submitted by the applicant and external bureau data (where this is available) to statistical credit scoring models, and includes an assessment of affordability before terms and conditions are offered. A credit facility is established for each customer, which represents the maximum possible exposure to any account holder. The facility is made available to the account holder over time depending on the quality of credit management displayed by the customer. These credit facilities are reviewed annually subject to the requirements of the National Credit Act. The scorecards are monitored regularly and redeveloped as appropriate. Account holders who are more than one cycle delinquent will be unable to spend. Depending on the duration of the delinquency, credit limits may be adjusted downwards. The group does not typically require collateral for lending. However, certain categories of customers may be required to make a deposit with each purchase. There is a large, diverse and widely distributed customer base. Therefore, the group does not consider there to be any significant concentration of credit risk.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The allowance is calculated using the internationally recognised Markov model. The Markov model is a statistical model utilised to quantify the probability of default by analysing the observed patterns of delinquency and default over an appropriate period of time to determine the inherent rate of bad debt in a debtors' book. The probability of default is applied to the accounts' receivable balance at statement of financial position date. Accounts that are known to have applied for the debt review are fully impaired. The board of directors believes that the application of these techniques results in trade receivables balances being measured reliably. There is a large, diverse and widely distributed customer base. Therefore, the group does not consider there to be any significant concentration of credit risk in respect of which any further impairment of accounts receivable is required.

Other receivables and prepayments
Other receivables are neither past due nor impaired. Accordingly, the group is not exposed to significant credit risk.

Concession receivables
Concession receivables are neither past due nor impaired. Accordingly, the group is not exposed to significant credit risk.

Cash and investments
The group limits its exposure to credit risk through dealing with well-established financial institutions with high credit standings, and thus management does not expect any counterparty to fail to meet its obligations.

Participation in export partnership
A company listed on the JSE Limited warranted certain important cash flow aspects of the subsidiary companies' participation in export partnerships. This company is considered creditworthy and no risk of loss is expected.

23. RISK MANAGEMENT continued

Exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

In determining the recoverability of trade receivables, the group considers any changes in credit quality of the receivables up to the reporting date. The concentration of credit risk is limited as the customer base is large and unrelated.

The maximum exposure to credit risk at the reporting date was:

	2016 Rm	2015 Rm
Loans and receivables		
Participation in export partnerships	**14,4**	21,6
Trade receivables – retail	**6 695,0**	6 199,9
Other receivables	**456,9**	493,5
Concession receivables	**347,2**	156,5
Cash	**888,8**	800,4
	8 402,3	7 671,9

Impairment losses: trade receivables – retail

The group manages the ageing of its trade receivables book on both a contractual and recency basis, but uses the recency basis to calculate write-off and impairment losses. Recency refers to the number of payment cycles that elapsed since the last qualifying payment was received.

Recency categories range from 0 to 5, at which point the account will be written off unless the payment profile score is above a fixed level.

The ageing of past due unimpaired trade receivables at 31 March was:

	Carrying amount	
	2016 Rm	2015 Rm
Recency 1	**767,4**	722,2
Recency 2	**222,3**	203,7
Recency 3	**111,8**	96,5
Recency 4	**46,3**	33,9
Recency 5	**19,7**	13,0
	1 167,5	1 069,3

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
Balance at 1 April	**976,3**	816,0
Movement in allowance for impairment	**38,7**	160,3
Balance at 31 March	**1 015,0**	976,3

Customers that are not past due and have a good track record with the group make up 77,9% of the trade receivables book (2015: 77,9%).

Cash flow and liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure it will always have sufficient cash flow to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

This risk is managed through cash flow forecasts, the optimisation of daily cash management and by ensuring that adequate borrowing facilities are maintained. In terms of its memorandum of incorporation, the group's borrowing powers are unlimited.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2016					
Non-derivative financial liabilities					
Interest-bearing debt	**8 165,7**	**8 965,9**	**3 431,9**	**1 397,9**	**4 136,1**
Trade and other payables	**2 877,3**	**2 820,4**	**2 820,4**	**–**	**–**
Derivative financial liabilities					
Put option liability	**48,1**	**444,2**	**–**	**–**	**444,2**
Forward exchange contracts used for hedging	**34,8**	**989,9**	**989,9**	**–**	**–**
	11 125,9	**13 220,4**	**7 242,2**	**1 397,9**	**4 580,3**
31 March 2015					
Non-derivative financial liabilities					
Interest-bearing debt	7 042,5	7 787,0	3 603,9	1 135,6	3 047,5
Trade and other payables	2 553,0	2 501,2	2 501,2	–	–
Derivative financial liabilities					
Put option liability	20,3	433,9	–	–	433,9
	9 615,8	10 722,1	6 105,1	1 135,6	3 481,4

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact profit or loss:

31 March 2016	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
Forward exchange contracts					
Liability	(34,8)	(989,9)	(989,9)	–	–
	(34,8)	(989,9)	(989,9)	–	–
31 March 2015					
Forward exchange contracts					
Asset	38,7	(769,3)	(769,3)	–	–
	38,7	(769,3)	(769,3)	–	–

23. RISK MANAGEMENT continued

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Currency risk

The group is exposed to currency risk as operating subsidiaries undertake transactions that are denominated in foreign currencies. These currencies are the Australian Dollar (AUD), Euro, US Dollar (USD), British Pound (GBP) and Chinese Yuan (CNY).

Cash flow hedge accounting is applied to all open FECs. As indicated above, the hedging instrument used is forward exchange contracts. The risk being hedged is the risk of foreign currency fluctuations and the hedge effectiveness is between 80% – 125%. All FECs have a maturity date of less than one year, and thus the cash flows are expected to occur within one year.

Exposure to currency risk

Exposure to currency risk is hedged through the use of forward exchange contracts. At 31 March the group had forward exchange contracts in various currencies in respect of future commitments to acquire inventory not yet recorded as assets on the statement of financial position.

	Foreign currency '000	Rand equivalent (at forward cover rate) R'000
31 March 2016*		
AUD	**5**	**63**
CNY	**199 714**	**474 345**
Euro	**222**	**3 867**
GBP	**305**	**6 977**
USD	**32 022**	**504 652**
		989 904
31 March 2015*		
USD	53 488	625 298
Euro	301	4 203
CNY	73 903	139 802
		769 303

* *FEC contracts at 31 March.*

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2016	2015	2016	2015
AUD	**10,12**	9,65	**11,30**	9,22
CNY	**2,16**	1,79	**2,29**	1,96
Euro	**15,25**	14,02	**16,72**	13,06
GBP	**20,73**	17,85	**21,15**	18,01
USD	**13,85**	11,12	**14,69**	12,15

Sensitivity analysis
The group is primarily exposed to the US Dollar, Euro, British Pound, Australian Dollar and Chinese Yuan currencies. The following analysis indicates the group's sensitivity at year end to the indicated movements in these currencies on financial instruments, assuming that all other variables, in particular interest rates, remain constant. The rates of sensitivity are the rates used when reporting the currency risk to the board and represent management's assessment of the potential change in foreign currency exchange rates at the reporting date.

A 10% strengthening of the Rand against the following currencies at 31 March would have increased equity and profit or loss by the amounts shown below.

	Profit or loss Rm	Equity Rm
31 March 2016		
USD	**–**	**48,3**
GBP	**–**	**0,7**
Euro	**–**	**0,4**
CNY	**–**	**46,2**
31 March 2015		
USD	–	65,9
Euro	–	0,4
CNY	–	14,5

A 10% weakening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on equity and profit or loss to the amounts shown above on the basis that all other variables remain constant.

The methods and assumptions used to calculate the above sensitivity analysis are consistent with the prior year.

Translational foreign exchange risk
Net investments in foreign subsidiaries

The group has investments in foreign subsidiaries whose net assets (including cash) are exposed to foreign currency translation risk.

The group has unhedged interests in foreign subsidiaries of:

	2016 Rm	2015 Rm
GBP	**3 620,2**	2 733,9

23. RISK MANAGEMENT continued

Translational foreign exchange risk continued

This risk is not hedged. The group's exposure to its subsidiaries in the rest of Africa is not considered material.

A 10% strengthening of the Rand against the following currencies at 31 March would have increased equity and profit or loss by the amounts shown below.

	Profit or loss Rm	Equity Rm
31 March 2016		
GBP	**–**	**362,0**
31 March 2015		
GBP	–	273,4

A 10% weakening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on equity and profit or loss to the amounts shown above on the basis that all other variables remain constant.

Foreign cash

The group has exposure to foreign currency translation risk through cash balances. included in the net assets of foreign subsidiaries, in currencies other than the South African Rand. This risk is not hedged.

	2016 Rm	2015 Rm
GBP	**316,0**	321,3
AUD	**14,0**	22,9
Euro	**44,3**	21,9
CHF	**28,8**	5,5
USD	**38,4**	4,4

A 10% strengthening of the Rand against the following currencies at 31 March would have increased equity and profit or loss by the amounts shown below.

	Profit or loss Rm	Equity Rm
31 March 2016		
GBP	**–**	**31,6**
AUD	**–**	**1,4**
Euro	**–**	**4,4**
CHF	**–**	**2,9**
USD	**–**	**3,8**
31 March 2015		
GBP	–	32,1
AUD	–	2,3
Euro	–	2,2
CHF	–	0,6
USD	–	0,4

A 10% weakening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on equity and profit or loss to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk
The group is exposed to interest rate risk as it both borrows and invests funds. This risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions.

In addition, interest rate swap contracts are entered into for the purposes of cash flow hedging.

There is no interest rate risk on trade payables or participation in export partnerships.

Profile
At 31 March, the interest rate profile of the group's interest-bearing financial instruments was:

	Interest rate at 31 March		Carrying amount	
	2016 %	2015 %	2016 Rm	2015 Rm
Variable rate instruments				
Trade receivables – retail (6 months)	**–**	–	**733,6**	683,6
Trade receivables – retail (12 months)	**24,9**	22,7	**5 961,4**	5 516,3
Cash	**10,5**	9,25	**888,8**	800,4
			7 583,8	7 000,3
Financial liabilities				
Interest-bearing debt	**3,7 – 7,9**	3,7 – 7,0	**(8 165,7)**	(7 042,5)
Put option liability	**–**	–	**(48,1)**	(20,3)
			(8 213,8)	(7 062,8)

Fair value sensitivity analysis for fixed rate instruments
The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at 31 March would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
An increase (decrease) of 100 basis points in interest rates at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2015.

	Profit or loss Rm	Equity Rm
31 March 2016		
Variable rate instruments	**76,8**	**–**
Cash flow sensitivity (net)	**76,8**	**–**
31 March 2015		
Variable rate instruments	32,8	–
Cash flow sensitivity (net)	32,8	–

23. RISK MANAGEMENT continued

Capital risk management

The board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence, to sustain future development of business and to ensure that the group continues as a going concern. The group primarily makes use of equity for capital management purposes.

Equity consists of ordinary share capital, retained earnings and non-controlling interests of the group. The board of directors monitors the return on equity, which the group defines as profit for the year divided by total average equity, including non-controlling interests. The board of directors also monitors the level of dividends to ordinary shareholders.

The board seeks to maintain a balance between the higher returns that might be attained with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group's medium-term target is to achieve a return on equity of 28% – 30% in our retail business. In 2016, the return was 23,9% (2015: 23,4%) in our retail business.

Post the Phase Eight acquisition, it is our intention to bring our debt to equity ratio (currently 73,5% on a consolidated basis with recourse gearing of 55,6%) closer to our medium-term target of 40%. Accordingly, one further and final scrip distribution with a cash dividend alternative has been declared. This will ensure that the group is well positioned to take advantage of future growth opportunities.

Insurance risk

The group is the cell owner in cell captive arrangements with an insurer. The short-term insurance business of TFG customers is housed in the cell captives, which were purchased by the group by subscribing for ordinary shares in the insurer.

The liabilities in the cell captives represent the insurance claims paid or payable to the group's customers. The assets represent the assets allocated to the cell captives by the insurer. The underwriting management of the cell captives are performed by the insurer for a fee payable by the group to the insurer.

The group manages its insurance risk by reviewing the underwriting management performed by the insurer. This will include a review of the insurer's methodology for estimating claims and a review of the adequacy of the assets allocated to the cell captives by the insurer. Claims development in the cell captives are also reviewed by the group.

The group will change the cell captive agreements or insurer if the underwriting of claims are not performed adequately.

Fair value hierarchy of financial assets and liabilities at fair value through profit or loss

The table below analyses financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in an active market for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2016 Rm	2015 Rm
Level 2		
Forward exchange contracts – (liability) asset	**(34,8)**	38,7
Put option liability	**(48,1)**	(20,3)
	(82,9)	18,4

There are no level 1 or 3 financial instruments in the group.

There were no transfers between levels during the current year.

Measurement of fair values
The following valuation techniques were used for measuring level 2 fair values:

Foreign exchange contracts
The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Put option liability
The exercise price is based on a formula designed to approximate the fair value of the shares. The acquisition of the management shares will be performed on the basis of a 9,36 times EBITDA adjusted for net debt applied to the audited financial results of Phase Eight at the applicable time.

Financial assets and liabilities not measured at fair value
The fair value is not disclosed as the carrying value is a reasonable approximation of the fair value.

24. SUBSEQUENT EVENTS

No significant events took place between the end of the financial year and the date these financial statements were authorised for issue.

25. COMMITMENTS AND CONTINGENT LIABILITIES

	Note	2016 Rm	2015 Rm
Capital expenditure			
Capital commitments		**11,1**	13,8

26. REVENUE

Retail turnover		**21 107,5**	16 085,9
Interest income	27	**1 533,0**	1 367,7
Other income	28	**1 105,9**	1 090,4
		23 746,4	18 544,0

	2016 Rm	2015 Rm
27. INTEREST INCOME		
Trade receivables – retail	**1 510,7**	1 337,7
Sundry	**22,3**	30,0
	1 533,0	1 367,7
28. OTHER INCOME		
Publishing income	**399,4**	388,2
Collection cost recovery	**312,4**	304,1
Insurance income	**297,8**	300,3
Mobile one2one airtime income	**81,2**	86,6
Sundry income	**15,1**	11,2
	1 105,9	1 090,4
29. TRADING EXPENSES		
Operating profit before once-off acquisition costs and finance costs has been arrived at after taking account of:		
Trading expenses		
Depreciation and amortisation	**(464,7)**	(428,1)
Employee costs	**(3 210,8)**	(2 325,2)
Occupancy costs	**(2 043,2)**	(1 585,0)
Net bad debt	**(947,7)**	(1 023,6)
Other operating costs	**(2 870,8)**	(1 890,8)
	(9 537,2)	(7 252,7)
The following disclosable amounts are included above:		
Auditors remuneration		
Fees	**(5,7)**	(5,0)
Profit and loss on sale of assets and liabilities	**(2,1)**	(13,2)
Retirement fund expenses (refer to note 33)	**(196,5)**	(173,1)
Staff discount (refer to note 33)	**(32,5)**	(29,1)
30. FINANCE COSTS		
Finance costs on financial liabilities measured at amortised cost	**(509,0)**	(228,1)

	2016 Rm	2015 Rm
31. TAXATION		
Income tax expense		
South African current taxation		
Current year	**757,5**	725,2
Prior year under provision	**92,5**	11,9
Dividends withholding tax	**–**	1,3
South African deferred taxation		
Current year	**14,2**	(23,8)
Prior year over provision	**(94,5)**	(11,6)
Assessed loss	**5,8**	–
Non-South African current taxation		
Current year	**117,7**	49,8
Assessed loss utilisation	**–**	(5,4)
Prior year under provision	**0,7**	–
Non-South African deferred taxation		
Current year	**–**	(0,3)
Prior year under provision	**6,0**	1,7
Rate change	**(36,6)**	–
Assessed loss	**0,6**	–
	863,9	748,8

	%	%
Reconciliation of the tax expense		
Effective tax rate	**28,6**	32,7
Exempt income	**0,1**	0,5
Non-deductible expenditure	**(2,8)**	(4,5)
Non-South African tax rate	**2,5**	(0,5)
Prior year under provision	**(0,2)**	(0,1)
Assessed loss	**(0,2)**	–
Dividends withholding tax	**–**	(0,1)
South African statutory rate	**28,0**	28,0

32. EARNINGS PER SHARE

Basic and headline earnings per share

The calculation of basic and headline earnings per share for the year ended 31 March 2016 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of 2 155,6 (2015: R1 858,0) million and headline earnings of R2 119,3 (2015: R1 594,2) million divided by the weighted average number of ordinary shares as follows:

	2016 Rm		2015 Rm	
	Gross	Net of taxation	Gross	Net of taxation
Profit attributable to equity holders of The Foschini Group Limited		**2 155,6**		1 858,0
Adjusted for:				
Profit on disposal of property, plant and equipment	**(5,0)**	**(3,9)**	(0,3)	(0,2)
Loss on disposal of property, plant and equipment	**7,1**	**5,0**	13,5	9,6
Profit on disposal of investment	**(1,1)**	**(0,8)**	–	–
Change in UK tax rate	**–**	**(36,6)**	–	–
Profit on disposal of discontinued operations	**–**	**–**	(273,2)	(273,2)
Headline earnings		**2 119,3**		1 594,2
Once-off acquisition costs	**65,9**	**65,9**	292,4	287,7
Adjusted headline earnings*		**2 185,2**		1 881,9

* *Adjusted headline earnings is calculated to remove the impact of the once-off acquisition costs of the current year Whistles acquisition and the prior year Phase Eight acquisition.*

	2016 Number of shares		2015 Number of shares	
	Gross	Weighted	Gross	Weighted
Gross number of ordinary shares in issue	**211 005 054**	**211 005 054**	222 005 054	222 005 054
Treasury shares	**(5 647 574)**	**(5 647 574)**	(17 751 754)	(17 751 754)
Net number of ordinary shares in issue at beginning of the year	**205 357 480**	**205 357 480**	204 253 300	204 253 300
Shares purchased in terms of share incentive schemes	**(1 220 600)**	**(845 741)**	(1 486 500)	(1 159 874)
Shares sold	**122 056**	**66 449**	933 315	324 612
Shares delivered	**652 144**	**508 534**	1 657 365	880 481
Scrip distribution	**4 345 831**	**1 877 717**	–	–
Net number of ordinary shares in issue at end of the year	**209 256 911**	**206 964 439**	205 357 480	204 298 519

	2016	2015
Weighted average number of ordinary shares in issue	**206 964 439**	204 298 519
Earnings per ordinary share – total (cents)	**1 041,5**	909,4
Continuing operations (incl. once-off acquisition costs) (cents)	**1 041,5**	752,5
Continuing operations (excl. once-off acquisition costs) (cents)	**1 073,3**	893,3
Discontinued operations (cents)	**–**	156,9
Headline earnings per ordinary share – total (cents)	**1 024,0**	780,3
Continuing operations (incl. once-off acquisition costs) (cents)	**1 024,0**	757,1
Continuing operations (excl. once-off acquisition costs) (cents)	**1 055,8**	897,9
Discontinued operations (cents)	**–**	23,2

Diluted earnings and headline earnings per share

The calculation of diluted earnings and diluted headline earnings per share for the year ended 31 March 2016 is based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 155,6 (2015: R1 858,0) million and headline earnings of R2 119,3 (2015: R1 594,2) million divided by the fully diluted weighted average number of ordinary shares as follows:

Weighted average number of ordinary shares as above	**206 964 439**	204 298 519
Number of shares that would have been issued for no consideration	**1 931 826**	1 750 180
Weighted average number of ordinary shares used for dilution	**208 896 265**	206 048 699
Diluted earnings per ordinary share – total (cents)	**1 031,9**	901,7
Continuing operations (incl. once-off acquisition costs) (cents)	**1 031,9**	746,1
Continuing operations (excl. once-off acquisition costs) (cents)	**1 063,4**	885,7
Discontinued operations (cents)	**–**	155,6
Diluted headline earnings per ordinary share – total (cents)	**1 014,5**	773,7
Continuing operations (incl. once-off acquisition costs) (cents)	**1 014,5**	750,7
Continuing operations (excl. once-off acquisition costs) (cents)	**1 046,0**	890,3
Discontinued operations (cents)	**–**	23,0

33. EMPLOYEE BENEFITS

Share incentive schemes

Executive directors and key management personnel of the group participate in its equity-settled share incentive schemes as documented below:

Share appreciation rights (2007 Share Incentive Scheme)

The scheme rules of the 2007 scheme provide that, upon fulfilment of certain performance conditions, the share appreciation rights (SARs) may upon request be converted from the third anniversary of the grant date. Participants are entitled to receive shares in equal value to the growth in the share price on a defined number of shares between the date of grant and the date of conversion. The entitlement to these shares is subject to group performance criteria linked to inflation. All rights expire after six years.

Forfeitable shares (2010 Share Incentive Scheme)

Two forfeitable share (FS) instruments form part of this scheme, namely performance and restricted shares. Performance shares vest after a minimum of three years subject to inflation-linked group performance criteria. Shares lapse after five years if the performance criteria have not been achieved. Restricted shares are issued with the specific objective of improving the retention of key senior talent, while still utilising an instrument that aligns the interests of recipients with that of shareholders.

	2016	2015
Share instruments granted and accepted for the financial year ended 31 March		
10 June 2014 – 2007 Share Incentive Scheme		
Grant Price		R111,10
Expected volatility		26,74%
Expected dividend yield		4,17%
Risk-free interest rate		7,75%
10 June 2014 – 2010 Share Incentive Scheme		
Consideration		nil
Estimated value on grant date		R111,47
Expected volatility		0%
Expected dividend yield		0%
Risk-free interest rate		0%
8 June 2015 – 2007 Share Incentive Scheme		
Grant Price	**R148,15**	
Expected volatility	**28,53%**	
Expected dividend yield	**4,28%**	
Risk-free interest rate	**8,00%**	
8 June 2015 – 2010 Share Incentive Scheme		
Consideration	**nil**	
Estimated value on grant date	**R149,59**	
Expected volatility	**0%**	
Expected dividend yield	**0%**	
Risk-free interest rate	**0%**	

The expected volatilities above were calculated as rolling volatilities matching the expected life of the instrument. TFG's historical daily closing share price was used for the calculation.

The group recognised total expenses of R114,7 (2015: R97,4) million relating to equity-settled share-based payment transactions.

Details of the share instruments outstanding at the end of the year are set out below:

	Number of SARs	
2007 Share Incentive Scheme	**2016**	**2015**
SARs granted, subject to fulfilment of conditions, at 1 April	**2 294 000**	3 571 450
SARs granted during the year subject to fulfilment of conditions	**299 900**	374 000
SARs forfeited during the year	**(1 900)**	(76 900)
SARs delivered during the year	**(90 500)**	(1 574 550)
SARs granted, subject to fulfilment of conditions, at 31 March	**2 501 500**	2 294 000

SARs delivered during the year equates to 27 344 (2015: 836 780) ordinary shares.

	Number of FS	
2010 Share Incentive Scheme	**2016**	**2015**
FS granted, subject to fulfilment of conditions, at 1 April	**2 303 750**	2 085 835
FS granted during the year subject to fulfilment of conditions	**910 200**	1 112 500
FS forfeited during the year	**(46 500)**	(74 000)
FS delivered during the year	**(624 800)**	(820 585)
FS granted, subject to fulfilment of conditions, at 31 March	**2 542 650**	2 303 750

Upon request, SARs in terms of the 2007 scheme may be converted from the following financial years:

Grant date	Price	Year of conversion	Number of SARs
2 June 2010	R64,47	2017	38 000
3 June 2011	R86,62	2017	301 100
19 July 2012	R136,22	2017	431 100
13 June 2013	R96,86	2017	1 057 400
10 June 2014	R111,10	2018	374 000
8 June 2015	R148,15	2019	299 900
			2 501 500

Upon request, FS in terms of the 2010 scheme vest from the following financial years:

Grant date	Price	Year of conversion	Number of FS
13 June 2013	R96,51	2017	629 550
10 June 2014	R111,47	2018	1 001 300
29 January 2015	R165,90	2019	11 800
8 June 2015	R149,59	2020	900 000
			2 542 650

33. EMPLOYEE BENEFITS continued

These schemes are administered by The Foschini Share Incentive Trust, which holds shares in The Foschini Group Limited as follows:

	Number of shares	
	2016	**2015**
Shares held at the beginning of the year	**2 294 000**	3 613 495
Shares purchased during the year	**299 900**	374 000
Shares sold during the year	**(65 056)**	(856 715)
Shares delivered during the year	**(27 344)**	(836 780)
Shares held at the end of the year	**2 501 500**	2 294 000

Retirement funds

TFG Retirement Fund: Defined contribution plan

TFG Retirement Fund, which is governed by the provisions of the Pension Funds Act, No. 24 of 1956, is a defined contribution plan. It provides comprehensive retirement and other benefits for members and their dependants. The employer and the members (including those flexitimer employees who have opted to join the fund in accordance with the provisions of the Labour Relations Act) make equivalent contributions of at least 7,5% of pensionable salary in respect of retirement benefits. In addition, the employer covers death, disability and funeral benefits, reinsurance, administration and management costs for all permanent and flexitimer (2016: 2 497; 2015: 3 023) employees.

An actuarial valuation of the fund was performed at 31 December 2012, in which the valuator reported that the fund was in a sound financial position.

The actuarial valuation as at 31 December 2015 is currently being performed.

Investment Solutions Provident Fund: Defined contribution plan

All employees above an annually determined pensionable salary threshold are required to be members of this fund. The employer contributes 1,5% of employees' pensionable earnings to this fund.

Namflex Pension Fund: Defined contribution plan

All full-time permanent employees in Namibia under normal retirement age are required to be members of the Namflex Pension Fund, whereby the members contribute 7,5% of their pensionable salary towards retirement benefits.

The employer and the members make equivalent contributions in respect of retirement benefits. In addition, the employer covers death, disability and funeral benefits, reinsurance, administration and management costs.

Sibaya Provident Fund: Defined contribution plan

All full-time permanent employees in Swaziland under normal retirement age are required to be members of the Sibaya Provident Fund, whereby members contribute 7,5% of their pensionable salary to this fund.

The employer and the members make equivalent contributions in respect of retirement benefits. In addition, the employer covers death, disability and funeral benefits, reinsurance, administration and management costs.

Alexander Forbes Retirement Fund: Defined contribution plan
All full-time permanent employees in Botswana under normal retirement age are required to be members of the Alexander Forbes Retirement Fund, whereby members contribute 7,5% of their pensionable salary to this fund.

The employer and the members make equivalent contributions in respect of retirement benefits. In addition, the employer covers accidental death and accidental disability benefits, reinsurance, administration and management costs.

Stanbic Pension Fund: Defined contribution plan
All permanent employees in Nigeria under normal retirement age are required to be members of the Stanbic Pension Fund, whereby members contribute 8,0% of their pensionable salary to this fund.

The employer contributes 10,0% of pensionable salary in respect of retirement benefits. In addition, the employer covers death and disability benefits, reinsurance, administration and management costs.

National Pensions Scheme Authority (NAPSA) of Zambia: Defined contribution plan
All permanent employees in Zambia under normal retirement age are required to be members of the NAPSA Pension Fund, whereby members contribute 5,0% of their pensionable salary to this fund.

The employer and the members make equivalent contributions in respect of retirement benefits.

Social Security and National Insurance Trust (SSNIT) and Metropolitan Occupational Pension Scheme (Ghana): Defined Contribution arrangement
All permanent employees in Ghana under normal retirement age are required to be members of both funds:

Tier I: Social Security and National Insurance Trust, whereby members contribute 5,5% and the employer contributes 8,0% of pensionable salary to this fund.

Tier II: Metropolitan Occupational Pension Scheme, whereby the employer contributes 5,0% of pensionable salary to this fund.

In addition, the employer covers administration and management costs.

National Social Security Fund (NSSF)
All permanent employees in Kenya under normal retirement age are required to be members of the National Social Security Fund, whereby members contribute 5,0% of their pensionable salary to this fund.

The employer and the members make equivalent contributions in respect of retirement benefits.

UK retirement funds
All UK-based employees are automatically enrolled in the company's defined contribution pension scheme, underwritten by Scottish Widows, subject to certain limited criteria. As a condition of the company contributing to this scheme, employees are required to make additional personal contributions, but can also choose to opt out of the scheme. For certain employees, the company contributes to a separate personal pension scheme selected by the employee instead.

Outside the UK retirement funds
Outside the UK, the company makes pension contributions to defined contribution schemes in Australia, Switzerland, Germany, Norway and the Netherlands.

33. EMPLOYEE BENEFITS continued
RETIREMENT FUNDS continued

	Number of members		Employer contributions	
	2016	2015	2016 Rm	2015 Rm
Summary per fund:				
TFG Retirement Fund	**14 131**	13 330	**187,9**	164,7
Investment Solutions Provident Fund	**245**	223	**3,4**	3,0
Namflex Pension Fund	**421**	379	**3,4**	2,8
Sibaya Provident Fund	**27**	21	**0,2**	0,2
Alexander Forbes Retirement Fund	**75**	81	**0,7**	0,5
Stanbic Pension Fund	**8**	8	**0,1**	1,7
National Pensions Scheme Authority (NAPSA) of Zambia	**170**	120	**0,5**	0,2
Social Security and National Insurance Trust (SSNIT)	**39**	–	**0,3**	–
National Social Security Fund (NSSF)	**1**	–	**–***	–
	15 117	14 162	**196,5**	173,1

* *Zero as a result of rounding.*

Medical aid

TFG Medical Aid Scheme: Defined contribution plan

The company and its wholly-owned subsidiaries operate a medical aid scheme for the benefit of their permanent South African employees. Membership of the scheme is voluntary, except for senior employees. Permanent employees in Lesotho and Swaziland can also apply to the scheme upon meeting certain criteria.

Total membership currently stands at 2 926 (2015: 2 844) principal members.

These costs are charged against income as incurred and amounted to R50,4 (2015: R49,8) million, with employees contributing a further R50,4 (2015: R48,5) million to the fund.

In respect of the year ended 31 December 2015, the scheme earned contributions of R114,7 million and reflected a net surplus of R39,7 million after the deduction of all expenses. The fund had net assets totalling R110,2 million.

The budgeted projected surplus in respect of the year ending 31 December 2016 is R22,7 million.

Bankmed Medical Aid Scheme: Defined contribution plan

Permanent employees in Namibia are able to take up voluntary membership on Bankmed plans, which offer comprehensive medical cover. Membership is compulsory at more senior grades in the organisation.

These costs are charged against income as incurred and amounted to R0,7 (2015: R0,7) million, with employees contributing a further R0,7 (2015: R0,7) million to the fund. There are currently 36 (2015: 44) members of this fund.

Namibia Health Plan: Defined contribution plan
Permanent employees in Namibia are able to take up voluntary membership on two low-cost plans within the Namibia Health Plan portfolio instead of the Bankmed plans as outlined.

These costs are charged against income as incurred and amounted to R0,4 (2015: R0,0*) million, with employees contributing a further R0,4 (2015: 0,0*) million to the fund. There are currently 88 (2015: 107) members of this fund.

Metropolitan Health Insurance: Defined contribution plan
Metropolitan Health Insurance plans are available to all permanent employees in Ghana. Membership is compulsory at more senior grades in the organisation. The plans offered cater for lower-income earners and 15 (2015: 13) employees are currently members. Costs charged to income total R0,0* (2015: R0,0*) million.

Liberty Blue Medical Aid Scheme: Defined contribution plan
Permanent employees in Nigeria and Zambia are voluntary members of the Liberty Blue Health Scheme.

These costs are charged against income as incurred and amounted to R0,0* (2015: R0,2) million, with employees contributing a further R0,0* (2015: R0,2) million to the fund. There are currently 4 (2015: 23) members of this fund.

Botswana Medical Aid Society (Bomaid): Defined contribution plan
Permanent employees in Botswana are able to take up voluntary membership on two Bomaid plans. Membership is compulsory at more senior grades in the organisation.

These costs are charged against income as incurred and amounted to R0,1 million, with employees contributing a further R0,1 million to the fund. There are currently 10 (2015: nil) members of this fund.

UK medical aid funds
Private health-care cover is also offered to a number of senior employees at the company's cost, giving rise to a taxable benefit for these employees.

Outside the UK medical aid funds
Private health-care cover is provided for all management employees based in the United States of America, whereby the company contributes 75% of the total health-care cost for the employee.

Post-retirement defined medical aid
Qualifying retired employees are entitled to medical aid benefits, which have been fully provided for (refer to note 17).

Other
Group employees and pensioners are entitled to a discount (on selling price) on purchases made at stores within the group.

34. DIRECTORS' REMUNERATION

2016	Fees R'000	Remu-neration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Performance bonus# R'000	Total R'000	IFRS share allocation fair value R'000
Non-executive								
M Lewis	712,5	–	–	–	–	–	712,5	–
D M Nurek**	364,0	–	–	–	–	–	364,0	–
Prof F Abrahams	419,0	–	–	–	–	–	419,0	–
S E Abrahams	477,8	–	–	–	–	–	477,8	–
G H Davin****	202,4	–	–	–	–	–	202,4	–
E Oblowitz	465,8	–	–	–	–	–	465,8	–
N V Simamane	371,8	–	–	–	–	–	371,8	–
B L M Makgabo-Fiskerstrand	368,0	–	–	–	–	–	368,0	–
R Stein*****	275,3	–	–	–	–	–	275,3	–
D Friedland	448,3	–	–	–	–	–	448,3	–
Total	4 104,9	–	–	–	–	–	4 104,9	–
Executive								
A D Murray	–	6 431,9	868,3	428,0	52,8	6 959,7	14 740,7	6 088,6
A E Thunström***	–	2 194,3	296,2	246,1	41,8	2 308,4	5 086,8	829,8
R Stein*****	–	856,3	115,6	82,0	12,5	–	1 066,4	–
P S Meiring******	–	776,8	104,9	82,0	12,5	–	976,2	–
Total	–	10 259,3	1 385,0	838,1	119,6	9 268,1	21 870,1	6 918,4
Total remuneration 2016	4 104,9	10 259,3	1 385,0	838,1	119,6	9 268,1	25 975,0	6 918,4
2015								
Non-executive								
D M Nurek	1 360,0	–	–	–	–	–	1 360,0	–
Prof F Abrahams	408,0	–	–	–	–	–	408,0	–
S E Abrahams	442,0	–	–	–	–	–	442,0	–
M Lewis	268,0	–	–	–	–	–	268,0	–
E Oblowitz	387,0	–	–	–	–	–	387,0	–
N V Simamane	324,0	–	–	–	–	–	324,0	–
B L M Makgabo-Fiskerstrand	317,0	–	–	–	–	–	317,0	–
D Friedland	415,0	–	–	–	–	–	415,0	–
Total	3 921,0	–	–	–	–	–	3 921,0	–
Executive								
A D Murray	–	5 716,5	771,7	401,9	51,0	5 651,3	12 592,4	6 195,6
R Stein	–	3 216,2	434,2	308,1	47,7	2 749,9	6 756,1	2 448,2
P S Meiring	–	2 917,6	393,9	308,1	47,7	12 078,8	15 746,1	2 226,2
Total	–	11 850,3	1 599,8	1 018,1	146,4	20 480,0	35 094,6	10 870,0
Total remuneration 2015	3 921,0	11 850,3	1 599,8	1 018,1	146,4	20 480,0	39 015,6	10 870,0

\# *Performance bonus included in 2016 remuneration is paid in 2017 and accrued in 2016.*
* *Other benefits comprise medical benefits and housing allowance.*
** *D M Nurek resigned 19 June 2015.*
*** *A E Thunström appointed 1 July 2015.*
**** *G H Davin appointed 5 November 2015.*
***** *R Stein retired 30 June 2015, but remains on board in a non-executive capacity.*
****** *P S Meiring retired 30 June 2015.*

A E Thunström joined TFG on 1 February 2015 as CFO-elect and was appointed as an executive director of the group on 1 July 2015. In addition to his remuneration paid for the year under review, he received a once-off payment of R6,5 million as consideration for accepting a service agreement and restraint of trade contract. This amount is not included in the amounts reflected in the table above.

35. RELATED PARTIES

Shareholders

An analysis of the principal shareholders of the company is provided in Appendix 1. For details of directors' interests, refer to note 11.

Subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into transactions. These intra-group transactions have been eliminated on consolidation.

Other related parties

The Foschini Group Retirement Fund

The Foschini Group Retirement Fund is administered by Foschini Retail Group Proprietary Limited, a subsidiary of The Foschini Group Limited.

	2016 Rm	2015 Rm
Administration fee earned from The Foschini Group Retirement Fund	**3,4**	3,2

A non-executive director of The Foschini Group Limited (Mr R Stein) is also a trustee of The Foschini Group Retirement Fund.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 34.

Interest of directors in contracts

No directors have any interests in contracts that are in contravention of section 75 of the Companies Act, No. 71 of 2008, of South Africa. Executive directors are bound by service contracts.

Loans to directors

No loans have been made to directors.

Employees

Remuneration paid to key management personnel other than the executive directors is as follows:

Short-term employee benefits		
Remuneration	**150,9**	132,4
Performance bonus	**41,8**	40,9
Travel allowance	**23,7**	20,5
Post-employment benefits		
Pension fund	**20,4**	17,6
Other long-term benefits		
Other benefits	**8,4**	2,0
Share-based payments		
Fair value of share instruments granted	**81,8**	45,0
Restraint of trade payments	**5,1**	11,8
Total remuneration	**332,1**	270,2

Refer to note 34 for further disclosure regarding remuneration paid to executive directors of the company.

	2016 Rm	2015 Rm
36. CASH GENERATED FROM OPERATIONS		
Operating profit before working capital changes		
Profit before tax	**3 021,2**	2 286,6
Finance costs	**509,0**	228,1
Operating profit before finance charges	**3 530,2**	2 514,7
Adjustments for:		
Interest income – sundry	**(22,3)**	(30,0)
Non-cash items	**619,3**	562,7
Depreciation and amortisation	**464,7**	428,1
Operating lease liability adjustment	**16,9**	15,9
Share-based payments	**114,7**	97,4
Post-retirement defined benefit medical aid movement	**12,9**	12,2
Foreign currency translation reserve movement	**1,4**	(4,8)
Profit on disposal of investment	**(1,1)**	–
Cash-settled share incentive scheme	**7,7**	0,7
Loss on disposal of property, plant and equipment	**7,1**	13,5
Profit on disposal of property, plant and equipment	**(5,0)**	(0,3)
	4 127,2	3 047,4
Changes in working capital		
Inventory	**(1 092,0)**	(754,8)
Trade and other receivables	**(534,2)**	(459,6)
Trade and other payables	**116,8**	216,0
	(1 509,4)	(998,4)
Cash generated from operations	**2 617,8**	2 049,0
37. TAXATION PAID		
Balance at beginning of the year	**(13,4)**	(59,4)
Current tax for the year recognised in profit or loss	**(968,4)**	(782,8)
Addition through business combination	**–**	35,5
Foreign exchange movements	**4,1**	1,0
Current tax effect of other items in equity	**32,2**	26,6
Balance at end of the year	**23,7**	13,4
	(921,8)	(765,7)
38. DIVIDENDS PAID		
Dividends paid during the year	**(1 327,2)**	(1 146,9)
Dividends paid by subsidiary to non-controlling interest	**(0,4)**	–
Scrip distribution: share capital issued and share premium raised	**579,8**	–
	(747,8)	(1 146,9)

39. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

39.1 TFG Foundation

The TFG Foundation is an unconsolidated structured entity of the group. The trust earns dividends and interest from investments held in the trust. The funds earned are disbursed to a number of non-profit organisations (NPOs)/non-governmental organisation (NGOs) across South Africa. The TFG Foundation disbursed funds totalling R7,0 (2015: R8,6) million across 49 (2015: 46) organisations nationally this past year. The group is not required to provide any financial assistance. There is no loan or receivable outstanding between the trust and the group at year end.

39.2 The Feel Good Project

The project is run in partnership with one of our long-standing NPO partners, Learn 2 Earn, and aims to create opportunities for employment in the South African retail sector. The project generated R12,4 (2015: R10,4) million turnover in the current financial year, which is used to fund the project. The group is not required to provide any financial assistance. There is no loan or receivable outstanding between Learn 2 Earn and the group at year end.

39.3 Insurance Cell Captives

The group is involved with unconsolidated structured entities through cell captives administered by Guardrisk Insurance Company Limited, Guardrisk Life Limited and Mutual and Federal Risk Financing Limited (in South Africa). The entities' purpose is to provide short-term and long-term insurance products to the account holders of the group.

Contractually, the group will be required to recapitalise the cell in the event that the cell does not meet the minimum solvency and liquidity requirements. The maximum potential future loss associated with the cell captives is potentially unlimited by the nature of the agreement in the event the cell does not meet its solvency requirements. This may take the form of a capital contribution, subordinated loans, a guarantee or suretyship. The cell captives have retained earnings of R146,1 (2014: R127,1) million.

	2016 Rm	2015 Rm
Total assets of cell captive	**190,9**	186,6
Total liabilities of cell captive	**(45,4)**	(58,9)

40. INSURANCE RECEIVABLE

Balance at 1 April	**127,7**	119,5
Increase in working capital of cell captive receivable	**115,2**	111,2
Dividends received	**(97,4)**	(103,0)
	145,5	127,7

41. CHANGE IN ESTIMATE

Property, plant and equipment

As required by IAS 16, the group reassessed the useful lives of its property, plant and equipment during the year. The group determined that certain asset categories generally had longer useful lives than was being used for depreciation purposes. In the current year, management revised certain useful lives of shopfittings assets from five years to seven years in accordance with IAS 8, effective 1 April 2015.

The change in estimate results in a (decrease) increase in the depreciation expense for the current and future years as disclosed below:

Financial year	(Decrease) increase in depreciation for the year ended 31 March
2016	(115,2)
2017	(69,6)
2018	(12,7)
2019	37,6
2020	75,0
2021	64,9
2022	20,0

42. BUSINESS ACQUISITIONS DURING THE YEAR

42.1 Colette acquisition

With effect from 2 August 2015, the group acquired six Colette franchise stores in South Africa. These stores will be managed within the Foschini division.

Fair value of assets and liabilities assumed through this business combination:

	Rm
Property, plant and equipment	**7,0**
Inventory	**2,0**
Total identifiable assets	**9,0**
Trade and other payables	**(0,2)**
Total identifiable net assets	**8,8**
Intangible asset	**6,2**
Total purchase price	**15,0**

42.2 Whistles acquisition

On 23 March 2016, the group acquired 100% of Whistles Holdings Limited, which trades as Whistles.

The acquisition was funded through cash resources. The acquisition of Whistles was at an enterprise value of GBP8,8 million (ZAR191,1 million), with an equity value of GBP4,6 million (ZAR100,8 million) after taking into account net debt. The acquisition was converted using a ZAR:GBP exchange rate of R21,78 at the relevant transaction date.

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

The provisional values are presented below:

	Rm	£m
Non-current assets	**159,5**	**7,3**
Property, plant and equipment	116,2	5,3
Deferred tax	7,4	0,3
Intangible assets	35,9	1,7
Current assets	**274,0**	**12,5**
Inventory	157,8	7,2
Other receivables and prepayments	116,2	5,3
Non-current liabilities	**6,5**	**0,3**
Deferred tax	6,5	0,3
Current liabilities	**326,2**	**14,9**
Interest-bearing debt	90,4	4,1
Trade and other payables	199,2	9,1
Bank overdraft	36,6	1,7
Total identifiable net assets at fair value	**100,8**	**4,6**
Goodwill arising from acquisition	–	–
Purchase consideration	**100,8**	**4,6**
Cash and cash equivalents acquired (bank overdraft)	36,6	1,7
Cash outflow on acquisition	**137,4**	**6,3**

No goodwill has arisen from the acquisition and the Whistles brand amounting to GBP1,7 million (R35,9 million) has been recognised as an intangible asset at acquisition. The acquisition was supported by their strong brand equity, unique product proposition and clear growth opportunities. Once-off acquisition costs of R65,9 million related to the acquisition have been expensed in the current year. For the purpose of comparability, headline earnings per share from continuing operations excluding these once-off acquisition costs has been calculated. No profit or loss has been included within the group's results in the current financial year.

43. PRIOR YEAR ACQUISITIONS AND DISPOSALS

43.1 Acquisition of Phase Eight

On 15 January 2015, the group acquired c.85% of Poppy Holdco Limited, which trades as Phase Eight, with the remaining c.15% shareholding owned by management. Through put/call arrangements, the group has the right to acquire and management has the right to sell all shares held by management in three equal tranches on the earlier of (i) the publication of the audited accounts of the group for each of the fourth, fifth and sixth years following completion of the acquisition or (ii) six months following the fourth, fifth and sixth-year anniversaries of completion of the acquisition. As these put/call arrangements are a consequence of the business combination, they are accounted for as a financial liability. Accordingly, no non-controlling interest is recorded. In addition, a cash-settled equity instrument was issued to the employees of the acquired group. The cash-settled share-based payments is treated in accordance with IFRS 2.

The acquisition was fully hedged and converted using a ZAR:GBP exchange rate of R18,29 being the relevant hedged rate. The acquisition of Phase Eight was at an enterprise value of GBP238 million (ZAR4 353 million), with an equity value of GBP159,0 million (ZAR2 908,6 million) after taking into account net debt and related adjustments.

The at-acquisition GBP values have been translated at the closing exchange rate at 15 January 2015 of GBP1:R17,50. These results include two months of Phase Eight trading.

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

The at-acquisition values are presented below:

	Rm	£m
Non-current assets	**1 814,2**	**103,7**
Property, plant and equipment	276,6	15,8
Intangible assets	1 537,6	87,9
Current assets	**858,8**	**49,0**
Inventory	274,7	15,7
Other receivables and prepayments	216,9	12,4
Tax receivable	35,5	2,0
Cash	331,7	18,9
Non-current liabilities	**1 970,6**	**112,6**
Interest-bearing debt	1 658,8	94,8
Deferred tax	307,5	17,6
Put option liability	4,3	0,2
Current liabilities	**409,6**	**23,4**
Trade and other payables	375,1	21,4
Provisions	34,5	2,0
Total identifiable net assets at fair value	**292,8**	**16,7**
Goodwill arising from acquisition	2 615,8	142,3
Purchase consideration	**2 908,6**	**159,0**
Purchase consideration transferred	2 783,3	159,0
Cost of hedging instrument	125,3	–
Cash and cash equivalents acquired	(331,7)	(18,9)
Cash outflow on acquisition	**2 576,9**	**140,1**

Goodwill of GBP142,3 million (R2,6 billion) and the Phase Eight brand amounting to GBP87,9 million (R1,5 billion) have 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. Once-off acquisition costs related to the acquisition of R292,4 million have been expensed in the prior year.

43.2 Disposal of discontinued operations (RCS Group)

As was announced on SENS on 10 April 2014, the group, together with The Standard Bank of South Africa Limited, entered into agreements, which resulted in BNP Paribas Personal Finance SA becoming the 100% shareholder of the RCS Group. Accordingly, the RCS Group was treated as a discontinued operation in terms of IFRS 5 for the year ended 31 March 2014. The closing date of the transaction was 6 August 2014 and the effective date was 30 June 2014. TFG's share of the proceeds was R1,4 billion. For the period 1 April 2014 to 30 June 2014, the RCS Group has been disclosed as a discontinued operation, and the profit on disposal of the RCS Group has been disclosed separately from continuing operations.

	2016 Rm	2015 Rm
INCOME STATEMENT*		
Interest income	–	298,2
Other income	–	164,5
Total credit income	–	462,7
Net bad debt	–	(111,1)
Operating costs	–	(166,6)
Operating profit before finance costs	–	185,0
Finance costs	–	(65,0)
Profit before tax	–	120,0
Income tax expense	–	(33,8)
Profit from discontinued operations	–	86,2
Profit on disposal of discontinued operations	–	273,2
Profit for the year	–	359,4
CASH FLOW STATEMENT		
Net cash outflows from operating activities	–	(45,2)
Net cash outflows from investing activities	–	(4,9)
Net cash inflows from financing activities	–	41,4
	–	(8,7)

* *Year ended 31 March 2015 represents three months of trading prior to the disposal of the RCS Group.*

44. RECLASSIFICATION OF PROPERTY, PLANT AND EQUIPMENT TO GOODWILL AND INTANGIBLE ASSETS

The group previously accounted for software under property, plant and equipment. In order to provide a more detailed disclosure, software in property, plant and equipment with a net book value of R271,8 million (2015) and R226,5 million (2014) has subsequently been reclassified to goodwill and intangible assets.

The reclassification had no effect on basic or headline earnings per share, or on diluted basic or diluted headline earnings per share.

The effect of the change is as follows:

	31 March 2014 As reported	31 March 2014 Adjustment	31 March 2014 As restated
Property, plant and equipment	1 696,1	(226,5)	1 469,6
Goodwill and intangible assets	63,4	226,5	289,9

	31 March 2015 As reported	31 March 2015 Adjustment	31 March 2015 As restated
Property, plant and equipment	2 197,0	(271,8)	1 925,2
Goodwill and intangible assets	4 365,2	271,8	4 637,0

45. ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the adoption of the following new or revised standards.

IAS 19 Employee Benefits: Defined benefits plan (Employee Contributions)
During the current year the group adopted amendments to IAS 19 Defined Benefit Plans: Employee Contributions.

The amendments introduce relief that reduced the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted but not required to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The adoption of the amendments had no material effect on these financial statements.

Annual Improvements 2010-12 cycle
During the current year, the group adopted the annual improvements 2010-12 cycle.

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosure

The adoption of the amendments had no material effect on these financial statements.

Annual Improvements 2011-13 cycle
During the current year, the group adopted the annual improvements 2011-13 cycle.

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The adoption of the amendments had no material effect on these financial statements.

46. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS

There are standards and interpretations in issue that are not yet effective. These include the following standards and interpretations that are applicable to the group and may have an impact on future financial statements:

Annual Improvements 2012-14 cycle

The annual improvements 2012-14 cycle will be adopted by the group for the first time for its financial reporting period ending 31 March 2017.

- IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosure
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The group is in the process of assessing the overall impact of these amendments on these financial statements.

IFRS 9 Financial Instruments

IFRS 9 will be adopted by the group for the first time for its financial reporting period ending 31 March 2019. The amendments to the standards will be applied retrospectively subject to transitional provisions.

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The group is in the process of assessing the overall impact the new standard will have on these financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will be adopted by the group for the first time for its financial reporting period ending 31 March 2019. The amendments to the standard will be applied retrospectively subject to transitional provisions.

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The group is in the process of assessing the overall impact the new standard will have on these financial statements.

IFRS 16 Leases

IFRS 16 will be adopted by the group for the first time for its financial reporting period ending 31 March 2020. The amendments to the standard will be applied retrospectively subject to transitional provisions.

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees, which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The group is in the process of assessing the overall impact the new standard will have on these financial statements.

THE FOSCHINI GROUP LIMITED

APPENDIX 1: COMPANY FINANCIAL STATEMENTS

AT 31 MARCH

STATEMENT OF FINANCIAL POSITION: COMPANY

	Note	2016 Rm	2015 Rm
ASSETS			
Non-current assets			
Interest in subsidiaries	2	**34 078,6**	41 264,0
		34 078,6	41 264,0
Current assets			
Interest in subsidiaries	2	**27,5**	50,9
Other receivables		**5,9**	0,2
Cash		**1,0**	108,6
		34,4	159,7
Total assets		**34 113,0**	41 423,7
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**3,1**	3,1
Share premium		**1 078,5**	498,7
Dividend reserve	13	**829,1**	685,8
Revaluation reserve		**30 459,6**	38 101,4
Distributable reserve		**441,1**	834,1
		32 811,4	40 123,1
Current liabilities			
Other payables		**7,7**	6,2
Taxation payable		**1,7**	2,2
Interest in subsidiaries	2	**1 292,2**	1 292,2
		1 301,6	1 300,6
Total equity and liabilities		**34 113,0**	41 423,7
Guarantee			
The company has guaranteed the overdraft facilities of subsidiary companies. The amounts utilised amounted to:		**5 852,0**	4 754,0

THE FOSCHINI GROUP LIMITED

APPENDIX 1: COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

INCOME STATEMENT: COMPANY

	2016 Rm	2015 Rm
Profit before taxation*	**1 091,4**	3 435,4
Taxation – current year	**(7,2)**	(21,8)
Profit attributable to ordinary shareholders	**1 084,2**	3 413,6
* After taking account of:		
Dividend income – subsidiary companies	**1 099,6**	3 371,9

STATEMENT OF COMPREHENSIVE INCOME: COMPANY

	2016 Rm	2015 Rm
Profit attributable to ordinary shareholders	**1 084,2**	3 413,6
Fair value (loss) gain on revaluation of interest in subsidiaries	**(7 641,8)**	14 313,3
Total comprehensive (loss) income for the year	**(6 557,6)**	17 726,9

STATEMENT OF CHANGES IN EQUITY: COMPANY

	2016 Rm	2015 Rm
Equity at the beginning of the year	**40 123,1**	24 875,6
Total comprehensive income for the year	**(6 557,6)**	17 726,9
Repurchase of shares	**–**	(1 294,5)
Cancellation of issued shares	**–**	(0,1)
Loss on cancellation of shares purchased from subsidiary	**–**	(1 294,4)
Cancellation of issued share capital	**–**	1 294,5
Scrip distribution: share capital issued and share premium raised	**579,8**	–
Dividends paid	**(1 333,9)**	(1 184,9)
Equity at the end of the year	**32 811,4**	40 123,1

NOTES TO THE FINANCIAL STATEMENTS

1. The company financial statements were prepared using the accounting policies disclosed in note 1 of the group consolidated annual financial statements to the extent relevant and where indicated elsewhere. Investments are only applicable to the company financial statements. Fair value gains or losses on the revaluation of interest in subsidiaries are recognised in OCI. Note references to the group consolidated financial statements are equally applicable to the company financial statements where indicated. A copy of the full set of financial statements is available at the company's registered office on request.

2. SUBSIDIARY COMPANIES

Name of subsidiary	Notes	Issued share capital R	2016 Fair value Rm	2015 Fair value Rm	2016 Indebtedness Rm	2015 Indebtedness Rm
Subsidiaries						
Customer Arrear Solutions (Pty) Ltd.	2	18 200	**–**	–	**–**	–
Dress Holdco A Limited	10	31 894 676	**3 315,0**	2 908,6	**–**	–
Fashion Retailers (Pty) Ltd.	4	250 006	**0,2**	0,2	**–**	–
Fashion Retailers (Zambia) Limited	6, 13	75	**–**	–	**24,0**	24,0
Foschini Finance (Pty) Ltd.	2	6	**–**	–	**–**	–
Foschini (Lesotho) (Pty) Ltd.	7	1 000	**–**	–	**–**	–
Foschini Nigeria Limited	8,13	2 840 909	**2,8**	2,8	**3,2**	26,9
Foschini Retail Group (Pty) Ltd.	2, 3, 13	2	**102,5**	102,5	**185,6**	136,6
Foschini Services (Pty) Ltd.	2	10	**–**	–	**–**	–
Foschini Stores (Pty) Ltd.	2, 12	1	**–**	–	**(1 291,3)**	(1 291,3)
Foschini (Swaziland) (Pty) Ltd.	5	2	**–**	–	**–**	–
Markhams (Pty) Ltd.	2	1	**–**	–	**–**	–
Pienaar Sithole and Associates (Pty) Ltd.	2	100	**–**	–	**–**	–
Prestige Clothing (Pty) Ltd.	2	10	**–**	–	**–**	–
TFG Apparel Supply Company (Pty) Ltd.	2	1	**–**	–	**–**	–
The Foschini Group Ghana Limited	9	10 746 800	**10,7**	10,7	**–**	–
The Foschini Group Kenya Limited	11, 13	199 407	**1,0**	–	**0,3**	–
What U Want To Wear (Pty) Ltd.	2	66 200	**0,1**	0,1	**–**	–
Total trading subsidiaries at cost			**3 432,3**	3 024,9	**(1 078,2)**	(1 103,8)
Other at cost*			**1,1**	1,1	**(0,9)**	(0,9)
Adjustment to fair value			**30 459,6**	38 101,4	**–**	–
Total			**33 893,0**	41 127,4	**(1 079,1)**	(1 104,7)
Summary						
Investment in shares at fair value					**33 893,0**	41 127,4
Amounts owing by subsidiaries – non-current portion					**185,6**	136,6
Total non-current portion					**34 078,6**	41 264,0
Amounts owing by subsidiaries – current portion					**27,5**	50,9
Amounts owing to subsidiaries – current portion					**(1 292,2)**	(1 292,2)
Total interest in subsidiaries					**32 813,9**	40 022,7

Notes

1. The company owns, directly or indirectly, all the ordinary shares in the subsidiaries listed above.
2. Incorporated in South Africa.
3. Included is an amount of R102,5 (2015: R102,5) million representing the fair value of 102 500 R1 preference shares issued on 28 February 2002. The directors' valuation thereof at 31 March 2016 is R102,5 (2015: R102,5) million.
4. Incorporated in Namibia.
5. Incorporated in Swaziland.
6. Incorporated in Zambia.
7. Incorporated in Lesotho.
8. Incorporated in Nigeria.
9. Incorporated in Ghana.
10. Incorporated in the United Kingdom.
11. Incorporated in Kenya.
12. The loan from subsidiary is unsecured, interest-free and no fixed date for repayment has been determined.
13. The loan to subsidiary is unsecured, bears interest at rates determined from time to time and no fixed date for repayment has been determined. By mutual agreement, the loan will not be repayable within the next 12 months.

* *A schedule of these details is available on request.*

Earnings of subsidiaries

The total profit (losses) of consolidated subsidiaries after elimination of intra-group transactions, are as follows:

	2016 Rm	2015 Rm
Profits	**2 170,6**	1 944,6
Losses	**(15,0)**	(133,6)#
Net consolidated profit after taxation	**2 155,6**	1 811,0

These relate primarily to the once-off acquisition costs relating to the Phase Eight Acquisition.

3. RELATED-PARTY INFORMATION

Loans to and from related parties are disclosed in note 2.

Interest was received from the following related parties:		
Foschini Retail Group (Pty) Ltd	**24,6**	68,7
	24,6	68,7
Dividends were received from the following related parties:		
Fashion Retailers (Pty) Ltd	**–**	20,0
Foschini Finance (Pty) Ltd	**12,0**	15,0
Foschini Retail Group (Pty) Ltd	**1 050,0**	1 850,0
Foschini Stores (Pty) Ltd	**6,7**	39,6
Customer Arrear Solutions (Pty) Ltd	**23,7**	1 441,8
What U Want To Wear (Pty) Ltd	**1,1**	–
Pienaar Sithole and Associates (Pty) Ltd	**0,4**	–
	1 093,9	3 366,4
Preference dividends were received from the following related party:		
Foschini Retail Group (Pty) Ltd	**5,7**	5,5
Dividends were paid to the following related parties:		
Foschini Stores (Pty) Ltd	**6,6**	38,1
	6,6	38,1

Also refer to note 35 for related-party disclosure.

THE FOSCHINI GROUP LIMITED
APPENDIX 2: SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 1 April 2016.

SPREAD ANALYSIS	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	4 951	65,4	1 603 054	0,7
1 001 – 10 000 shares	1 764	23,3	5 165 481	2,4
10 001 – 100 000 shares	613	8,1	20 117 120	9,3
100 001 – 1 000 000 shares	206	2,7	63 859 979	29,7
1 000 001 shares and over	38	0,5	124 605 251	57,9
	7 572	100,0	215 350 885	100,0

DISTRIBUTION OF SHAREHOLDINGS

CATEGORY	Number of shares held	% of shares in issue
Unit trusts/mutual funds	70 984 153	33,0
Pension funds	68 747 631	31,9
Private investor	20 540 750	9,5
Other managed funds	15 921 988	7,4
Sovereign wealth	12 058 418	5,6
Insurance companies	6 136 879	2,9
Custodians	5 797 125	2,7
Employees	5 035 150	2,3
Trading position	3 000 829	1,4
Exchange-traded fund	2 669 601	1,2
Hedge fund	1 654 437	0,8
Corporate holding	1 070 624	0,5
Other	1 733 300	0,8
	215 350 885	100,0

BENEFICIAL SHAREHOLDINGS GREATER THAN 3%

Beneficial interests, direct and indirect, as per share register and information supplied by nominee companies as at 1 April 2016.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	35 346 900	16,4
Lewlef Investments (Pty) Ltd	9 652 445	4,5
	44 999 345	20,9

FUND MANAGERS' HOLDINGS GREATER THAN 3%

According to disclosures made, the following fund managers administered client portfolios, which included more than 3% of the company's issued shares.

	Holding	% of shares in issue
Coronation Asset Management (Pty) Ltd	41 575 049	19,3
Government Employees Pension Fund (PIC)	28 064 929	13,0
Sanlam Investment Management (Pty) Ltd (SIM)	12 053 243	5,6
Old Mutual PLC	6 768 668	3,2
	88 461 889	41,1

SHAREHOLDING SPREAD

CATEGORY	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	7 253	95,8	196 717 126	91,3
Directors	7	0,1	12 890 699	6,0
Trust	1	–	2 150 586	1,0
Subsidiary	1	–	1 049 824	0,5
Employees of TFG	310	4,1	2 542 650	1,2
	7 572	100,0	215 350 885	100,0

THE FOSCHINI GROUP LIMITED

APPENDIX 3: DEFINITIONS

Concession arrangement	In addition to their own stand-alone stores, our international division operates through concession arrangements with key department store partners from whom they occupy an agreed floor space area (referred to as "mat") dedicated to their product
COSO	Committee of Sponsoring Organisations
Current ratio	Current assets divided by current liabilities
Debt to equity ratio	Net borrowings expressed as a percentage of total equity
Dividend cover	Basic earnings per share divided by dividend declared
Doubtful debt provision as a % of debtors' book	Provision for doubtful debts expressed as a percentage of gross receivables
EBITDA	Earnings before finance costs, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance costs
Finance charge cover	Operating profit before finance charges divided by finance costs
Gross square metres	Comprises the total leased store area including stock rooms
Headline earnings	Net income attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items
Headline earnings – adjusted	Headline earnings adjusted for the impact of once-off acquisition costs incurred
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
LSM	Refers to the SAARF Universal Living Standards Measure, which is a unique means of segmenting the South African market by dividing the population into 10 LSM groups, 1 (lowest) to 10 (highest)
Market capitalisation	The market price per share at the year end multiplied by the number of ordinary shares in issue at the year end
Net bad debt and provision movement	VAT-exclusive bad debts including provision movement, net of recoveries
Net bad debt write-off – retail	VAT-inclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off as a % of credit transactions	Net bad debt write-off expressed as a percentage of credit transactions
Net bad debt write-off as a % of debtors' book	Net bad debt write-off expressed as a percentage of gross receivables
Net borrowings	Interest-bearing debt and non-controlling interest loans reduced by preference share investment (where relevant) and cash
Non-recourse debt	Debt where lenders cannot seek compensation from TFG parent companies, their sponsors or guarantors, and is typically debt raised by our international companies
Omnichannel	Describes multichannel retailing (e-commerce, online sales, mobile application sales)
Operating margin	Operating profit before finance charges expressed as a percentage of retail turnover
Operating profit	Profit earned from normal business operations
Overdue values as a % to debtors' book	Overdue portion of debtors at statement month end as a percentage of debtors' book
Outlets	Our international division trades through a combination of stand-alone stores and concession arrangements resulting in their operations being referred to as outlets rather than the traditional stores
Recourse debt	Recourse debt is amounts owing to TFG companies in Africa (excluding our international subsidiaries) where the lenders have the ability to claim for damages from the borrower's parent, sponsor or guarantor
Recourse debt to equity ratio	Recourse debt reduced by preference share investment (where relevant) and cash expressed as a percentage of total equity
Return on capital employed (ROCE)	Earnings before interest and tax (EBIT)/capital employed
Same store	Stores which have traded out of the same trading area for the full current and previous financial years
Tangible net asset value per ordinary share	Total net asset value, after non-controlling interest, excluding goodwill and intangible assets, divided by the net number of ordinary shares in issue at the year end
Trading expenses	Trading expenses are costs incurred in the normal course of business, and includes, among others, depreciation and amortisation, employee costs, occupancy costs, net bad debt and other operating costs

ADMINISTRATION

The Foschini Group Limited
Registration number 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

Registered office
Stanley Lewis Centre
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South Africa

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Telephone +27(0) 21 938 1911

Company Secretary
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South Africa
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South Africa

Sponsor
UBS South Africa Proprietary Limited
64 Weirda Road East, Weirda Valley
Sandton 2196
South Africa

Auditors
KPMG Inc.

Attorneys
Edward Nathan Sonnenbergs Inc.

Principal banker
FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
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SHAREHOLDERS' CALENDAR

Financial year end	31 March 2016
Integrated report publication date	18 July 2016
Annual general meeting (79th)	6 September 2016
Interim profit announcement (2017)	10 November 2016
Upcoming distribution payments	
Ordinary	– final 2016 July 2016
	– interim 2017 January 2017
Preference	– interim 2017 September 2016
	– final 2017 March 2017

Queries regarding this report to be addressed to:
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Email: company_secretary@tfg.co.za

@home
THE HOMEWARE STORE

@homelivingspace
THE HOMEWARE STORE

AMERICANSWISS

CHARLES & KEITH

colette
by colette hayman

DONNACLAIRE

DUESOUTH

EXACT

Fabiani.

THE FIX

FOSCHINI

G-STAR RAW

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MARKHAM

MAT & MAY

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Phase Eight

SODA

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TOTALSPORTS

WHISTLES