TFG

2020

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March

SALIENT FEATURES

+3,6%

GROUP REVENUE

Group revenue up 3,6% to R38,5 billion

-1,1%

HEADLINE EARNINGS PER SHARE

Headline earnings per share down 1,1% to 1 174,4 cents per share

+3,6%

GROUP RETAIL TURNOVER

Group retail turnover up 3,6% to R35,3 billion

-7,6%

BASIC EARNINGS PER SHARE

Basic earnings per share down 7,6% to 1 056,2 cents per share

8,4%

GROUP ONLINE TURNOVER

Group online turnover now contributes 8,4% to Group retail turnover with strong growth for TFG Africa and TFG Australia at 47,9% (ZAR) and 30,6% (A$) respectively

-4,1%

OPERATING PROFIT

Operating profit before finance costs down 4,1% to R4,7 billion

52,7%

GROSS MARGIN

Gross margin intact at 52,7% (March 2019: 53,6%)

92,2%

FREE CASH FLOW

Free cash flow of R2,3 billion generated, equal to 92,2% of net profit after tax

44,8%

TRADING EXPENSE MARGIN

Trading expense margin improved to 44,8% from 45,3% in the prior year

FINAL DIVIDEND

No final dividend has been declared (March 2019: 450,0 cents per share)

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

Commentary

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DECISIVE ACTION TO RESPOND TO COVID-19 - REACT, PROTECT AND RESTORE

The Group delivered a solid resilient performance for the financial year, in a constrained global economic environment where our consumers continue to experience significant economic pressure. As mentioned in our trading update, released on SENS on 15 May 2020, the impact of the global COVID-19 pandemic was felt across all our operations since the beginning of March, with a significant impact on turnover in the second half of March due to the introduction of stringent lockdown measures.

In TFG Africa, c.80% of the stores re-opened from 1 May 2020, with all stores adhering to strict COVID-19 safety protocols. Performance was strong in May and TFG Africa achieved turnover growth of 0,6%, notwithstanding the fact that 447 jewellery stores were still closed during the month due to the prevailing lockdown restrictions. As from 1 June 2020 all stores have now re-opened.

In TFG Australia, the re-opening of outlets commenced in the beginning of May, with all outlets re-opened by the end of May. In TFG London outlets re-opened in a phased manner from 15 June 2020.

Across all three territories, strong online trading continues.

We expect that material uncertainty, trading disruption and risk will continue in all three of our major territories - South Africa, the United Kingdom and Australia. In responding to the crisis we have reacted in a swift and decisive manner and have taken a number of preemptive measures, as outlined previously in our trading update, so as to protect our staff, customers and business. Additionally, we have reduced non-essential expenditure, managed our working capital appropriately and enhanced our banking facilities.

FINANCIAL PERFORMANCE

After a strong 11-month performance to February 2020, retail turnover for the 12 months to March 2020 grew by 3,6% to R35,3 billion, with cash sales increasing by 5,9% and credit sales decreasing by 2,5%. The contribution of cash sales to Group turnover for the year ended March 2020 increased to 74% (March 2019: 72%), in line with the Group's strategy to curtail credit sales in the prevailing economic environment.

Gross margin for the Group contracted marginally to 52,7% from 53,6% in the prior year, with weak trade in March the main contributor to the movement.

The Group continued to improve expense control through targeted initiatives, including the successful delivery of some of the streams of its previously announced back office business optimisation program. This enabled the Group's trading expense margin to reduce to 44,8% from 45,3% at the previous year-end.

Earnings per share and headline earnings per share decreased by 7,6% and 1,1% respectively.

FINANCIAL POSITION

The Group generated free cash flow for the year of R2,3 billion, the equivalent of 92,2% of net profit after tax (March 2019: 85% of net profit after tax). This continued improvement in free cash flow conversion reflects largely TFG's ongoing focus on working capital management.

Capital expenditure of R1,1 billion was incurred, with 69% spent on expansionary capex. TFG was already well invested in key strategic initiatives going into COVID-19 and although capital expenditure is being curtailed in FY2021, we will continue to prioritise investments which contribute to our successful e-commerce platforms and digital transformation initiatives that enhance customer experience and reduce the cost of doing business; and increase our own local, quick response manufacturing capacity.

As mentioned in our SENS announcement on 15 May 2020, TFG has secured additional committed facilities (now at R3,3 billion) over and above its existing funding lines, as well as the waiving of covenant testing in September 2020 and the resetting of covenants for March 2021. At 31 March 2020, TFG met its banking covenants for all facilities.

Notwithstanding the above measures, we believe significant uncertainty and risk will continue in our core markets. The Supervisory Board and management believe it is prudent and necessary to reduce our financial indebtedness now. This will allow TFG to strengthen its relative position through the recovery and insulate the balance sheet against potential future shocks while at the same time positioning itself for future growth and opportunities.

PROPOSED FULLY UNDERWRITTEN RENOUNCEABLE RIGHTS OFFER

For the reasons stated in the preceding paragraph TFG intends seeking shareholder approval to implement a fully underwritten, renounceable rights offer ("Proposed Rights Offer") to raise targeted gross proceeds of up to R3,95 billion.

The size of the Proposed Rights Offer has been informed by an extensive scenario planning exercise and the intention is to use the net proceeds to:

- reduce debt and insulate the balance sheet, ahead of what is expected to be a sustained period of economic uncertainty;
- pursue TFG's organic growth strategy and further leverage TFG's existing brands to gain market share;
- continue to invest in the retail platform and TFG's digital transformation journey, particularly in its e-commerce offering; and
- ensure the Group has the ability to take advantage of market opportunities in line with its current strategy and which meet its investment criteria.

TFG has entered into a standby underwriting agreement with a syndicate of banks ("Syndicate") comprising three of our largest lenders, pursuant to which the Syndicate has agreed, subject to customary terms and conditions, to fully underwrite the Proposed Rights Offer.

TFG has also held constructive engagements with its major shareholders in relation to the Proposed Rights Offer and has received indications of support for the resolutions required to implement the Proposed Rights Offer.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Shareholders are referred to the results presentation and circular convening an extraordinary general meeting of the shareholders to vote on the resolutions required to implement the Proposed Rights Offer published today on TFG's website. The extraordinary shareholders meeting will be held on 16 July 2020 at 08:30 and will be conducted entirely by electronic communication as detailed in the circular.

The record date for purposes of determining which shareholders are entitled to participate in and vote at the extraordinary general meeting is Friday, 10 July 2020. The last date to trade in order to be eligible to vote is Tuesday 7 July 2020.

SEGMENTAL PERFORMANCE

Across the Group's three business segments (TFG Africa, TFG London and TFG Australia), turnover performance was strong relative to market conditions and peer groups. TFG Africa achieved turnover growth of 3,3% and comparable turnover growth of 1,5% (ZAR), while TFG Australia performed above expectation with turnover growth of 9,6% and comparable turnover growth of 2,8% (A$). TFG London's turnover decreased by 4,5% (£), a performance that was expected in tough market conditions.

Within TFG Africa, turnover growth in the various merchandise categories was as follows:

Merchandise category	Total turnover growth	Comparable turnover growth	Contribution to TFG Africa turnover
Clothing	3,9%	1,9%	72,4%
Homeware	5,2%	2,8%	7,3%
Cosmetics	(1,5%)	(2,3%)	4,8%
Jewellery	0,2%	(0,1%)	6,8%
Cellphones	1,6%	1,0%	8,7%
Total TFG Africa	**3,3%**	**1,5%**	**100,0%**

E-commerce growth in TFG Africa and TFG Australia continued to grow ahead of our expectations at 47,9% (ZAR) and 30,6% (A$) respectively. Online turnover in TFG London decreased by 13,6% (£), due mainly to the poor performance of 3rd party, partner websites. Online turnover for the Group now contributes 8,4% to total turnover.

In both TFG Africa and TFG London, continued focus on limiting expense growth yielded positive results, with TFG Africa's trading expenses increasing by only 1,9% (ZAR) while TFG London's trading expenses decreased by 5,5% (£) as a result of cost saving initiatives undertaken. TFG Australia's trading expenses increased by 9,4% (A$), in line with business expansion and store openings. As part of our COVID-19 mitigating actions, business optimisation projects in TFG Africa have been fast-tracked where practical to do so, in order to reduce the cost of doing business.

ACCOUNTING STANDARDS

The Group adopted IFRS 16 Leases for the first time for its financial reporting year ended 31 March 2020. The amendments to the standard have been applied retrospectively, subject to transitional provisions, with comparative information in these reviewed provisional condensed consolidated results restated accordingly. Further information about the impact of this change in accounting policy is provided in note 15 of these financial results. The primary effect of the application of the new standard at transition date (31 March 2018) has been to capitalize store leases of approximately R6,9 billion and to record a lease liability of R7,8 billion.

STORE PORTFOLIO

At 31 March 2020, the Group traded out of 4 083 outlets across 32 countries. During the year, 228 outlets were opened and 230 outlets closed, with outlet movement in the respective business segments as follows:

Outlets	TFG Africa	TFG London	TFG Australia	Group
Opening balance at April	2 631	971	483	4 085
New outlets	93	67	68	228
Closed outlets	(147)	(66)	(17)	(230)
Closing balance at March	**2 577**	**972**	**534**	**4 083**

The Group continued its focus on space rationalisation and the renegotiation of rentals. In TFG London the shift to turnover-based rentals and shorter lease terms continued.

In TFG Africa, double-digit negative rent reversions were achieved for the year with average escalations below 6%. Both TFG Australia and TFG London also achieved negative rent reversions for the year. As part of the Group's mitigating actions for COVID-19, there have been ongoing discussions with landlords to reach agreement on fair rentals.

CREDIT

A conservative credit appetite and restricted approval criteria remain in place as a response to the Group's assessment of the negative economic climate and the current COVID-19 pandemic. This has resulted in credit turnover growth contracting by 2,5% year-on-year for the full financial year. The retail net debtors' book of R7,8 billion increased by 4,3% since March 2019. The allowance for impairment as percentage of debtors' book increased to 20,4% (2019: 19,9%) due to a provision for the impact of COVID-19 on expected credit losses.

SUPERVISORY BOARD UPDATES

As was announced on SENS previously, the following appointments were made to the Supervisory Board during the year.

- With effect from 1 October 2019, Alexander Douglas Murray, the former CEO of the Group, was appointed as a non-executive director.
- With effect from 22 January 2020, Colin Coleman, a former CEO of Goldman Sachs for sub-Saharan Africa, was appointed as an independent non-executive director.

These appointments are proposed to be ratified at the extraordinary general meeting of the shareholders to be held on Thursday, 16 July 2020. The Supervisory Board welcomes Doug and Colin and looks forward to their contribution.

OUTLOOK

Whilst we continue to deal with the economic and health impact of COVID-19 on the countries within which we operate, the outlook for trading conditions continues to remain materially uncertain across all three of the Group's business segments. Notwithstanding that all three business segments are engaged with the recovery from COVID-19, the impact of the pandemic on our 2021 financial year is expected to be significant across all territories, the extent of which is difficult to predict with accuracy. Any re-introduction of significant lockdowns and store closures across our three business segments would have a further material and negative impact on our business and results of operations in our 2021 financial year.

The Group will however continue to focus on 'self-help' measures and these, together with the Proposed Rights Offer, will ensure that TFG is well positioned for future growth, and to capitalise on the re-opening of the economies across all our territories.

The focus on sustainable business optimisation, digital transformation and local manufacturing will continue.

We are confident that our resilient business model and strategic investments will stand us in good stead for the future.

The Supervisory Board would like to take this opportunity to thank the management teams of each of the business units for leading the Group through the pandemic and the challenging economic environment.

A live webcast of the results presentation will be broadcast at 09:00 am (SAST) on 18 June 2020. A registration link for the webcast is available on the Company's website: www.tfglimited.co.za. The year-end results presentation will be made available on the Company's website prior to the commencement of the webcast.

FINAL ORDINARY DIVIDEND ANNOUNCEMENT

In light of the current subdued economic environment and the heightened levels of uncertainty posed by COVID-19, the Supervisory Board has decided that it would be prudent not to declare a final dividend at this year-end (March 2019: 450,0 cents per share). Dividends will be resumed when appropriate to do so.

PREFERENCE DIVIDEND ANNOUNCEMENT

Dividend no. 167 of 3,25% (6,5 cents per share) (gross) in respect of the six months ending 30 September 2020 has been declared from income reserves, payable on Monday, 21 September 2020 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 18 September 2020. The last day to trade ("cum" the dividend) in order to participate in the dividend will be Tuesday, 15 September 2020. The Foschini Group Limited preference shares will commence trading "ex" the dividend from the commencement of business on Wednesday, 16 September 2020 and the record date, as indicated, will be Friday, 18 September 2020.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Wednesday, 16 September 2020 to Friday, 18 September 2020, both dates inclusive.

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

1) Local dividend tax rate is 20%;
2) The withholding tax, if applicable at the rate of 20%, will result in a net cash dividend per share of 5,20000 cents;
3) The issued preference share capital of The Foschini Group Limited is 200 000 shares at 18 June 2020; and
4) The Foschini Group Limited's tax reference number is 9925/133/71/3P.

Signed on behalf of the Board.

M Lewis
Chairman

A E Thunström
Chief Executive Officer

Cape Town
18 June 2020

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Further, the content of this announcement should not be construed as business, legal or tax advice. It is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company or any of the Syndicate members that any recipient of this announcement should acquire any of the Company's securities. Neither the Company nor any of the Syndicate members is making any representation to any prospective investor regarding the legality of an investment in the Company by such prospective investor under the laws and regulations applicable to such prospective investor. Prospective investors should consult their own professional adviser before making any investment decision with regard to the Company and in making an investment decision, prospective investors must rely on their own analysis, enquiry and examination of the Company, including the merits and risks therein.

Each member of the Syndicate is acting exclusively for the Company and no one else and, as a result, none of them will regard any other person (whether or not a recipient of this announcement) as their respective clients in relation to the matters contemplated herein and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for giving advice in relation to any transaction or arrangement referred to herein.

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It may be unlawful to distribute this announcement in certain jurisdictions. This announcement is not for distribution in Canada, Japan or Australia. The information in this announcement does not constitute an offer of securities for sale in Canada, Japan or Australia.

This announcement is for distribution only to persons who (a) have professional experience in matters relating to investments falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order; (c) are outside the United Kingdom; or (d) are persons to whom an invitation or inducement

to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This announcement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this announcement relates is available only to relevant persons and will be engaged in only with relevant persons.

This announcement is only addressed to and directed at persons in Member States of the European Economic Area ("EEA") and in the United Kingdom who are "Qualified Investors" within the meaning of Article 2(e) of the Prospectus Regulation. The securities referred to herein are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with Qualified Investors. This announcement must not be acted on or relied on in any Member State of the EEA or in the United Kingdom by persons who are not Qualified Investors. For the purposes of this paragraph the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded).

Each member of the Syndicate is acting on behalf of the TFG and no one else in connection with the Proposed Rights Offer. They will not regard any other person as their client in relation to the Proposed Rights Offer and will not be responsible to anyone other than TFG for providing the protections afforded to their respective clients nor for providing advice in relation to the Proposed Rights Offer, the contents of this announcement or any transaction, arrangement or other matter referred to herein. Neither of the Syndicate members, nor any of their respective directors, officers, employees, advisers, agents, alliance partners or any other entity or person accepts any responsibility or liability whatsoever for, or makes any representation, warranty or undertaking, express or implied, as to the truth, accuracy, completeness or fairness of the information or opinion in this announcement (or whether any information has been omitted from this announcement) or any other information relating to TFG, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith. Accordingly, the members of the Syndicate disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort, delict or contract or that they might otherwise be found to have in respect of this announcement and/or any such statement.

Solely for the purposes of the MiFID II Product Governance Requirements and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties only, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the securities may decline and investors could lose all or part of their investment; the securities offer no guaranteed income and no capital protection; and an investment in the securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the securities. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the securities and determining appropriate distribution channels. No key information document required by Regulation (EU) No. 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared or will be prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

Condensed consolidated statement of financial position

	As at 31 March 2020 Reviewed Rm	Restated* As at 31 March 2019 Audited Rm	Restated* As at 31 March 2018 Audited Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**2 937,4**	2 820,0	2 861,9
Goodwill and intangible assets	**9 738,5**	8 590,1	7 667,2
Right-of-use assets	**7 499,3**	7 499,5	6 937,2
Deferred taxation assets	**1 228,2**	1 177,9	788,3
	21 403,4	20 087,5	18 254,6
Current assets			
Inventory (note 4)	**8 431,1**	7 680,9	6 900,6
Trade receivables – retail	**7 762,4**	7 439,8	7 373,6
Other receivables and prepayments	**1 490,4**	1 147,6	821,8
Concession receivables	**62,7**	174,3	296,8
Cash and cash equivalents	**2 969,1**	1 111,0	1 206,1
Taxation receivable	**39,6**	–	–
	20 755,3	17 553,6	16 598,9
Total assets	**42 158,7**	37 641,1	34 853,5
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited	**15 942,6**	14 049,1	12 873,9
Non-controlling interest	**–**	–	4,5
Total equity	**15 942,6**	14 049,1	12 878,4
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	**5 480,3**	6 017,4	4 825,7
Put option liability	**54,2**	81,0	72,7
Lease liabilities	**5 596,8**	5 611,4	5 207,8
Deferred taxation liabilities	**1 087,2**	933,7	829,4
Post-retirement defined benefit plan	**228,6**	233,8	215,8
	12 447,1	12 877,3	11 151,4
Current liabilities			
Interest-bearing debt	**5 849,2**	3 196,0	4 524,9
Trade and other payables	**4 786,4**	4 363,1	3 597,3
Lease liabilities	**3 001,0**	2 836,4	2 594,5
Taxation payable	**132,4**	319,2	107,0
	13 769,0	10 714,7	10 823,7
Total liabilities	**26 216,1**	23 592,0	21 975,1
Total equity and liabilities	**42 158,7**	37 641,1	34 853,5

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

Condensed consolidated income statement

	Year ended 31 March 2020 Reviewed Rm	Restated* Year ended 31 March 2019 Audited Rm	% change
Revenue (note 5)	**38 476,5**	37 128,2	
Retail turnover	**35 323,3**	34 101,4	3,6
Cost of turnover	**(16 700,1)**	(15 820,8)	
Gross profit	**18 623,2**	18 280,6	
Interest income (note 6)	**1 759,7**	1 764,0	
Other income (note 7)	**1 393,5**	1 262,8	
Net bad debt	**(1 275,5)**	(992,8)	
Trading expenses (note 8)	**(15 816,2)**	(15 432,0)	
Operating profit before finance costs	**4 684,7**	4 882,6	(4,1)
Finance costs (note 9)	**(1 335,4)**	(1 304,5)	
Profit before tax	**3 349,3**	3 578,1	
Income tax expense	**(905,5)**	(937,8)	
Profit for the year	**2 443,8**	2 640,3	
Attributable to:			
Equity holders of The Foschini Group Limited	**2 443,8**	2 640,1	
Non-controlling interest	**–**	0,2	
Profit for the year	**2 443,8**	2 640,3	
Earnings per ordinary share (cents) – (note 11)			
Basic	**1 056,2**	1 142,5	(7,6)
Diluted (basic)	**1 050,6**	1 132,1	(7,2)

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

Condensed consolidated statement of comprehensive income

	Year ended 31 March 2020 Reviewed Rm	Restated* Year ended 31 March 2019 Audited Rm
Profit for the year	**2 443,8**	2 640,3
Other comprehensive income:		
Items that will never be reclassified to profit or loss		
Actuarial gain on post-retirement defined benefit plan	**14,7**	–
Deferred tax on items that will never be reclassified to profit or loss	**(4,1)**	–
Items that are or may be reclassified to profit or loss		
Movement in effective portion of changes in fair value of cash flow hedges	**212,8**	32,7
Foreign currency translation reserve movements	**1 103,8**	923,5
Deferred tax on items that are or may be reclassified to profit or loss	**(62,4)**	(8,9)
Other comprehensive income for the year, net of tax	**1 264,8**	947,3
Total comprehensive income for the year	**3 708,6**	3 587,6
Attributable to:		
Equity holders of The Foschini Group Limited	**3 708,6**	3 587,4
Non-controlling interest	**–**	0,2
Total comprehensive income for the year	**3 708,6**	3 587,6

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

Supplementary information

	31 March 2020 Reviewed	31 March 2019 Audited
Net number of ordinary shares in issue (millions)	**231,7**	231,3
Weighted average number of ordinary shares in issue (millions)	**231,4**	231,1

Condensed consolidated statement of changes in equity

	Attributable to equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2018 – audited	**13 121,5**	**4,5**	**13 126,0**
IFRS 16 transition*	(247,6)	–	(247,6)
Equity at 31 March 2018 – audited – restated*	12 873,9	4,5	12 878,4
IFRS 9 transition	(517,4)	–	(517,4)
Total comprehensive income for the year – restated*	3 587,4	0,2	3 587,6
Profit for the year – restated*	2 640,1	0,2	2 640,3
*Other comprehensive income – restated**			
Movement in effective portion of changes in fair value of cash flow hedges	32,7	–	32,7
Foreign currency translation reserve movements – restated*	923,5	–	923,5
Deferred tax on movement in other comprehensive income	(8,9)	–	(8,9)
Contributions by and distributions to owners			
Share-based payments reserve movements	87,3	–	87,3
Dividends paid	(1 756,1)	–	(1 756,1)
Proceeds from sale of shares in terms of share incentive schemes	46,7	–	46,7
Shares purchased in terms of share incentive schemes	(274,3)	–	(274,3)
Decrease in the fair value of the put option liability	1,6	–	1,6
Realisation on disposal of non-controlling interest	–	(4,7)	(4,7)
Equity at 31 March 2019 – audited – restated*	**14 049,1**	**–**	**14 049,1**

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

Condensed consolidated statement of changes in equity (continued)

	Attributable to equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
Equity at 31 March 2019 – audited – restated*	14 049,1	–	14 049,1
Total comprehensive income for the year	3 708,6	–	3 708,6
Profit for the year	2 443,8	–	2 443,8
Other comprehensive income			
Actuarial gain on post-retirement defined benefit plan	14,7	–	14,7
Movement in effective portion of changes in fair value of cash flow hedges	212,8	–	212,8
Foreign currency translation reserve movements	1 103,8	–	1 103,8
Deferred tax on movement in other comprehensive income	(66,5)	–	(66,5)
Contributions by and distributions to owners			
Share-based payments reserve movements	76,1	–	76,1
Dividends paid	(1 839,3)	–	(1 839,3)
Proceeds from sale of shares in terms of share incentive schemes	191,0	–	191,0
Shares purchased in terms of share incentive schemes	(242,9)	–	(242,9)
Equity at 31 March 2020 – reviewed	15 942,6	–	15 942,6

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

	Year ended 31 March 2020 Reviewed	Year ended 31 March 2019 Audited
Dividend per ordinary share (cents)		
Interim	335,0	330,0
Final	–	450,0
Total	335,0	780,0

Condensed consolidated cash flow statement

	Year ended 31 March 2020 Reviewed Rm	Restated* Year ended 31 March 2019 Audited Rm
Cash flows from operating activities		
Operating profit before working capital changes (note 10)	**8 794,5**	8 767,3
Increase in working capital	**(542,1)**	(788,0)
Cash generated from operations	**8 252,4**	7 979,3
Interest income	**24,4**	15,7
Finance costs (note 9)	**(1 335,4)**	(1 304,5)
Taxation paid	**(1 148,0)**	(947,1)
Dividends paid	**(1 839,3)**	(1 756,1)
Net cash inflows from operating activities	**3 954,1**	3 987,3
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(1 119,4)**	(942,4)
Proceeds from sale of property, plant and equipment and intangible assets	**18,5**	32,3
Proceeds from disposal of businesses	**–**	41,7
Net cash outflows from investing activities	**(1 100,9)**	(868,4)
Cash flows from financing activities		
Shares purchased in terms of share incentive schemes	**(242,9)**	(274,3)
Proceeds from sale of shares in terms of share incentive schemes	**191,0**	46,7
Increase (decrease) in interest-bearing debt	**1 948,3**	(319,2)
Lease liability payments	**(2 997,9)**	(2 747,0)
Net cash outflows from financing activities	**(1 101,5)**	(3 293,8)
Net increase (decrease) in cash and cash equivalents during the year	**1 751,7**	(174,9)
Cash and cash equivalents at the beginning of the year	**1 111,0**	1 206,1
Cash held in non-controlling interest	**–**	(6,4)
Effect of exchange rate fluctuations on cash held	**106,4**	86,2
Cash and cash equivalents at the end of the year	**2 969,1**	1 111,0

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

Condensed consolidated segmental analysis

Year ended 31 March 2020	TFG Africa retail Reviewed Rm	Credit Reviewed Rm	TFG London Reviewed Rm	TFG Australia Reviewed Rm	Total Reviewed Rm
External revenue	**23 285,1**	**640,2**	**7 330,9**	**5 460,6**	**36 716,8**
External interest income	**24,4**	**1 735,3**	**–**	**–**	**1 759,7**
Total revenue**	**23 309,5**	**2 375,5**	**7 330,9**	**5 460,6**	**38 476,5**
External finance costs	**(695,7)**	**–**	**(44,8)**	**(8,6)**	**(749,1)**
External finance costs on lease liabilities	**(414,6)**	**–**	**(89,5)**	**(82,2)**	**(586,3)**
Depreciation and amortisation	**(562,9)**	**–**	**(165,2)**	**(100,4)**	**(828,5)**
Depreciation on right-of-use assets	**(1 850,9)**	**–**	**(394,6)**	**(754,6)**	**(3 000,1)**
Impairment of property, plant and equipment	**(25,9)**	**–**	**(29,8)**	**–**	**(55,7)**
Impairment of right-of-use assets	**(79,1)**	**–**	**(102,2)**	**(8,0)**	**(189,3)**
Group profit before tax					**3 349,3**
Segmental profit before tax	**2 296,5**	**539,1**	**137,7**	**452,1**	**3 425,4**
Reconciling items to Group profit before tax					
Share-based payments					**(76,1)**

Year ended 31 March 2019	Restated* TFG Africa retail Audited Rm	Credit Audited Rm	Restated* TFG London Audited Rm	Restated* TFG Australia Audited Rm	Restated* Total Audited Rm
External revenue	22 588,6	487,6	7 345,8	4 942,2	35 364,2
External interest income	15,7	1 748,3	–	–	1 764,0
Total revenue**	22 604,3	2 235,9	7 345,8	4 942,2	37 128,2
External finance costs	(678,6)	–	(55,1)	(16,2)	(749,9)
External finance costs on lease liabilities	(392,4)	–	(88,3)	(73,9)	(554,6)
Depreciation and amortisation	(557,9)	–	(185,0)	(101,2)	(844,1)
Depreciation on right-of-use assets	(1 802,5)	–	(412,9)	(589,7)	(2 805,1)
Impairment of property, plant and equipment	(66,8)	–	(12,5)	–	(79,3)
Group profit before tax					3 578,1
Segmental profit before tax	2 291,1	713,7	236,0	415,5	3 656,3
Reconciling items to Group profit before tax					
Foreign exchange transactions					9,1
Share-based payments					(87,3)

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*
** *Includes retail turnover, interest income and other income.*

Notes to the condensed consolidated financial statements

1. Basis of preparation

The provisional condensed consolidated financial statements for the year ended 31 March 2020 are prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended. The accounting policies and methods of computation applied in the preparation of these provisional condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except as noted otherwise. These results were prepared by the TFG Finance and Advisory department acting under supervision of Bongiwe Ntuli CA(SA), CFO of The Foschini Group Limited.

2. During the year, the Group adopted the following new accounting standard:

- IFRS 16 *Leases* (IFRS 16)

Refer to note 15 for the impact of the IFRS 16 change in accounting policy.

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

	Year ended 31 March 2020 Reviewed Rm	Year ended 31 March 2019 Audited Rm
4. Inventory		
Inventory at year-end	**8 431,1**	7 680,9
Inventory write-downs included above	**304,6**	316,7
5. Revenue		
Retail turnover	**35 323,3**	34 101,4
Interest income (note 6)	**1 759,7**	1 764,0
Other income (note 7)	**1 393,5**	1 262,8
	38 476,5	37 128,2
6. Interest income		
Trade receivables – retail	**1 735,3**	1 748,3
Sundry	**24,4**	15,7
	1 759,7	1 764,0
7. Other income		
Value-added services	**738,8**	754,6
Collection cost recovery and services fees	**640,2**	487,6
Sundry income	**14,5**	20,6
	1 393,5	1 262,8

		Year ended 31 March 2020 Reviewed Rm	Restated* Year ended 31 March 2019 Audited Rm
8.	**Trading expenses**		
	Occupancy costs	**(4 269,8)**	(4 129,0)
	Occupancy costs lease reversal	**3 584,2**	3 346,5
	Depreciation on right-of-use assets	**(3 000,1)**	(2 805,1)
	Depreciation and amortisation	**(828,5)**	(844,1)
	Employee costs	**(6 311,6)**	(6 181,0)
	Other operating costs	**(4 990,4)**	(4 819,3)
		(15 816,2)	(15 432,0)
9.	**Finance costs**		
	Finance costs on lease liabilities	**(586,3)**	(554,6)
	Interest-bearing debt	**(749,1)**	(749,9)
		(1 335,4)	(1 304,5)
10.	**Operating profit before working capital changes**		
	Profit before tax	**3 349,3**	3 578,1
	Finance costs (note 9)	**1 335,4**	1 304,5
	Operating profit before finance costs	**4 684,7**	4 882,6
	Interest income – sundry	**(24,4)**	(15,7)
	Non-cash items	**4 134,2**	3 900,4
	Depreciation and amortisation	**843,0**	844,1
	Depreciation on right-of-use assets	**3 000,1**	2 805,1
	Share-based payments	**76,1**	87,3
	Post-retirement defined benefit medical aid movement	**9,5**	18,0
	Employee related provisions	**(2,5)**	21,0
	Foreign currency translation reserve movements	**(6,3)**	(9,1)
	Hedge ineffectiveness on cash flow hedges	**(42,1)**	–
	Put option liability movement	**(34,8)**	–
	Profit on disposal of non-controlling interest	**–**	(1,4)
	Loss on disposal of business	**–**	23,8
	Loss on disposal of property, plant and equipment and intangible assets	**68,7**	44,1
	Impairment of property, plant and equipment	**55,7**	79,3
	Profit on disposal of property, plant and equipment and intangible assets	**(1,4)**	(10,1)
	Impairment of right-of-use assets	**189,3**	–
	Profit on termination of leases	**(21,1)**	(1,7)
		8 794,5	8 767,3

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*

	Year ended 31 March 2020 Reviewed Rm	Restated* Year ended 31 March 2019 Audited Rm
11. Reconciliation of profit for the year to headline earnings		
Profit for the year attributable to equity holders of The Foschini Group Limited	**2 443,8**	2 640,1
Adjusted for:		
Profit on disposal of non-controlling interest	**–**	(1,4)
Loss on disposal of business	**–**	23,8
Loss on disposal of property, plant and equipment and intangible assets	**68,7**	44,1
Impairment of property, plant and equipment	**55,7**	79,3
Profit on disposal of property, plant and equipment and intangible assets	**(1,4)**	(10,1)
Impairment of right-of-use assets	**189,3**	–
Headline earnings before tax	**2 756,1**	2 775,8
Tax on headline earnings adjustments	**(38,7)**	(30,7)
Headline earnings^	**2 717,4**	2 745,1

	Year ended 31 March 2020 Reviewed	Restated* Year ended 31 March 2019 Audited	% change
Earnings per ordinary share (cents)			
Basic	**1 056,2**	1 142,5	(7,6)
Headline^	**1 174,4**	1 187,9	(1,1)
Diluted (basic)	**1 050,6**	1 132,1	(7,2)
Diluted (headline)^	**1 168,2**	1 177,1	(0,8)

* *Refer to note 15 for the impact of the IFRS 16 change in accounting policy.*
^ *Prior year headline earnings has been amended as a result of SAICA circular 1/2019.*

12. Related parties

The Group entered into related party transactions in the ordinary course of business, the substance of which are similar to those disclosed in the Group's annual financial statements for the year ended 31 March 2019.

13. Impact of COVID-19 on financial results and subsequent events

Impact for the year ended 31 March 2020

In March 2020, the World Health Organization formally recognised COVID-19 as a pandemic. Governments around the world have taken various actions to try and curb the pandemic, including the temporary closure of businesses, restriction on movement between geographical locations, social distancing and limits on any public gatherings. The global economy has experienced major contraction and significant uncertainty regarding the extent and duration of the pandemic remains.

All three of the Group's main territories were impacted by restrictions that were implemented as well as the extent of regulations imposed. The impact of COVID-19 on the major areas of judgements and estimates are listed below (where applicable).

Adjusting vs. non-adjusting post-balance sheet events

For the purposes of the current reporting period, ended 31 March 2020, management has assessed COVID-19 and related impacts on the Group's operations as being an event that existed at year-end and thus any potential consequences post year-end, need to be considered as adjusting post-balance sheet events if the circumstances provide more information in respect of this situation at year-end. These key events include the timing of the declaration of COVID-19 as a pandemic by the World Health Organization on 11 March 2020, as well as the announcement of the COVID-19 global pandemic related restrictions directed by the governments of key geographies in which the Group operates, with store closures commencing on 23 March 2020 in the UK, 27 March 2020 in Australia and 26 March 2020 in South Africa. These key events occurred before the Group's reporting date, being 31 March 2020. Therefore, forward-looking information used for impairment assessments as required by IAS 36 *Impairment of Assets*, and the application of the Expected Credit Loss (ECL) method as required by IFRS 9 *Financial Instruments*, incorporates adjustments to future cash flows to the extent that the information was available at the Group's reporting date (that is, assuming potential impacts of COVID-19 at this time).

Judgements and estimates applied in the current financial results

The preparation of these financial statements for the Group requires management to make estimates that affect the amounts reported in these financial statements and accompanying notes. Management applies their judgement based on historical evidence, current events and actions that may be undertaken in future. Actual results may ultimately differ from estimates.

Impairment of property, plant and equipment, goodwill and intangible assets and right-of-use assets

The carrying values of property, plant and equipment and right-of-use (ROU) assets are reviewed annually 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 annually.

13. Impact of COVID-19 on financial results and subsequent events (continued)

Estimates and assumptions applied in assessing assets for impairment

COVID-19 is expected to have an impact over the next 12 to 24 months when assessing the impairment of assets. It is currently difficult to forecast the full impact of COVID-19 across the business due to the uncertainty of the impact.

Property, plant and equipment and right-of-use assets

The Group has considered property, plant and equipment and ROU assets for impairment. The Group assessed its full store base and impaired a greater number of established non-profitable stores than in prior periods as it is expected that they are less likely to return to profitability given the anticipated impact of COVID-19 on store profitability. To determine the impairment, the affected store assets and ROU assets, were assessed to determine if there was any likelihood in the assets carrying values not being recovered by forecasted future cash flows.

The recoverable amount for sites where impairment indicators were identified was determined. The key assumption in these calculations for established non-profitable stores was that expected future cash flows are unlikely to improve due to the COVID-19 impact. These assessments were made on forecasted information and circumstances known at 31 March 2020. There has been no further information post 31 March 2020 that would indicate further impairment as a result of information that came to light after 31 March 2020 and to the date of this report.

Goodwill and intangible assets impairment assessment

The recoverable amount of the TFG Africa, TFG London and TFG Australia cash-generating units (CGU's) was calculated using the value in use valuation technique when assessing the goodwill and indefinite useful life intangibles for impairment. The Group prepared several scenarios around the possible impact COVID-19 could have on the CGU's mentioned above. These included assessing the turnover growth, gross margin impact, long-term growth rates as well as recalculating the discount rate at year-end. Key assumptions used in the valuation include:

- significant drop in revenues for the 2021 and 2022 financial years;
- gradual recovery to long-term forecasts after that;
- long-term growth rates of 2%; and
- discount rates between 7% and 13% for the Group.

The future cash flows were forecast over a period of 5 years with a terminal value included post this period.

For the purpose of estimating the recoverable amount of the relevant CGU, management have forecast various potential scenarios and applied probability weightings to these. Based on the probabilities applied to these scenarios, there is no impairment as the recoverable amount exceeded the carrying amount for these CGU's.

Changes in key assumptions, as well as the actual cash flows achieved compared to those forecasted could have resulted in impairment. The calculations are most sensitive to the discount rate used.

The impairment assessments were performed using forecasts prepared based on information known at 31 March 2020 and thus included the effects of COVID-19. There has been no further information post 31 March 2020 that would indicate further impairment as a result of information that came to light after 31 March 2020 and to the date of this report.

13. Impact of COVID-19 on financial results and subsequent events (continued)

IFRS 9 trade receivables provisioning

For the year ended 31 March 2020, management have included an impairment overlay for the potential effects of COVID-19 in their trade receivables impairment provision. In calculating the credit impairment overlay, specifically as it relates to COVID-19, the potential impact of the pandemic itself and the lockdown and other interventions announced by governments where credit is offered were assessed. The following approach was adopted:

- the probability of write-off (PWO), exposure at write-off (EAW) and loss given write-off (LGW) was increased by applying stress factors to upside, base and downside scenarios;
- anticipated recovery yields were reduced by applying the stress factors for each scenario;
- probabilities were assigned to each scenario;
- the following stress factors were applied to each scenario:
  - upside – 2,5%
  - base – 5%
  - downside – 10%

It is anticipated that the repayment of the trade receivables – retail book will deteriorate, requests to extend repayment terms will increase and the recovery of written-off debt will deteriorate, due to the adverse impact of the pandemic and government intervention on the ability of customers to repay their accounts. This will negatively impact the credit division's profitability for the year ending 31 March 2021, particularly in respect of interest, net bad debt and operating expenses. No additional information has become available since the reporting date to indicate that the ECL provision at year-end, which includes the forward-looking impact of COVID-19, is not appropriate. Since the gradual easing of lockdown restrictions, collections from the trade receivables – retail book remains robust and in excess of management expectations but falls short of pre-pandemic levels.

Management continually monitors the performance of the trade receivables – retail book to assess the potential negative impact of the pandemic and to implement mitigating action where possible. To address this risk, management has introduced additional payment channels, incentivised customer payments and suppressed the ageing of customer accounts during the most restrictive lockdown period. In addition, the criteria for granting of new credit has been tightened.

IFRS 9 concession provisioning

Concession receivables relates to balances due from stores located in the United Kingdom and internationally, where concessions are in place. The provision relating to concessions has taken into account the uncertain environment and forward-looking component available at 31 March 2020.

Inventory provisioning

The Group evaluates its inventory to ensure it is valued at the lower of cost and net realisable value. The Group uses a combination of the Retail Inventory Method (RIM) within TFG Africa and the standard cost method in TFG International to value inventory. Inventory provisions are made for slow moving, obsolete and damaged items.

COVID-19 has had an impact on the total retail turnover which would have been achieved under normal operations in the run up and to and during the restrictions. The Group assessed the inventory provisioning to identify the impact specifically relating to COVID-19. The impact relates to the lost sales in relation to end of season stock during the closure period. The current season stock has been managed through a significant reduction in purchases in line with expected lower demand. The Group has made provision where it is anticipated that stock will be sold under circumstances which require significant discounting.

13. Impact of COVID-19 on financial results and subsequent events (continued)

Post-balance sheet impacts

In terms of IAS 10 *Events after the Reporting Period*, management are required to assess if there are any significant events based on applied judgement and estimates made at year-end. After year-end, regulations have been relaxed and majority of our stores have re-opened with the exception of TFG London where the UK has started opening in a phased approach from the middle of June. Management believes that the outbreak of COVID-19 may negatively impact the businesses' profitability for the 2021 financial year. This will depend on several elements including the financial health of our customers and retail partners and the efficiency of the governmental and financial support they will benefit from.

As a result of store closures, the Group communicated with various landlords with request for concessions or reductions in rental arrangements, but no agreements had been reached at year-end. Subsequent to year-end, rentals due for the months of April and onwards were withheld or only partially paid where trade has been impacted. The financial impact of this cannot be quantified as negotiations are currently ongoing.

Previously, IFRS 16 required the lessee to assess whether a change in lease payments is a lease modification by considering whether there has been a change in the scope of a lease or the consideration for a lease. In April 2020, the International Accounting Standards Board (IASB) issued Exposure Draft *ED/2020/2 COVID-19-Related Rent Concessions*, which becomes effective for periods 1 June 2020 with earlier application permitted. The proposed amendment allows lessees to apply a practical expedient whereby they will not be required to assess whether rent reductions or concessions are lease modifications. The amendment was issued on 28 May 2020. Reductions in lease payments will be treated as a negative variable lease payment. This means a lessee would generally recognise a concession or reduction in rental arrangements in profit or loss in the month it occurs and the portion of the lease liability that is extinguished by the forgiveness of lease payments would be derecognised. Due to the uncertainty of timing and extent of these negotiations, management are not currently able to quantify the impact this will have on the results of the Group.

On 18 June 2020, the Group announced its intention to seek shareholder approval to implement a fully underwritten, renounceable rights offer ("Proposed Rights Offer") to raise targeted gross proceeds of up to R3,95 billion.

The size of the Proposed Rights Offer has been informed by an extensive scenario planning exercise and the intention is to use the net proceeds to:

- reduce debt and insulate the balance sheet, ahead of what is expected to be a sustained period of economic uncertainty;
- pursue TFG's organic growth strategy and further leverage TFG's existing brands to gain market share;
- continue to invest in the retail platform and TFG's digital transformation journey, particularly in its e-commerce offering; and
- ensure the Group has the ability to take advantage of market opportunities in line with its current strategy and which meet its investment criteria.

13. Impact of COVID-19 on financial results and subsequent events (continued)

Post-balance sheet impacts (continued)

As disclosed above, management has assessed the impact of the COVID-19 global pandemic, most specifically the effect of the restrictions, as an adjusting post-balance sheet event for the year-end based on the timing of the various restrictions implemented in the Group's respective trading segments, all of which occurred before the Group's reporting date, being 31 March 2020. The assessment completed at 31 March 2020 (e.g. impairment assessments) that contain forward-looking information were thus prepared taking into account the potential impacts of COVID-19. For the duration of the various restrictions across our trading segments, the Group did not generate material revenue. Accordingly, the Group's earnings for the financial year ended 31 March 2020 have been negatively impacted. In light of the general uncertainty related to the macroeconomic impact of COVID-19, it is not possible to quantify with accuracy the full impact of COVID-19 on the business in the upcoming year.

In light of the current subdued economic environment and the heightened levels of uncertainty posed by COVID-19, the Supervisory Board has decided that it would be prudent not to declare a dividend at this year-end (March 2019: 450,0 cents per share). Dividends will only be resumed when appropriate to do so.

Going concern

It is difficult to accurately predict the full financial impact on the Group of COVID-19 in the upcoming years. With the relaxation of the restrictive regulations the Group is able to start trading in all of our territories. The majority of our stores are open and operating at full capacity but in some cases have limited trading hours.

The going concern assumption is evaluated based on information available up to the date on which the annual financial statements are approved for issuance by the Supervisory Board. While there is widespread uncertainty regarding the extent of the financial impact of COVID-19 on the segments in which the Group operates, the going concern assumption was considered to be appropriate for the preparation of the Group's results for the year ended 31 March 2020. In this regard, key considerations included:

- **the Group's outlook regarding trading conditions that will persist into the foreseeable future:** trade has exceeded the amounts expected in the cash flow assessment in the range of varied scenarios that was performed, including assumptions regarding a worst case, slower rate of return to normal trading.
- **the Group's debt service and covenants requirements:** the Group has complied with its financial covenants for the reporting period. In light of the anticipated challenging economic environment triggered by COVID-19, management has proactively engaged with the Group's primary lenders to restructure the future debt maturity profile and debt covenants as the Group could possibly breach its currently agreed debt covenants requirements for the year ending 31 March 2021 as these were agreed in a pre-COVID-19 environment. To date, the engagements with the primary lenders have been positive and covenants have been waived for the majority of loans up to 31 March 2021 and have also been reset based on the current environment. The Group currently has adequate liquidity facilities in place including additional committed facilities of R3,3 billion which have become available post year-end as well as available cash of R3,0 billion as at 31 March 2020. In terms of the R5,8 billion short-term interest-bearing debt at year-end, the Group has rescheduled the maturities of R4,0 billion from 2021 to 2022.
- **the Group's working capital requirements and access to short-term funding:** the Group is managing its cash resources through rental negotiations, minimising expenditure and capex, cutting back on purchases in line with expected demand and securing government assistance where available.

Management is confident that there is adequate short-term available funding to meet working capital requirements in the normal course of its operations. The Supervisory Board has assessed the solvency and liquidity of the Group and is satisfied with the Group's ability to continue as a going concern for the foreseeable future.

14. Changes to directors

During the year, the following changes took place:

- A D Murray was appointed as a non-executive director with effect from 1 October 2019.
- C Coleman was appointed an as an independent non-executive director with effect from 22 January 2020.

15. Change in accounting policy

15.1 IFRS 16 *Leases*

IFRS 16 *Leases* has been adopted by the Group retrospectively from 31 March 2018. Accordingly, the comparative information in these provisional condensed consolidated results have been restated.

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* (IAS 17), and related interpretations. IFRS 16 has one model for lessees which will result in the majority of leases being included on the statement of financial position. The only exceptions are short-term and low-value leases.

The scope of IFRS 16 includes leases of all assets, with certain exceptions, and requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions), in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. IFRS 16 removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17, and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities.

The Group has adopted the standard fully retrospectively as at the start of the earliest period presented, as permitted by the transitional provisions. At the date of initial application, the Group elected to use the practical expedient provided by IFRS 16, which allows the Group to apply IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The Group recognises a right-of-use asset and a lease liability at the lease commencement date at a value equal to the present value of future lease payments over the lease term, discounted at an applicable discount rate. The right-of-use asset and lease liability reduce over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

15. Change in accounting policy (continued)

15.1 IFRS 16 *Leases* (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group determines the lease term as the non-cancellable period of a lease, together with assessing if the lessee is reasonably certain to exercise an option to extend or terminate the lease. In addition, the right-of-use asset is tested for impairment when there are indicators of impairment and periodically reduced by impairment losses, if required.

The lease liability is initially measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate taking into account duration, country, currency and inception of the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease if the Group is reasonably certain to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The remeasurement results in a corresponding adjustment that is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

15. Change in accounting policy (continued)

15.1 IFRS 16 *Leases* (continued)

Variable lease payments based agreements that do not depend on an index or rate are not included in the measurement of the right-of-use asset and lease liability. These related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur. Other variable lease payments that depend on an index or rate are included in the measurement of the right-of-use assets and lease liabilities.

For leases of short-term and low-value assets, the Group has opted to recognise a lease expense on a systematic basis over the lease term. The expense is presented within trading expenses on the face of the consolidated income statement.

Finance costs comprise interest on lease liabilities calculated using the effective interest rate method and are recognised in profit or loss.

The change in accounting policy has therefore resulted in a restatement of the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement.

Refer to the details below for a summary of the effect of the IFRS 16 change in accounting policy.

	31 March 2018 Audited Rm	IFRS 16 Rm	Restated 31 March 2018 Audited Rm
Consolidated statement of financial position			
Non-current assets			
Right-of-use assets	–	6 937,2	6 937,2
Deferred taxation assets	663,6	124,7	788,3
Equity			
Total equity	13 126,0	(247,6)	12 878,4
Non-current liabilities			
Operating lease liability	335,1	(335,1)	–
Lease liabilities	–	5 207,8	5 207,8
Current liabilities			
Trade and other payables	3 724,3	(127,0)	3 597,3
Operating lease liability	30,7	(30,7)	–
Lease liabilities	–	2 594,5	2 594,5

15. Change in accounting policy (continued)

15.1 IFRS 16 *Leases* (continued)

	31 March 2019 Audited Rm	IFRS 16 Rm	Restated 31 March 2019 Audited Rm
Consolidated statement of financial position			
Non-current assets			
Right-of-use assets	–	7 499,5	7 499,5
Deferred taxation assets	1 045,7	132,2	1 177,9
Equity			
Total equity	14 307,3	(258,2)	14 049,1
Non-current liabilities			
Operating lease liability	363,5	(363,5)	–
Lease liabilities	–	5 611,4	5 611,4
Current liabilities			
Trade and other payables	4 535,0	(171,9)	4 363,1
Operating lease liability	22,5	(22,5)	–
Lease liabilities	–	2 836,4	2 836,4
Consolidated income statement and related notes			
Trading expenses	(15 986,8)	554,8	(15 432,0)
Occupancy costs	(4 141,6)	12,6	(4 129,0)
Occupancy costs lease reversal	–	3 346,5	3 346,5
Depreciation on right-of-use assets	–	(2 805,1)	(2 805,1)
Depreciation and amortisation	(844,1)	–	(844,1)
Employee costs	(6 181,0)	–	(6 181,0)
Other operating costs	(4 820,1)	0,8	(4 819,3)
Finance costs	(749,9)	(554,6)	(1 304,5)
Income tax expense	(939,3)	1,5	(937,8)
Consolidated statement of comprehensive income			
Foreign currency translation reserve movements	935,8	(12,3)	923,5
Consolidated cash flow statement			
Operating profit before working capital changes	5 420,8	3 346,5	8 767,3
Increase in working capital	(743,1)	(44,9)	(788,0)
Finance costs	(749,9)	(554,6)	(1 304,5)
Lease liability payments	–	(2 747,0)	(2 747,0)
Earnings per ordinary share (cents)			
Basic	1 141,7	0,8	1 142,5
Headline^	1 187,1	0,8	1 187,9
Diluted (basic)	1 131,3	0,8	1 132,1
Diluted (headline)^	1 176,3	0,8	1 177,1

^ *Prior year headline earnings has been amended as a result of SAICA circular 1/2019.*

16. Auditor's review report

The condensed consolidated financial statements have been reviewed by the company's auditors, Deloitte & Touche. They have issued an unmodified review conclusion on the condensed consolidated financial statements. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Any reference to future outlook or prospects included in this announcement has not been reviewed or reported on by the company's auditors.

Independent auditor's review report on condensed consolidated financial statements

TO THE SHAREHOLDERS OF THE FOSCHINI GROUP LIMITED

We have reviewed the condensed consolidated financial statements of The Foschini Group Limited, contained in the accompanying provisional report, which comprise the condensed consolidated statement of financial position as at 31 March 2020 and the condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, 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 misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a provisional report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of The Foschini Group Limited for the year ended 31 March 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

Deloitte & Touche
Registered Auditor

Per: MA van Wyk
Partner

18 June 2020

Unit 11 Ground Floor
La Gratitude
97 Dorp Street
Stellenbosch 7600

Company information

Executive directors:	A E Thunström, B Ntuli
Non-executive directors:	M Lewis (Chairman), Prof. F Abrahams, S E Abrahams, C Coleman, G H Davin, D Friedland, B L M Makgabo-Fiskerstrand, A D Murray, E Oblowitz, N V Simamane, R Stein
Company Secretary:	D van Rooyen
Registered office:	Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500, South Africa
Registration number:	1937/009504/06
Share codes:	TFG – TFGP
ISIN:	ZAE000148466 – ZAE000148516
Transfer secretaries:	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, South Africa Telephone: +27(0) 11 370 5000
Sponsor:	UBS South Africa Proprietary Limited
Website:	www.tfglimited.co.za

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@home **@homelivingspace** **AmericanSwiss** **Archive** **Colette** **Connor** **Donna** **Duesouth Escapes** **Exact** **Fabiani** **The Fix** **Foschini** **G-Star Raw** **hi** **Hobbs** **Johnny Bigg** **Markham** **Phase Eight** **Relay Jeans** **RFO** **Rockwear** **Sneaker Factory** **Soda Bloc** **Sportscene** **Sterns** **Tarocash** **Totalsports** **Whistles** **yd.**