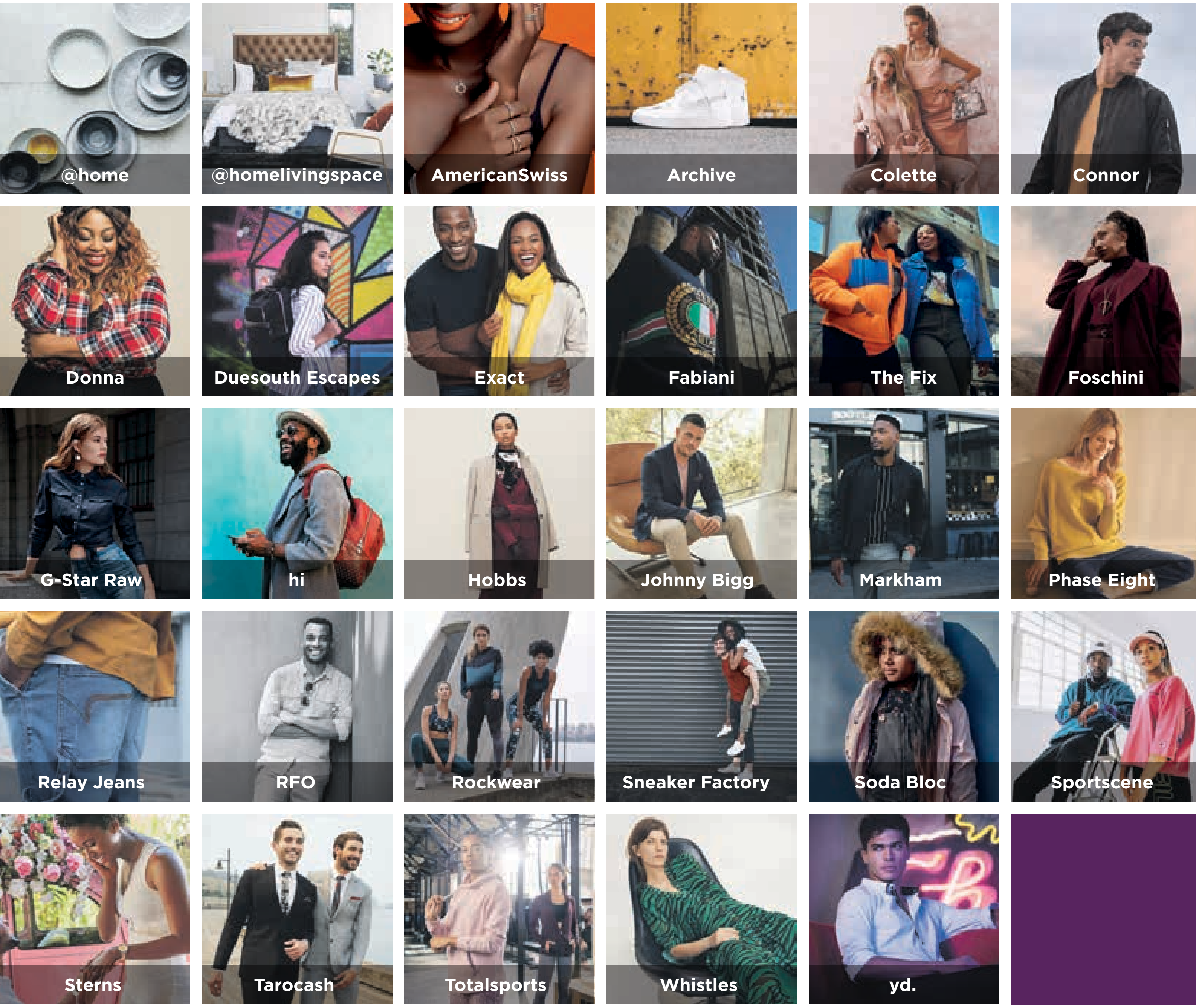
TFG

2020 AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS



CONTENTS

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

These consolidated annual financial statements represent the financial information of The Foschini Group Limited and were audited in compliance with Section 30 of the Companies Act of South Africa, No. 71 of 2008, as amended (Companies Act of South Africa). These consolidated annual financial statements were prepared by the TFG Finance and Advisory department of The Foschini Group Limited, acting under supervision of B Ntuli CA(SA), Chief Financial Officer (CFO) of The Foschini Group Limited.

These consolidated annual financial statements were authorised by the Supervisory Board on 11 August 2020 and published on 14 August 2020.

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

Directors' responsibility for and approval of the consolidated annual financial statements

For the year ended 31 March 2020

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of The Foschini Group Limited, comprising the consolidated statement of financial position at 31 March 2020, and the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the consolidated segmental analysis and the notes to the consolidated 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 JSE Limited Listings Requirements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated annual 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 consolidated annual 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 International Financial Reporting Standards.

APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of The Foschini Group Limited were approved by the Supervisory Board on 11 August 2020 and signed by:

M Lewis
Chairman

Authorised director

A E Thunström
Chief Executive Officer

Authorised director

Directors' report

For the year ended 31 March 2020

REVIEW OF ACTIVITIES

NATURE OF BUSINESS

The Foschini Group Limited (TFG) is a diverse group with a portfolio of 29 leading fashion retail brands – @home, @homelivingspace, American Swiss, 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 and yd. Our range of 29 retail brands offers clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, homeware and furniture across value to upper market.

The Group consists of four operating segments:

TFG Africa retail division refers to the consolidated performance of all African operations comprising of the @home division, Exact division, The FIX division, the Foschini division, the Jewellery division, the Markham division and the Sport division, retailing clothing, jewellery, cosmetics, cellphones and homeware and furniture. TFG Africa operates through retail outlets throughout South Africa and certain parts of Africa, as well as online.

Credit manages the Group's trade receivables – retail and related functions with regard to the granting of credit within certain countries within TFG Africa.

TFG London refers to the consolidated performance of Dress Holdco A Limited and all its subsidiaries. Dress Holdco A Limited is the ultimate United Kingdom (UK) holding company of Phase Eight, Whistles and Hobbs brands. TFG London operates through retail outlets throughout the United Kingdom and internationally, as well as online.

TFG Australia refers to the consolidated performance of TFG Retailers Proprietary Limited and all its subsidiaries. TFG Retailers Proprietary Limited is the ultimate Australian holding company of the Retail Apparel Group (RAG). RAG operates through retail outlets throughout Australia and New Zealand, as well as online.

GENERAL REVIEW

The financial results are reflected in the consolidated annual financial statements on pages 22 to 97. The subsidiary companies, analysis of shareholdings and definitions are contained in the appendices on pages 98 to 102.

AUTHORISED AND ISSUED SHARE CAPITAL

The Group's share buy-back programme commenced at the end of May 2001. At 31 March 2020, 1,1 (2019: 1,1) million shares are owned by a subsidiary of the company, 2,8 (2019: 3,0) million shares are held by employees of TFG in terms of share incentive schemes and 1,2 (2019: 1,5) 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.

DIVIDENDS

Interim ordinary

The directors declared a dividend of 335,0 (2019: 330,0) cents per ordinary share, which was paid on Monday, 6 January 2020 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 3 January 2020.

Final ordinary

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

The company paid the following dividends to holders of 6,5% cumulative preference shares:
23 September 2019 – R13 000 (25 September 2018 – R13 000)
16 March 2020 – R13 000 (18 March 2019 – 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
C Coleman
G H Davin
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane

Non-executive directors

R Stein^
A D Murray

^ *R Stein is classified as a non-executive director at year end and has subsequently been classified as an independent non-executive director of the Group effective 29 July 2020.*

Executive directors

A E Thunström (CEO)
B Ntuli (CFO)

Changes to directors in the current financial year

As was announced on the Stock Exchange News Service (SENS) on 1 October 2019, Mr A D Murray, the former CEO of the Group, was appointed as a non-executive director of the Group with effect from 1 October 2019.

As indicated on SENS on 22 January 2020, Mr C Coleman, a former CEO of Goldman Sachs for sub-Saharan Africa, was appointed as an independent non-executive director of the Group with effect from 22 January 2020.

These appointments were ratified at the extraordinary general meeting of shareholders held on Thursday, 16 July 2020.

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

R Stein
N V Simamane
D Friedland
G H Davin

For details of directors' interests in the company's issued shares, refer to note 11. Details of directors' remuneration are set out in note 32.

Directors' report (continued)

For the year ended 31 March 2020

AUDIT COMMITTEE
The directors confirm that the Audit Committee addressed the specific responsibilities required in terms of section 94(7) of the Companies Act of South Africa. Further details are contained within the Audit Committee report.

SUBSIDIARIES
The names of, and certain information relating to, the company's key subsidiaries appear in appendix 1 of the supplementary information.

SPECIAL RESOLUTIONS
On 3 September 2019, shareholders approved the remuneration to be paid to non-executive directors for the period 1 October 2019 to 30 September 2020.

On 3 September 2019, 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 16 September 2020, shareholders will be asked to renew this general authority.

On 3 September 2019, shareholders also approved that the company may provide direct or indirect financial assistance to a related or interrelated company or corporation provided that such financial assistance may only be provided within two years from the date of the adoption of the special resolution and subject further to sections 44 and 45 of the Companies Act of South Africa and the JSE Listings Requirements.

STAFF SHARE INCENTIVE AND SHARE OPTION SCHEMES
Details are reflected in note 31.

SUBSEQUENT EVENTS
Details are reflected in note 22.1.

GOING CONCERN
These consolidated annual financial statements were prepared on the going concern basis.

The Supervisory Board has 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 and businesses are going concerns and continued to adopt the going concern basis in preparing the consolidated financial statements.

Details surrounding the impact of COVID-19 are reflected in note 22.2.

Company Secretary's certificate

For the year ended 31 March 2020

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

11 August 2020

Audit Committee report

For the year ended 31 March 2020

The Audit Committee is pleased to present its report for the financial year ended 31 March 2020 to the shareholders of TFG. This report complies with the Companies Act of South Africa and the King IV Report on Corporate Governance™ for South Africa 2016 (King IV)[1].

- Meeting attendance for the committee is set out on page 92 of the integrated annual report. All members of the committee continue to meet the independence requirements of the Companies Act of South Africa and King IV.
- Each member's qualifications and experience are set out in the profiles on pages 38 to 40 of the integrated annual report.
- Details of fees paid to committee members appear in note 32 of the consolidated annual financial statements.

INTRODUCTION

Undoubtedly, the COVID-19 pandemic which manifested itself in sizeable proportions towards the end of the financial year has had, and is likely to continue to have for many months to come, many challenges to most countries from a financial risk standpoint.

Retail operations, which in several global locations were already under duress pre the pandemic, now face the conundrum of, *inter alia*, operating under government policies which appear to be applied on a country by country basis and the objective of providing in-store customers with a pleasurable shopping experience despite adhering to social distancing regulations, and wearing of protective equipment.

From a TFG point of view for at least eleven months of the year under review, access to funding facilities, operating results and planning for future trading were a "business as usual" scenario and the expectation of a trouble-free year end was not in doubt.

The only matters of concern at this stage were the indications that in South Africa the collection of receivables was becoming problematic and in the United Kingdom department stores and other well-known franchises had either gone into administration or were in serious financial stress.

The Audit Committee has engaged regularly during the past few months with executive management, the Head of Group Risk, the Group Chairman and others in all our operating jurisdictions to assess the business financial risks TFG faces in the current uncertain economic environment.

I record the Audit Committee's sincere thanks to all who, despite the pressures they were dealing with facing multi-faceted challenges, have responded timeously to questions raised.

Further, during the past few months, the Audit Committee has been able to access the Group's *ad hoc* Finance Committee, comprising experienced Board members, to gain further insights into future funding proposals.

It must be recorded that at this exceptional period in the history of TFG, the Group is particularly fortunate to be able to call upon the services of several experienced retail experts and financiers.

COMMITTEE MANDATE AND FUNCTIONING

The committee is governed by a formal Audit Committee charter that is reviewed regularly and incorporates all the requirements of the Companies Act of South Africa. This charter guides the committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the Supervisory Board. The committee fulfilled its responsibilities in accordance with its charter during the 2020 financial year.

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

The committee typically meets three times per year and further meetings are held as required. Salient aspects of internal audit reviews are discussed at each meeting. In addition, the following is addressed at each respective meeting:

- Review of Enterprise Risk Management (ERM) and combined assurance methodology and consideration of outcome of financial risk assessment (typically in March each year)
- Approval of annual results (typically in May each year)
- Approval of interim results (typically in November each year)

The committee considered the draft interim and annual financial reports prepared by executive and senior management and recommended the adoption of these reports to the Supervisory Board subject to certain amendments. The Chairman provided written reports to the Supervisory Board that summarise the committee's findings and recommendations.

The committee held three formal meetings during the 2020 financial year. To further strengthen the Group's governance structures, there is also a joint Audit and Risk Committee for TFG London and TFG Australia. These committees met twice during the financial year.

Independently of executive 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 of an Audit Committee pack to each attendee, comprising *inter alia*:

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by executive and senior management including:
  - taxation;
  - compliance and legal;
  - governance over technology and information management;
  - internal audit;
  - loss statistics; and
  - Enterprise Risk Management (ERM).

AUDIT COMMITTEE MEMBERSHIP AS AT 31 MARCH 2020

MEMBERS AND APPOINTMENT DATES

S E Abrahams (Chairman)	29 January 1999
Prof. F Abrahams	1 October 2016
D Friedland	1 April 2016
B L M Makgabo-Fiskerstrand	1 October 2015
E Oblowitz	1 October 2010
N V Simamane	24 February 2010

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Head of Enterprise Risk Management, the Company Secretary and the external audit partner and staff attended meetings of the committee by regular invitation. Additional attendees during the 2020 financial year included non-executive directors Mr R Stein, Mr A D Murray and Mr G H Davin, as well as members of executive management, who are invited to attend meetings on an *ad hoc* basis. The Chairman of the Group has an open invitation to attend meetings of the Audit Committee.

ROLES AND RESPONSIBILITIES

STATUTORY DUTIES AS PRESCRIBED IN THE COMPANIES ACT OF SOUTH AFRICA

General

- to receive and deal appropriately with any concerns or complaints (whether internal, 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 that appropriate accounting policies are in place, which have been consistently applied save for the introduction of IFRS 16;
- 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 Companies Act of South Africa 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 auditors may provide to the Group and to pre-approve proposed agreements for non-audit services.

Financial results

- to make submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and reporting; and
- to provide, as part of the integrated annual report and consolidated annual financial statements, a report by the Audit Committee.

DUTIES ASSIGNED AND DELEGATED BY THE SUPERVISORY BOARD

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and coordinated;
- to assess the effectiveness of the arrangements in place for combined assurance; and
- to assist the Supervisory Board in carrying out its risk management, technology and information management responsibilities.

External auditors

- to consider and respond to any questions from the Supervisory Board and shareholders regarding the resignation or dismissal of the external auditors, 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 executive 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 controls, financial reporting procedures and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal controls are submitted to the Supervisory 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 executive management and that there is no impairment on its independence; and
- to review that appropriate internal controls and internal audit plans are prepared to cover the TFG International operations.

Finance function

- to consider the appropriateness of the expertise and experience of the Chief Financial Officer; and
- to satisfy itself with 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 executive management's assessment of going concern and to make a recommendation to the Supervisory Board that the going concern concept be adopted by the Group;
- to consider the JSE's report on the proactive monitoring of financial statements for compliance with International Financial Reporting Standards (IFRS) and to ensure that appropriate action is taken if required; and
- to review the integrated annual report, as well as the consolidated annual financial statements, interim reports, preliminary reports or other financial information prior to submission and approval by the Supervisory Board.

COMMITTEE EVALUATION

A formal Supervisory Board evaluation (which includes an evaluation of all sub-committees) was followed in the 2019 financial year. Action plans are in place to address the key themes.

ELECTION OF COMMITTEE MEMBERS

The following changes to the committee have been made and will be included in the proposal to shareholders at the upcoming annual general meeting (AGM):

- Mr S E Abrahams will step down as chairman and member of the Audit Committee
- Mr E Oblowitz will be appointed as chairman of the Audit Committee
- Prof. F Abrahams will step down as a member of the Audit Committee
- Mr R Stein will be appointed as a member of the Audit Committee

The members below 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 AGM:

E Oblowitz (Chairman)
D Friedland
B L M Makgabo-Fiskerstrand
N V Simamane
R Stein

SPECIFIC RESPONSIBILITIES

The committee confirms that it has carried out its functions in terms of the Audit Committee charter and section 94(7) of the Companies Act of South Africa, by:

- confirming the nomination of Deloitte & Touche as the Group's registered auditor, and Mr M van Wyk as the designated partner, for the year ending 31 March 2021; being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to Deloitte & Touche;
- ensuring that the appointment of Deloitte & Touche complies with the provisions of the Companies Act of South Africa;
- 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 Deloitte & Touche for the provision of any non-audit services;
- preparing this report for inclusion in the consolidated annual financial statements and the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints;
- making submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and financial reporting; and
- performing other oversight functions as determined by the Supervisory Board.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

Based on the assessment of the system of internal financial controls and financial reporting procedures conducted by internal audit, as well as information and explanations given by executive and senior management and discussions held with the external auditors on the results of their audit, the committee is of the opinion that TFG's system of internal financial controls and financial reporting procedures is effective and forms a basis for the preparation of reliable financial statements in respect of the year under review. This assessment included consideration of all the entities included in the consolidated annual financial statements and TFG's ability to effectively prepare and report on the consolidated Group financial statements.

In addition, during the 2020 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.

Internal audit continues to develop and refine its approach to analytically examine and interrogate the store data in an attempt to highlight:

- unmitigated risks; and
- potential loss.

Audit Committee report (continued)

For the year ended 31 March 2020

This work has involved the development of IT software to enable intelligent scrutiny of stores' data. Although this is being enhanced, the Audit Committee, the Risk Committee and senior management believe this initiative is essential to achieve better coverage of critical issues, particularly given the sizeable growth in new stores that has occurred in TFG Africa, London and Australia.

Mr H Nell, the Head of Internal Audit, retired in December 2019 and Ms C van der Vyver, the Head of Enterprise Risk, is currently caretaking this role as part of a broader restructure of the internal audit function.

The committee believes that Ms C van der Vyver, possesses the appropriate expertise and experience to meet her responsibilities in that position and that the internal audit function is functioning and performing effectively.

COMBINED ASSURANCE

The Audit Committee reviewed the combined assurance process and related methodologies and the outcomes thereof and considers this process to be effective.

Read more in our Risk Committee report from page 111 of the integrated annual report.

RISK MANAGEMENT

While the Supervisory Board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the Risk Committee, assists the Supervisory 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 technology, and information management risks as they relate to financial reporting.

The strategies adopted by the Audit Committee and the Risk Committee ensure timely review of any internal control weakness identified by any of the assurance providers. In addition, there continues to be significant improvements in the development of Enterprise Risk Management (ERM) methodologies, which will further enhance the Group's risk management coverage and focus.

Read more about our risk management approach in the Risk Committee report from page 111 of the integrated annual report.

TFG INTERNATIONAL OPERATIONS

The joint Audit and Risk Committee continues to significantly enhance the governance oversight of both TFG London and TFG Australia. This committee meets twice a year and provides feedback to the Audit and Risk Committees as well as the Supervisory Board. The chairmen of both these committees will also review the financial results of the TFG International operations and provide feedback to the Audit and Risk Committees as well as to the Supervisory Board.

Internal audit continues to draw up an assurance plan to cover the significant risks identified and audits were conducted during the year to cover those risks. No major concerns surfaced from their audit work.

THE FINANCIAL AND BUSINESS ENVIRONMENT

What follows must be read in conjunction with the comments made in the introductory section of this report.

SOUTH AFRICA

As indicated in last year's report, the retail industry in South Africa has suffered from a lack of GDP growth, high unemployment rates and the lack of disposable income for large numbers of prospective customers. With the trend of credit customers being under financial distress, the Group reviewed its credit granting scorecard in order to further de-risk our exposure to credit customers.

On the other hand, TFG was able to increase cash sales to more than compensate for the lack of growth in credit sales.

What has been encouraging is that during total lockdown from late March throughout April, collections from our existing customers exceeded our expectations. This is particularly pleasing since about 90% of our credit customers have in the past settled their accounts in our stores.

With lockdown provisions being relaxed from 1 May and totally from 1 June it remains to be seen whether sales return to former levels. The Group's investment in online platforms will, it is expected, continue to grow, but regrettably the fact is that a large percentage of South Africa's population does not have the tools to shop online.

UNITED KINGDOM

Although the uncertainty of Brexit has thankfully been removed from the United Kingdom political scene, how this plays out in the COVID-19 pandemic has meant that the negotiations with the European government is on the back burner and the only thing that is certain is that the United Kingdom will exit Europe at the end of this calendar year.

The business will need to replace sales which emanated from the struggling House of Fraser and Debenhams department stores.

The directors of the United Kingdom operations have prepared budgets for the period from 2021 to 2025 and should the forecasts prove correct, the major brands will record satisfactory profits for all years except for the year ending 31 March 2021, which has suffered from all stores ceasing to trade for about three months. Online sales continue to perform in line with expectation.

AUSTRALIA

Up until lockdown the Australian operations continued to grow, despite the retail environment in that country being under significant pressure. Management is confident that when we become fully operative in Australia, profitability will be more than satisfactory.

ACCOUNTING STANDARDS

As discussed in last year's report, the Group embraced the introduction of IFRS 9, 15 and 16 in the current year.

It is my first contention that the letter of the law interpretation of IFRS 9 in the current year is problematical. No drafter of any accounting standard could have envisaged the global economic pandemonium created by COVID-19. Governments have had to spend substantial sums of money supporting medical institutions, large, medium and small sized entities as well as millions of citizens of almost every country who are in financial difficulties through the loss of employment, etc.

IFRS 9 is predicated on the assessment of debtors' likelihood to default, using empirical and likely future data. Currently this is only achievable by exercising judgement and common sense, as it is impossible to predict the way forward considering the present pandemic. It is interesting that the Chancellor of the Exchequer in the United Kingdom believes that the United Kingdom will bounce back from the recession when the "new normal" becomes operative.

Insofar as IFRS 16 is concerned, many retailers have either paid no rent or a small portion of their monthly rent during lockdown. This has also resulted in tenants reviewing their existing lease agreements and negotiating with landlords. It is conceivable that landlords and tenants will change their "normal" lease agreements and should tenants achieve shorter term leases possibly with turnover clauses, such changes will result in different IFRS 16 disclosures. This uncertainty exists but will probably be resolved by the next year end.

OTHER ACCOUNTING MATTERS

Provision for doubtful debts

As is set out on page 69 of the annual financial statements, full details of our provision for doubtful debts is provided. The external auditors as well as executive management and the Audit Committee members have reviewed these calculations and believe that TFG is carrying an appropriate level of provisions in South Africa and the United Kingdom.

Inventory

Although an additional provision for slow-moving stock has been provided for in South Africa, the concern for stock levels relates to whether manufacturers will be able to deliver timeously for hoped-for demand for the 2020/2021 summer periods. Similar concerns are applicable in Australia but management is seeking solutions.

Going concern

Following a series of meetings between our senior executives and funders, sufficient funding has been secured for the required time frames to ensure a positive outcome of the going concern concept. In addition, as indicated in the introductory section of this report, a number of meetings were held by the Finance Committee at which cash flow statements and funding matters were debated. Clearly the going concern risk will be heightened if further COVID-19 outbreaks force governments in TFG's major operating countries to reintroduce lockdown restrictions.

Combined assurance

The progress in providing a comprehensive combined assurance framework is most pleasing as all five layers of risk providers have had input into the process. This financial and operational framework is aimed at ensuring all identified risks facing the Group are mitigated as far as possible. In addition, the risk profiles are updated on a continuous basis, thus enabling the Group to address new risks as they manifest themselves on a proactive basis.

Audit Committee report (continued)

For the year ended 31 March 2020

In December 2019 the Chief Internal Auditor (CIA) left the Group and the various options available to provide internal audit services to the Group are currently being evaluated. As an interim measure, Carmen Van Der Vyver is fulfilling the CIA function. All internal auditing programme plans for the 2019/2020 period have been completed.

Losses from crime-related incidents

Although the Group continues to suffer from crime-related incidents, our Forensics department is making progress in limiting losses and assisting the law enforcement agencies in bringing criminals to face charges for their misdemeanours.

IT Governance

Regular reports are provided to, *inter alia*, the Audit Committee on the progress made by the Group's IT division to be an enabler to the Group's brands. Appropriate levels of investment are a high priority of the Group, with the clear understanding that IT remains a critical service provider to the Group's operations.

Value-in-use of goodwill and intangibles

Up to slightly in excess of eleven months of the year under review, the Australian operations were trading in excess of both expectations and budget while TFG London operations were tracking on budget. The onset of COVID-19 meant that lockdown significantly impacted on trading since, aside from online sales, turnover was non-existent until reopening occurred.

The foregoing meant that management, the external auditors and the Audit Committee needed to apply their minds to the carrying values of intangibles in both TFG Australia and, more particularly, TFG London.

Without much difficulty, all parties concluded that despite using a high weighted average cost on capital (WACC) rate, the Australian operations, even after making post-year-end COVID-19 related adjustments, had more than sufficient headroom to sustain the carrying value of intangibles.

A similar conclusion was reached for TFG London after stress testing several scenarios and utilising differing WACC rates. In support of the conclusion, the directors of the United Kingdom operations prepared budgets for the years 2021 to 2025, from which it was apparent that apart from the 2021 year end which will undoubtedly be affected adversely by extended lockdown periods, it is anticipated that all three major United Kingdom brands (*viz* Phase Eight, Whistles and Hobbs) will continue to operate. The levels of profitability achieved pre-COVID-19 are expected to be sustainable. Clearly there is uncertainty relating to the speed with which the United Kingdom economy will recover from the current sovereign economic meltdown and this ongoing situation will need to be reviewed regularly. The Chancellor of the Exchequer in the United Kingdom has stated publicly that the current recession is the worst suffered by the country for over 300 years.

The decision not to impair intangibles in TFG London was supported by management, the external auditors and the Audit Committee.

EXTERNAL AUDITORS

The Group's external auditors are Deloitte & Touche and the designated partner is Mr M van Wyk.

Deloitte & Touche 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 M van Wyk, 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 Deloitte & Touche is independent of the Group and executive and senior management and therefore able to express an independent opinion on the Group's consolidated annual financial statements. The committee specifically considered Deloitte & Touche's tenure (three years) and the nature and extent of non-audit services. Non-audit services of R4,5 million were provided in the current year (2019: R4,1 million).

The committee has nominated, for approval at the AGM, Deloitte & Touche as the external auditor and Mr M van Wyk as designated audit partner for the 2021 financial year, having satisfied itself (as required by the JSE Limited Listings Requirements):

- that the audit firm is accredited by the JSE Limited; and
- that the quality of the external audit is satisfactory (after referencing the most recent inspection reports issued by the Independent Regulatory Board for Auditors (IRBA) in respect of both the audit firm and the designated audit partner).

FINANCIAL STATEMENTS

The committee reviewed the financial statements of the company and the Group and is satisfied that they comply with IFRS and the requirements of the Companies Act of South Africa. This review included a consideration of the JSE's reports on the proactive monitoring of financial statements.

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

As recommended by King IV the committee has concentrated primarily on the following financial captions with the actions taken to address the risks listed:

ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Audit Committee specifically considered the impact of the following new accounting standards:

- IFRS 16 *Leases*

The Audit Committee received regular presentations from management on the processes and controls in place to address the adoption of this new accounting standard; as well as on the financial impact and the required disclosures.

The external auditors provided detailed reports on their work to satisfy themselves that the adoption of the new accounting standard has been correctly applied.

RECOVERY OF TRADE RECEIVABLES

During the year we received detailed presentations from the Group director responsible for credit on the progress being made in controlling the collection of receivables, which reports detail trends in recoveries, bad debt write-offs and other matrixes associated with TFG's customer accounts status.

In addition to reports provided to the Audit Committee, similar presentations are made to the Supervisory Board at regular intervals.

The Audit Committee received reports from the external auditors on their work. Robust discussions took place on their findings.

INVENTORY

The Audit Committee members received monthly reports from the Chief Executive Officer, which include comments made by each divisional head on:

- their inventory holdings, stock turn statistics and write-down information; and
- the adequacy or otherwise of the overall quantum of their inventory holdings per business unit.

Internal audit conducts ongoing cyclical inventory counts and reported on their findings to the Audit Committee. In addition, the detailed internal audit reports relating to inventory counts were reviewed throughout the year by the Risk Committee.

The external auditors provided a detailed year-end report on their work to satisfy themselves that this critical caption is fairly stated.

Audit Committee report (continued)

For the year ended 31 March 2020

INTEGRATED ANNUAL REPORT

The committee fulfils an oversight role in respect of the 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 in all aspects of our business.

The committee considered the sustainability information as disclosed in the integrated annual report, assessed its consistency with the consolidated annual financial statements and sustainability overview report and is satisfied that the sustainability information is in no way contradictory to that disclosed in the consolidated 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 Ms B Ntuli, the Chief Financial Officer, possesses the appropriate expertise and experience to meet her 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.

CONCLUSION

As this is my last report as the chairman of the Audit Committee, I place on record my sincere thanks to all of those Audit Committee members who have supported me throughout this long journey.

I had the pleasure of serving three Chairmen *viz* the late Elliot Osrin, David Nurek and Michael Lewis. My thanks to each of them for entrusting me with the responsibility of developing the Audit Committee. Also, I was privileged to work with three Chief Executive Officers over this period *viz* Denis Polak, Doug Murray and Anthony Thunström. They were all supportive of the Audit Committee as were the three Chief Financial Officers I worked with, *viz* Ronnie Stein, Anthony Thunström and Bongiwe Ntuli.

In concluding this report I place on record my thanks to all those many individuals who contributed to the working of the Audit Committee, including Group Secretarial and obviously all the Audit Committee members over the period, including those who attended as invitees. I acknowledge the roles played by the two firms of auditors who were in place during my tenure and wish my successor every success for the future.

APPROVAL

The committee recommended the approval of the consolidated annual financial statements and the integrated annual report to the Supervisory Board.

S E Abrahams
Outgoing chairman: Audit Committee

11 August 2020

Independent auditor's report

For the year ended 31 March 2020

TO THE SHAREHOLDERS OF THE FOSCHINI GROUP LIMITED

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the consolidated financial statements of The Foschini Group Limited (the Group) set out on pages 22 to 98, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor’s report (continued)

For the year ended 31 March 2020

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Impairment of trade receivables – retail

Retail trade receivables are unsecured and generally provided to customers with higher levels of default compared to the more traditional and often secured loans provided by the banking industry.

Refer to note 1.2 (Significant judgements and estimates), note 7 (Trade Receivables – Retail), note 21 (Risk Management) for the related disclosures and note 22.1 (Subsequent events).

Retail trade receivables are carried at amortised cost and the impairment is measured using the simplified approach under IFRS 9, i.e. modelling lifetime expected credit losses (ECLs).

As at 31 March 2020 gross trade receivables – retail amounted to R9 748,4 against which an ECL of R1 986,0 was raised.

When measuring the ECL of financial assets for the Group, the following judgement and estimates are employed by management (refer to note 21):

- Probability of Write-off (PW) constitutes a key input in measuring ECLs. PW is an estimate of the likelihood of write-off over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;
- Loss Given Write-off (LGW) is an estimate of the loss arising on write-off of financial assets. It is based on the difference between the contractual cash flows due from a financial asset and those that the Group would expect to receive; and
- Exposure at Write-off (EAW) is an estimate of the expected exposure at a future write-off date.

The Group uses reasonable and supportable forward-looking information, which is based on assumptions and expert opinion for the future movement of different economic drivers and how these drivers will affect each other. As these assumptions and expert opinions pertain to uncertain future events, significant judgement is present. Forward-looking information can include the impact of potential future legislation. The impact on ECLs is assessed based on the latest information available regarding the applicable legislation. Estimates and judgements are required to assess the impact on the PW and EAW, and the timing of the anticipated credit loss.

In evaluating the impairment of trade receivables – retail our audit included the following procedures with assistance from our credit specialist team:

- Obtained an understanding of the various assumptions used, the impairment modelling, and data management processes, systems and methodologies.
- Evaluated, in conjunction with our credit and modelling specialists, the impairment methodology applied against the requirements of IFRS 9: *Financial Instruments*.
- Our specialists evaluated that the impairment methodology developed has been appropriately applied in the underlying impairment modelling.
- Our specialists independently recoded certain elements of the impairment model, i.e. ECL, probability of write off, loss given write off and survival discount to evaluate the accuracy thereof in the model.
- We evaluated the appropriateness of forward looking economic expectations included in the model by comparing to independent industry data. We evaluated management’s economic response models to ensure that the macro-economic inputs are appropriately incorporated into the models. Where management applied out-of-model adjustments to the forward looking information, we evaluated these for reasonableness against historical experience and evaluated the methodology applied to incorporate these into the forecasts.
- We assessed the reasonableness of overlays raised by management, based on our understanding of the industry, emerging risks and regulatory changes. Based on our reperformance of the ECL model, we considered effects already taken into account by the ECL model to determine whether the impact of the overlay was not double counted. We evaluated whether these overlays were subject to an appropriate governance process.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Impairment of trade receivables – retail (continued)	
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, the lockdown and other interventions announced by governments where credit is offered were assessed. The following approach was adopted: • The probability of write-off (PW), 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 factor for each scenario; and • Probabilities were assigned to each scenario. The impairment of trade receivables – retail is material to the consolidated financial statements in terms of its magnitude, the level of subjective judgement applied by the directors and the effect that it has on the Group's credit risk management processes and operations. This has resulted in this matter being identified as a matter of most significance in the audit of the consolidated financial statements.	Specific attention was also given to the following areas: • Data used in the impairment model was reconciled to the source system; • With assistance from our information technology (IT) specialist team we tested the business rules applied for the critical IFRS 9 modelling fields; and • Evaluation of the appropriateness of the disclosures included in the consolidated financial statements in accordance with the requirements of IFRS 7: *Financial Instruments: Disclosure*. Based on our audit work performed we found the impairment to be reasonable and the disclosures included in the consolidated financial statements, as set out in notes 1.2, 7, 21 and 22.1 to be appropriate.

Independent auditor's report (continued)

For the year ended 31 March 2020

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Valuation of inventory under the retail inventory method	
Inventory on hand at year end is one of the Group's most significant assets amounting to R8 431,1 million. The Group carries inventory at the lower of cost or net realisable value, which is calculated using either the Retail Inventory Method (RIM) or weighted average cost. This is an industry specific accounting method used to derive a weighted average product cost, approximating the net realisable value of the inventory. Refer to note 1.2 (Significant judgements and estimates) and note 6 (Inventory). The RIM of valuation is complex, contains significant assumptions relating to the average margin and level at which it is applied, which can vary between retail entities and the method is impacted by the amount and timing of markdowns, which could impact the gross margin. Judgement by the directors is also required in the application thereof as far as it relates to gross margin percentages and markdowns. The valuation of the TFG Africa merchandise was determined to be a key audit matter in the audit of the Group as a result of the significance of the balance, the complex nature of the calculations and the level of judgement applied by the directors in determining the valuation.	We obtained an understanding of the Group's processes around the valuation of inventory according to the RIM. Our IT specialists performed specific automated procedures in respect of the controls around the inventory valuation process. The accuracy and completeness of the purchase data in the system was assessed through the testing of relevant automated and manual controls in the procurement process. With the assistance of our data analytics specialists, we: • Evaluated the appropriateness of the application of the RIM, as described in IAS 2: *Inventory* (IAS 2); • Performed detail analytical procedures by analysing the gross margin of each product per style to identify if the margin on the product is within the standard deviation to the average margin applied to the style in the RIM calculation and assessed the impact on inventory on hand at year end; • Tested the underlying purchases and process around the setting of the RIM prices; • Assessed markdowns pre- and post-year end to ensure that there was no unfair bias in the valuation; • Considered whether the provision for obsolete inventory, built into the RIM valuation method of inventory, adequately covered the risk of overstatement of inventory; • Based on the above procedures evaluated the extent to which the RIM valuation approximated cost as required by IAS 2; and • Considered the adequacy of the disclosure in the consolidated financial statements. Based on our testing we found that the assumptions used in the application of the RIM is reasonable and the disclosure in the consolidated financial statements acceptable.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

TFG London goodwill and intangible impairment assessment

As disclosed in note 3, the Group's goodwill and intangible asset balance is R9 738,5 million. The TFG London cash-generating unit (CGU) accounts for 57% of this balance. In line with IAS 36: *Impairment of Assets* (IAS 36), the directors are required to assess annually whether goodwill that arose on acquisitions is potentially impaired.

The recoverable amount was calculated using the value-in-use technique. This valuation is subjective in nature as it is dependent on the directors' best estimate of the CGU's future performance based on information known as at 31 March 2020.

As disclosed in note 3, there are a number of key assumptions and estimates made in determining the inputs into the model which includes:

- Retail turnover growth rates;
- Gross margins;
- Discount rate; and
- Long-term growth rate.

The current economic climate and the uncertainty surrounding the future economic conditions of the retail industry within the United Kingdom increased the complexity of forecasting.

Due to the significance of the goodwill and intangible asset balance for the TFG London CGU and the level of estimation inherently required in determining future performance and an appropriate discount rate, this has resulted in it being identified as a key audit matter in the audit of the consolidated financial statements.

In evaluating the impairment assessment for the TFG London CGU, we focused on the key areas of estimates made by the directors.

Our audit procedures included:

- We considered whether goodwill was impaired by assessing the mathematical accuracy of management's goodwill impairment calculation, considering the reasonability of inputs and assumptions disclosed and applied in the calculation with reference to historic revenue growth and management's forecast future revenue;
- Assessing the design and testing the implementation of the key controls over the goodwill impairment process;
- Obtaining the respective discounted cash flow models which assessed the carrying value of goodwill;
- Critically evaluating whether the future projected cash flows used by the Directors to calculate the value-in-use of the cash generating unit complies with the requirements of IAS 36, was supported by approved budgets and considered the impact of COVID-19. In assessing goodwill for impairment, we assessed the reasonableness of adjustments made by management to revenue growth in estimating future cash flows, based on information available as at 31 March 2020;
- Assessing the reasonability of the future projected cash flows, including the assumptions relating to retail turnover growth rates and gross margins with reference to historic information and approved budgets;
- Engaging our internal specialists to independently calculate the discount rates and growth rates used in the directors' impairment calculations;
- We compared the terminal growth rate to independent sources of information;
- Performing sensitivity analyses on key estimates including areas of judgement and estimate including retail turnover growth rates, gross margins and discount rates and long term growth rates to evaluate the extent of the impact on the value-in-use;
- Recalculating the value-in-use of the cash generating unit; and
- Assessing the adequacy of the Group's disclosures in respect of goodwill in the notes to the consolidated financial statements.

Based on the procedures performed, the valuation methodology used is considered appropriate and we found the key forecast assumptions used by the directors to be supportable. We reviewed the disclosures in note 3 and found these to be appropriate.

Independent auditor's report (continued)

For the year ended 31 March 2020

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Key judgements applied in the going concern assessment There is widespread uncertainty regarding the extent of the financial impact of COVID-19 pandemic. Assessing the impact of the outbreak of the pandemic on the appropriateness of the going concern assumption, under which the consolidated financial statements have been prepared, resulted in considerable focus and time being spent by both the audit partner and the audit team. As a result of the uncertainty of the impact of the COVID-19 pandemic on the Group and the judgement required to conclude on going concern, we identified this as a key audit matter. The directors have concluded that there are no material uncertainties that give rise to significant doubt over the Group's ability to continue as a going concern for the foreseeable future. The judgements applied by the directors in reaching this conclusion is disclosed in note 22.2 (Going Concern) to the consolidated annual financial statements.	We reassessed our risk assessment on going concern and took into account the additional considerations of the impact of the COVID-19 pandemic on the Group when assessing the going concern conclusion. In evaluating the directors judgements in determining whether there are material uncertainties which may cast doubt on the Group's ability to continue as a going concern, the following procedures were performed: • Testing the design and implementation of controls around the going concern assessment and judgements applied; • Assessing the operational disruption caused to the Group's business in the different territories and understanding the actions taken by management and the directors to mitigate the impact of the COVID-19 pandemic and lockdown to date; • We assessed managements' cash flow forecasts to ensure these considered the approved budgets and reflected necessary cash flows (in and out) needed to support the Group as a going concern; • Challenging the reasonableness of the scenarios identified and key assumptions used by management in determining the impact of the Covid-19 pandemic on going concern; • Inspecting correspondence with lenders, regarding renegotiated repayment terms and debt covenants so as to ensure that the cash flows were accurately reflected in the cash flow forecasts; • For the period post-year end, we compared the actual results and cash collections on the debtors book against the detail used in the cash flow forecasts for those period; and • Assessing the disclosure related to going concern in the consolidated financial statements. We concur with the directors' judgement applied to conclude on the Group's ability to continue as a going concern. We consider the going concern disclosure contained in Note 22.2 (Going Concern) to be appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "2020 Integrated Annual Report of The Foschini Group Limited for the year ended 31 March 2020", the Directors' Report, the Company Secretary's certificate and the Audit Committee Report as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Deloitte & Touche has been the auditor of The Foschini Group Limited for 3 years.

Deloitte & Touche
Registered Auditor
Per: Michael van Wyk
Partner

13 August 2020

Unit 11 Ground Floor, La Gratitude, 97 Dorp Street, Stellenbosch, 7600

Consolidated statement of financial position

As at 31 March

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

	Note	2020 Rm	Restated* 2019 Rm	Restated* 2018 Rm
ASSETS				
Non-current assets				
Property, plant and equipment	2	**2 937,4**	2 820,0	2 861,9
Goodwill and intangible assets	3	**9 738,5**	8 590,1	7 667,2
Right-of-use assets	4	**7 499,3**	7 499,5	6 937,2
Deferred taxation assets	5	**1 228,2**	1 177,9	788,3
		21 403,4	20 087,5	18 254,6
Current assets				
Inventory	6	**8 431,1**	7 680,9	6 900,6
Trade receivables – retail	7	**7 762,4**	7 439,8	7 373,6
Other receivables and prepayments	8	**1 490,4**	1 147,6	821,8
Concession receivables	9	**62,7**	174,3	296,8
Cash and cash equivalents	10	**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				
Share capital	11	**3,3**	3,3	3,3
Share premium		**4 098,2**	4 098,2	4 098,2
Treasury shares	12	**(705,1)**	(748,1)	(660,3)
Dividend reserve	13	**–**	1 065,4	994,4
Hedging surplus	14	**184,2**	33,8	10,0
Foreign currency translation reserve	15	**1 194,0**	90,2	(833,3)
Put option reserve		**–**	(84,4)	(86,0)
Post-retirement defined benefit plan reserve	17	**(23,6)**	(34,2)	(34,2)
Retained earnings		**11 191,6**	9 624,9	9 381,8
		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	18	**5 480,3**	6 017,4	4 825,7
Put option liability	16	**54,2**	81,0	72,7
Lease liabilities	20	**5 596,8**	5 611,4	5 207,8
Deferred taxation liabilities	5	**1 087,2**	933,7	829,4
Post-retirement defined benefit plan	17	**228,6**	233,8	215,8
		12 447,1	12 877,3	11 151,4
Current liabilities				
Interest-bearing debt	18	**5 849,2**	3 196,0	4 524,9
Trade and other payables	19	**4 786,4**	4 363,1	3 597,3
Lease liabilities	20	**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 38 for the impact of the IFRS 16 change in accounting policy.*

Consolidated income statement

For the years ended 31 March

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

	Note	2020 Rm	Restated* 2019 Rm
Revenue	24	**38 476,5**	37 128,2
Retail turnover		**35 323,3**	34 101,4
Cost of turnover		**(16 700,1)**	(15 820,8)
Gross profit		**18 623,2**	18 280,6
Interest income	25	**1 759,7**	1 764,0
Other income	26	**1 393,5**	1 262,8
Net bad debt		**(1 275,5)**	(992,8)
Trading expenses	27	**(15 816,2)**	(15 432,0)
Operating profit before finance costs		**4 684,7**	4 882,6
Finance costs	28	**(1 335,4)**	(1 304,5)
Profit before tax		**3 349,3**	3 578,1
Income tax expense	29	**(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)	30		
Basic		**1 056,2**	1 142,5
Diluted (basic)		**1 050,6**	1 132,1

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

Consolidated statement of comprehensive income

For the years ended 31 March

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

	2020 Rm	Restated* 2019 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 38 for the impact of the IFRS 16 change in accounting policy.*

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 2018	**3,3**	**4 098,2**	**(660,3)**	**70,1**	**9 610,2**	**13 121,5**	**4,5**	**13 126,0**
IFRS 16 transition*				(19,2)	(228,4)	**(247,6)**		**(247,6)**
Equity at 31 March 2018 – restated*	**3,3**	**4 098,2**	**(660,3)**	**50,9**	**9 381,8**	**12 873,9**	**4,5**	**12 878,4**
IFRS 9 transition					(517,4)	**(517,4)**		**(517,4)**
Total comprehensive income for the year – restated*				947,3	2 640,1	**3 587,4**	0,2	**3 587,6**
Profit for the year – restated*					2 640,1	**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 (note 14)				32,7		**32,7**		**32,7**
Foreign currency translation reserve movements (note 15) – restated*				923,5		**923,5**		**923,5**
Deferred tax on movement in other comprehensive income (note 5)				(8,9)		**(8,9)**		**(8,9)**
Share-based payments reserve movements					87,3	**87,3**		**87,3**
Transfer from dividend reserve (note 13)				(994,4)	994,4	**–**		**–**
Dividends paid (note 36)					(1 756,1)	**(1 756,1)**		**(1 756,1)**
Transfer to dividend reserve (note 13)				1 065,4	(1 065,4)	**–**		**–**
Proceeds from sale of shares in terms of share incentive schemes					46,7	**46,7**		**46,7**
Shares purchased in terms of share incentive schemes			(274,3)			**(274,3)**		**(274,3)**
Delivery of shares by share incentive schemes			186,5		(186,5)	**–**		**–**
Decrease in the fair value of the put option reserve				1,6		**1,6**		**1,6**
Realisation on disposal of non-controlling interest						**–**	(4,7)	**(4,7)**
Equity at 31 March 2019 – restated*	**3,3**	**4 098,2**	**(748,1)**	**1 070,8**	**9 624,9**	**14 049,1**	**–**	**14 049,1**

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

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 2019 – restated*	**3,3**	**4 098,2**	**(748,1)**	**1 070,8**	**9 624,9**	**14 049,1**	**–**	**14 049,1**
Total comprehensive income for the year				**1 264,8**	**2 443,8**	**3 708,6**		**3 708,6**
Profit for the year					**2 443,8**	**2 443,8**		**2 443,8**
Other comprehensive income								
Actuarial gain on]-retirement defined benefit plan				**14,7**		**14,7**		**14,7**
Movement in effective portion of changes in fair value of cash flow hedges (note 14)				**212,8**		**212,8**		**212,8**
Foreign currency translation reserve movements (note 15)				**1 103,8**		**1 103,8**		**1 103,8**
Deferred tax on movement in other comprehensive income (note 5)				**(66,5)**		**(66,5)**		**(66,5)**
Share-based payments reserve movements					**76,1**	**76,1**		**76,1**
Transfer from dividend reserve (note 13)				**(1 065,4)**	**1 065,4**	**–**		**–**
Dividends paid (note 36)					**(1 839,3)**	**(1 839,3)**		**(1 839,3)**
Proceeds from sale of shares in terms of share incentive schemes					**191,0**	**191,0**		**191,0**
Shares purchased in terms of share incentive schemes			**(242,9)**			**(242,9)**		**(242,9)**
Delivery of shares by share incentive schemes			**285,9**		**(285,9)**	**–**		**–**
Reclassification of reserve to retained earnings				**84,4**	**(84,4)**	**–**		**–**
Equity at 31 March 2020	**3,3**	**4 098,2**	**(705,1)**	**1 354,6**	**11 191,6**	**15 942,6**	**–**	**15 942,6**

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

	2020	2019
Dividend per ordinary share (cents)		
Interim	**335,0**	330,0
Final	**–**	450,0
Total	**335,0**	780,0

Consolidated cash flow statement

For the years ended 31 March

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

	Note	2020 Rm	Restated* 2019 Rm
Cash flows from operating activities			
Operating profit before working capital changes	34	**8 794,5**	8 767,3
Increase in working capital	34	**(542,1)**	(788,0)
Cash generated from operations	34	**8 252,4**	7 979,3
Interest income		**24,4**	15,7
Finance costs	28	**(1 335,4)**	(1 304,5)
Taxation paid	35	**(1 148,0)**	(947,1)
Dividends paid	36	**(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	37	**1 948,3**	(319,2)
Lease liability payments	37	**(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	10	**2 969,1**	1 111,0

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

Consolidated segmental analysis

For the years ended 31 March

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

	TFG Africa retail Rm	Credit Rm	TFG London Rm	TFG Australia Rm	Total Rm
2020					
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)**

	Restated* TFG Africa retail Rm	Credit Rm	Restated* TFG London Rm	Restated* TFG Australia Rm	Restated* Total Rm
2019					
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 38 for the impact of the IFRS 16 change in accounting policy.*
** *Includes retail turnover, interest income and other income.*
*** *Relates to the TFG Africa – retail and credit segments.*

The Group has identified that the Chief Executive Officer in conjunction with the Operating Board fulfils the role of the chief operating decision-maker (CODM). The Operating Board, as distinct from the Group's Supervisory Board, consists only of executive directors. All operating segments' operating results are reviewed regularly by the CODM to make decisions about the allocation of resources to the operating segment and to assess its performance.

Performance is measured based on segmental profit before tax, as included in the monthly management report reviewed by the CODM.

For management purposes, the following operating divisions have been identified as the Group's reportable segments:

The Group is structured based on products and services offered by the following four reportable operating divisions:

- **TFG Africa retail division** refers to the consolidated performance of all African operations comprising of the @home division, Exact division, The FIX division, the Foschini division, the Jewellery division, the Markham division and the Sport division, retailing clothing, jewellery, cosmetics, cellphones and homeware and furniture. TFG Africa operates through retail outlets throughout South Africa and certain parts of Africa, as well as online.
- **Credit** manages the Group's trade receivables – retail and related functions with regard to the granting of credit within certain countries within TFG Africa.
- **TFG London division** comprising the Phase Eight, Whistles and Hobbs divisions, which operates through retail outlets throughout the United Kingdom and internationally, as well as online.
- **TFG Australia division** comprises the Retail Apparel Group (RAG). RAG operates through retail outlets throughout Australia and New Zealand, as well as online.

GEOGRAPHICAL INFORMATION

The TFG Africa retail and Credit reportable segments earn revenue throughout South Africa and certain Africa countries, as well as online. TFG London operates through retail outlets throughout the United Kingdom and internationally, as well as online. TFG Australia operates through retail outlets throughout Australia and New Zealand, as well as online.

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.

Consolidated segmental analysis (continued)

For the years ended 31 March

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

The geographical information is presented in the table below:

	TFG Africa retail Rm	Credit Rm	TFG London Rm	TFG Australia Rm	Total Rm
2020					
Segment revenue					
South Africa	**21 814,8**	**2 305,1**	**–**	**–**	**24 119,9**
Rest of Africa	**1 128,3**	**70,4**	**–**	**–**	**1 198,7**
United Kingdom and Ireland	**–**	**–**	**3 962,5**	**–**	**3 962,5**
Australia	**–**	**–**	**16,5**	**4 939,1**	**4 955,6**
Rest of the World	**–**	**–**	**1 053,5**	**231,4**	**1 284,9**
E-commerce***	**366,4**	**–**	**2 298,4**	**290,1**	**2 954,9**
Total segment revenue**	**23 309,5**	**2 375,5**	**7 330,9**	**5 460,6**	**38 476,5**
Segment non-current assets					
South Africa					**7 116,7**
Rest of Africa					**235,5**
United Kingdom and Ireland					**7 039,1**
Australia					**5 375,8**
Rest of the World					**408,1**
Total segment non-current assets					**20 175,2**

	TFG Africa retail Rm	Credit Rm	TFG London Rm	TFG Australia Rm	Restated* Total Rm
2019					
Segment revenue					
South Africa	21 202,7	2 151,7	–	–	23 354,4
Rest of Africa	1 154,0	84,2	–	–	1 238,2
United Kingdom and Ireland	–	–	3 658,5	–	3 658,5
Australia	–	–	35,5	4 554,5	4 590,0
Rest of the World	–	–	1 106,7	167,3	1 274,0
E-commerce***	247,6	–	2 545,1	220,4	3 013,1
Total segment revenue**	22 604,3	2 235,9	7 345,8	4 942,2	37 128,2
Segment non-current assets					
South Africa					6 866,3
Rest of Africa					292,0
United Kingdom and Ireland					6 158,2
Australia					5 162,8
Rest of the World					430,3
Total segment non-current assets					18 909,6

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*
** *Includes retail turnover, interest income and other income.*
*** *E-commerce sales is revenue earned throughout the world in which the segments operate.*

Non-current assets consist of property, plant and equipment, right-of-use assets, goodwill and intangible assets.

Notes to the consolidated financial statements

For the year ended 31 March 2020

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 annual financial statements (together referred to as the "financial statements") for the year ended 31 March 2020 comprise the company and its subsidiaries (together referred to as the "Group").

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 of South Africa and the JSE Limited 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 Supervisory Board on 11 August 2020.

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 Rand, which is the Group'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 and directors 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:

Impact of COVID-19

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, 26 March 2020 in South Africa and 27 March 2020 in Australia. The Group's supply chain has also experienced disruptions from COVID-19. When the initial news of COVID-19 and its impact on China became clear, the Group worked with its own factories and regional suppliers to limit the impact of COVID-19 disruptions on its supply chain. These key events occurred before the Group's reporting date, being 31 March 2020.

Forward-looking information

Forward-looking information used for impairment assessments as required by IAS 36 *Impairment of Assets*, inventory provisioning as required by IAS 2 *Inventory* and the application of the Expected Credit Loss method as required by IFRS 9 *Financial Instruments* incorporate significant judgements and assumptions. These judgements and assumptions are detailed further in the relevant sections of these financial statements.

1. ACCOUNTING POLICIES (continued)

1.2 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Trade receivables impairment

Measurement of Expected Credit Losses (ECLs)

When measuring the ECL of financial assets for the Group, the following judgement and estimates are employed (refer to note 21):

- Probability of Write-off (PW) constitutes a key input in measuring ECLs. PW is an estimate of the likelihood of write-off over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;
- Loss Given Write-off (LGW) is an estimate of the loss arising on write-off of financial assets. It is based on the difference between the contractual cash flows due from a financial asset and those that the Group would expect to receive;
- Exposure at Write-off (EAW) is an estimate of the expected exposure at a future write-off date;
- The Group uses reasonable and supportable forward-looking information, which is based on assumptions and expert opinion for the future movement of different economic drivers and how these drivers will affect each other. As these assumptions and expert opinions pertain to uncertain future events, significant judgement is present. Forward-looking information can include the impact of potential future legislation. The impact on ECLs is assessed based on the latest information available regarding the applicable legislation. Estimates and judgements are required to assess the impact on the PW and EAW, and the timing of the anticipated credit loss; and
- No provision is made and held against unutilised facilities related to trade receivables – retail as these facilities do not meet the definition of a loan commitment.

Concession receivables

Concession receivables relates to balances due from stores located in the United Kingdom, Australia and internationally, where concession agreements are in place. Management continually monitors the concession receivables to assess the potential negative impact of the pandemic and to implement mitigating action where possible. The provision relating to concessions has taken into account the uncertain environment and probabilities of write-off available at 31 March 2020. The Group uses forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. As these assumptions pertain to uncertain future events, significant judgement is present. Estimates and judgements are required to assess the impact on the probability write-off and the timing of the anticipated credit losses.

Inventory valuation

Inventories are valued by use of the retail inventory method as an approximation of weighted average cost. The retail inventory method inherently requires management judgements and estimates, such as the amount and timing of permanent markdown to clear unproductive or slow moving inventory, which may impact the ending inventory valuation as well as the level at which RIM is applied, which is gross margins at a merchandise category level per brand (note 6). 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 possible markdowns below cost due to end of season stock not sold 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.

Taxation

The Group is subject to income tax in more than one jurisdiction. Judgement is required in determining the provisions for income taxes due to the complexity of legislation. There are 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 whether the particular tax treatment is acceptable to the respective revenue authorities. If the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines its taxable profit (tax losses), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax credits and tax rates. 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 (note 29).

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

The Group has considered property, plant and equipment and right-of-use assets for impairment. To determine if an impairment is required, the profitability of stores is assessed to determine if there is an indication of impairment. Where there is an indication of impairment the stores are assessed to identify the reasons for which the store could have been unprofitable in the year and if there was any likelihood in the assets carrying values not being recovered by forecasted future cash flows. 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. 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 or impairment reversals 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 uses certain judgements in calculating the value-in-use for each CGU. Refer to note 3 for additional information on the key assumptions used.

Lease liabilities

The Group recognises a lease liability at the lease commencement date over 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 assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, management exercises judgement to assess the likelihood of exercising, termination or extension of the option. The lease term will not include any renewal options where there is no certainty that the lease will be renewed until the renewal option is exercised. The lease liability is initially measured at the present value of the lease payments, discounted using the Group's incremental borrowing rate. The Group uses judgements when determining the borrowing rate by taking the following assumptions into account such as duration, country, currency and inception of the lease.

1. ACCOUNTING POLICIES (continued)

1.2 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Other

Further estimates and judgements that are not significant, but are areas in the financial statements that exist. These relate to residual values, useful lives and depreciation and amortisation methods (notes 2 and 3); estimating the fair value of share incentives granted (note 31); pension fund and employee obligations (note 31) and fair value estimation (note 21).

1.3 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 and TFG Foundation. The Group does not have any direct or indirect shareholding in the share incentive trust and TFG Foundation. The results of the share incentive trust and TFG Foundation, that in substance are controlled by the Group, are consolidated.

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

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

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 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 NCI 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.

NCIs 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 NCIs 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 and settlement is accounted for within equity. 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 DIVIDENDS

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 is 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 and diluted headline EPS are calculated per the requirements of SAICA Circular 1/2019, using the same number of shares as the basic EPS and diluted EPS calculation.

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 and expensed when incurred.

Post-employment benefits

The Group contribute to several defined benefit and defined contribution plans as mentioned below.

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.

1. ACCOUNTING POLICIES (continued)

1.7 EMPLOYEE BENEFITS (continued)

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 the fair value of any plan assets is deducted from it.

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

Equity-settled share-based options

The Group grants equity-settled share instruments to certain employees under an employee share plan. The grant date fair value of options, share appreciation rights (SARs) and forfeitable shares (FS) granted to employees is recognised as an expense, with a corresponding increase in equity over the vesting period of the instruments. The fair value is measured at the grant date using a Binomial option pricing model. 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.

1.8 EXPENSES

Finance costs

Finance costs comprise interest paid and payable on borrowings calculated using the effective interest method. Borrowing costs are recognised in profit or loss or capitalised to property, plant and equipment if it meets the requirements of a qualifying asset.

Finance costs on lease liabilities

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

Variable lease payments

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.

Short-term and low value leases

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.

1.9 FINANCIAL INSTRUMENTS

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument.

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 (FVTPL) where, transaction costs are recognised in profit or loss. Subsequent to initial recognition, financial instruments are measured as described below.

Financial assets are classified and measured on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group determines the business model at a level that reflects how categories of financial assets are managed together to achieve a particular business objective. The Group's performs a continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate. If the business model is no longer appropriate, a prospective change to the classification of those assets is considered.

Non-derivative financial instruments

Non-derivative financial instruments recognised in the statement of financial position include cash and cash equivalents, trade and other receivables, concession receivables, interest-bearing debt, lease liabilities and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and amounts held on deposit at financial institutions. Cash and cash equivalents 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 and cash equivalent balances included in the statement of financial position.

Financial assets measured at fair value through profit or loss

The reinsurance contract issued in cell captive arrangements are classified as financial assets and are designated for measurement at the fair value with the movement in fair value being recognised in profit or loss.

Trade receivables – retail and concession receivables

Trade receivables – retail and concession receivables are held within a business model whose objective it is to collect the contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial measurement, trade receivables – retail and concession receivables are measured at amortised cost using the effective interest method, less any accumulated impairment losses.

1. ACCOUNTING POLICIES (continued)

1.9 FINANCIAL INSTRUMENTS (continued)

Write-off policy

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. Recency refers to the number of payment cycles that elapsed since the last qualifying payment was received.

The Group writes off its trade receivables when it has no reasonable expectations of recovering the trade receivable in its entirety, or a portion thereof. A write-off constitutes a derecognition event.

Trade receivables – retail are written off where the trade receivables – retail account customer has not made a qualifying payment for 6 months. The Group utilises both an in-house collection department and external collection specialists in an effort to recover outstanding amounts. Amounts recovered subsequent to write-off are recorded in profit or loss.

Reclassifications of financial assets

If the business model under which the Group holds financial assets changes, the financial assets affected may be reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets are described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms and resultant cash flows, to those applicable at initial recognition.

The terms and conditions contained in the credit agreement relating to trade receivables – retail accounts allow the Group the flexibility to extend the term of the facility or to adjust the instalment due. Such an adjustment therefore does not constitute a renegotiation of the terms of the trade receivables – retail account.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay in respect thereof. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received thereon.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income (OCI) and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at fair value through other comprehensive income, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

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.

TFG performs active management of interest-bearing debt, usually on a daily frequency, whereby receipts and payments are netted off and interest-bearing debt is either settled or advanced by the net cash flow. Our cash flow is consequently presented on a net basis.

Gains and losses on subsequent measurement

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

Put option to acquire the TFG London 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 NCI. 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 NCI is recorded.

Subsequent to this recognition, the put option liability is remeasured as a financial liability at fair value through 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 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 NCI on the date when the option lapses.

Call option to acquire the TFG London Group equity

Where the Group has a call option to acquire a NCI, 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 NCI are adjusted to reflect the revised interests. Any gain or loss on the transaction arising with the NCI (calculated as the purchase price paid compared to the carrying value of the NCI 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 measurement 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 (note 1.13).

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 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 share capital

Ordinary share capital 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 EPS purposes.

1. ACCOUNTING POLICIES (continued)

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 of 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, goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any NCI 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

In accordance with IFRS 9, the Group uses derivative financial instruments, such as forward exchange contracts designated as hedging instruments in cash flow to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The hedged item may comprise of a firm commitment or highly probable forecast transaction which results in the recognition of a non-financial asset or a liability.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any material ineffective portion is recognised in the statement of profit or loss.

The Group designates the change in fair value of the entire forward contracts in its cash flow hedge relationships as the hedging instrument.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged item. If the hedged item subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability.

1.14 IMPAIRMENT OF ASSETS

Non-derivative financial assets

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.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and the amortised cost is presented on the face of the statement of financial position.

Measurement of ECLs

Impairment in terms of IFRS 9 is determined based on an ECL model. The ECL model applies to all financial assets measured at amortised cost. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the Group at reporting date.

The Group measures ECL by projecting the probability of write-off, exposure at write-off, timing of when write-off is likely to occur and loss given write-off. The ECL is calculated by multiplying these components together. For variable rate financial instruments, the ECL is discounted using the current effective interest rate applicable to the portfolio of financial assets. For fixed rate financial instruments, the ECL is discounted using the original effective interest rate applicable to the portfolio of financial assets.

The Group has adopted the simplified approach which recognises lifetime ECL regardless of stage classification. A financial asset can move in both directions through the stages of the impairment model.

The Group predominantly uses past due information to assess changes in credit risk since initial recognition. The Group considers that a change in credit risk has occurred when a trade receivables – retail account customer is in arrears with one contractual payment and is classified as stage 2 as opposed to stage 1. Accounts that have been rehabilitated or belong to deceased estates, are classified as stage 2 regardless of past due status. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired and therefore classified as stage 3. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group's definition of credit-impaired is aligned to the Group's internal definition of default. IFRS 9 does not define default. The Group has adopted the rebuttable presumption that default is evident where a trade receivables – retail account customer is in arrears for more than 90 days based on contractual payment requirements. Trade receivables – retail accounts which have been identified as belonging to customers who are sequestrated, placed under administration or debt review, are classified as being in default regardless of past due status.

When a financial asset is classified as stage 3 impaired, interest income is calculated on the amortised cost (i.e. the gross carrying amount less the allowance for impairment) based on the effective interest rate. The contractual interest income calculated on the gross carrying amount of the financial asset is suspended and is only recognised in interest income if and when the financial asset is reclassified out of stage 3. The difference between the contractual interest income and the interest income calculated on the amortised cost is recognised as an adjustment to the carrying value of the allowance for impairment and not as interest income.

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. ACCOUNTING POLICIES (continued)

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 brands, is recognised in profit or loss as incurred.

Currently, the Instinct, Fabiani, G-Star RAW, Phase Eight, Whistles, Hobbs and RAG 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
Damsel in a dress	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 selling expenses.

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 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. The retail method approximates the weighted average cost and is determined by reducing the sales value of the inventory by the appropriate gross margin percentage. The percentage used takes into account inventory that has been marked down below original selling price. An average percentage per trading division by merchandise category is used in this calculation.

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.

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% – 33,3%
Commercial vehicles	20%
Computer equipment	8,33% – 33%
Office equipment	4% – 33%
Furniture and fixtures	16,67%
Buildings	3,33%
Leasehold improvements	Shorter of useful life or lease period

Land is not depreciated.

The above depreciation rates are consistent with the comparative period.

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. Impairment and impairment reversals of property, plant and equipment are recognised in profit or loss.

1.18 LEASES

The Group assesses whether a contract is, or contains, a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Group has elected to apply the practical expedient permitted by IFRS 16 and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date over 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 assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, management exercises judgement to assess the likelihood of exercising, termination or extension of the option. The lease term will not include any renewal options where there is no certainty that the lease will be renewed until the renewal option is exercised.

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.

1. ACCOUNTING POLICIES (continued)

1.18 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. 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 the 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 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.

The Group has opted for separate presentation of the right-of-use assets and lease liabilities from other assets in the consolidated statement of financial position.

1.19 REVENUE AND OTHER INCOME

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

Retail turnover

Retail turnover represents the invoiced value of retail sales, excluding intra-group sales and value-added tax.

Retail turnover is recognised based on the satisfaction of performance obligations, which occurs when, control of goods transfers to a customer. Retail turnover is recognised once the contract is concluded and risks and rewards have been transferred to the customer. On conclusion, the full retail turnover will be recognised by the Group at the point of sale when the merchandise is transferred to the customer.

Retail turnover is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises retail turnover when it transfers control of a product or service to a customer.

Interest income

Interest income for all financial instruments, except for those classified as held for trading or those measured or designated as FVTPL are recognised as 'interest income' in the consolidated income statement using the effective interest method. Interest on financial instruments measured at FVTPL are included within the fair value movement during the year.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees received between parties to the contract that are incremental and directly attributable to the specific credit agreement. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition. The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

Interest income in the Group's consolidated statement of comprehensive income also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk interest income and expense, the effective portion of fair value changes of the designated derivatives as well as the fair value changes of the designated risk of the hedged item are also included in interest income and expense.

Value-added services

Publishing income

Publishing income is recognised on sale of publications and monthly in respect of advertising and subscriptions in the period in which the product is provided to the customer. The performance obligation is fulfilled once the publication is sold or posted to the customer.

Mobile one2one airtime income

Mobile one2one airtime and data income is recognised in the period in which the services are provided by the Group. In the case of a 24 month contract, the income will be measured monthly on provision of the services as the performance obligation is met periodically in advance as the services are made available to consumers. Incentive commissions are recognised on fulfilment of the sales volume threshold in respect of which the incentive commission is paid. The performance obligation is considered met on achievement of the relevant volume target.

Income earned from the insurance cell captives

Commission based income is recognised based on concluded sales. Dividend income declared by cell captives is recognised on date of declaration thereof. The reinsurance contracts issued in cell captive arrangements are classified as financial assets and are designated for measurement at FVTPL.

There is no impairment of the income necessary as it is based on actual cash flows being affected or where payment on credit is fulfilled through a trade receivables – retail account.

Collection cost recovery and service fees

Collection cost recovery arises when collection activities are performed to collect balances relating to trade receivables – retail account customers which are in arrears and is recognised in profit or loss when the activity has been performed.

Service fees are derived from the provision of debtor management services to store account customers. The Group identifies the performance obligations stipulated in the contractual agreements with store account customers. Service fees are charged on a monthly basis coinciding with the monthly rendering of the services to customers.

1. ACCOUNTING POLICIES (continued)

1.20 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. The Group has identified that the Chief Executive Officer in conjunction with the Operating Board fulfils the role of the CODM. The Operating Board, as distinct from our Supervisory Board, consists only of executive directors. All operating segments' operating results are reviewed regularly by the CODM to make decisions about the allocation of resources to the operating segment and to assess its performance.

Segment results reported to the CODM include items directly attributable to a segment and those that can be allocated on a reasonable basis. Unallocated items comprise mainly the share-based payments and foreign exchange transactions.

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

1.21 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 OCI or in equity, in which case it is recognised in OCI 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.

The company withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised directly as part of the company's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

2. PROPERTY, PLANT AND EQUIPMENT

	2020 Cost/ deemed cost Rm	2020 Accumulated depreciation and impairment Rm	2020 Carrying value at the end of the year Rm	2019 Cost/ deemed cost Rm	2019 Accumulated depreciation and impairment Rm	2019 Carrying value at the end of the year Rm
Land and buildings	**345,9**	**(113,6)**	**232,3**	345,2	(103,3)	241,9
Shopfittings and furniture and fixtures	**7 027,5**	**(4 917,3)**	**2 110,2**	6 401,1	(4 356,6)	2 044,5
Motor vehicles	**116,9**	**(37,2)**	**79,7**	123,2	(39,2)	84,0
Office equipment	**237,1**	**(111,2)**	**125,9**	198,2	(85,1)	113,1
Computer equipment	**1 332,4**	**(946,3)**	**386,1**	1 078,2	(745,5)	332,7
Leasehold improvements	**6,5**	**(3,3)**	**3,2**	6,5	(2,7)	3,8
Total	**9 066,3**	**(6 128,9)**	**2 937,4**	8 152,4	(5 332,4)	2 820,0

Reconciliation of property, plant and equipment – 2020 (Rm)

	Opening balance	Additions	Disposals	Impairment	Depreciation	Foreign exchange movements	Total
Land and buildings	**241,9**	**0,7**	**–**	**–**	**(10,3)**	**–**	**232,3**
Shopfittings and furniture and fixtures	**2 044,5**	**686,9**	**(70,4)**	**(55,4)**	**(605,7)**	**110,3**	**2 110,2**
Motor vehicles	**84,0**	**22,8**	**(15,3)**	**–**	**(11,9)**	**0,1**	**79,7**
Office equipment	**113,1**	**38,6**	**–**	**–**	**(25,8)**	**–**	**125,9**
Computer equipment	**332,7**	**145,7**	**(0,1)**	**(0,3)**	**(92,0)**	**0,1**	**386,1**
Leasehold improvements	**3,8**	**–**	**–**	**–**	**(0,6)**	**–**	**3,2**
Total	**2 820,0**	**894,7**	**(85,8)**	**(55,7)**	**(746,3)**	**110,5**	**2 937,4**

Reconciliation of property, plant and equipment – 2019 (Rm)

	Opening balance	Additions	Disposal of businesses	Disposals	Impairment	Depreciation	Foreign exchange movements	Total
Land and buildings	259,1	–	–	(6,5)	–	(10,7)	–	241,9
Shopfittings and furniture and fixtures	2 106,8	575,7	(24,4)	(35,9)	(79,2)	(586,2)	87,7	2 044,5
Motor vehicles	81,7	25,3	–	(11,0)	–	(12,2)	0,2	84,0
Office equipment	83,6	50,4	–	(0,2)	–	(20,7)	–	113,1
Computer equipment	326,3	126,1	(0,9)	(0,9)	(0,1)	(126,9)	9,1	332,7
Leasehold improvements	4,4	–	–	–	–	(0,6)	–	3,8
Total	2 861,9	777,5	(25,3)	(54,5)	(79,3)	(757,3)	97,0	2 820,0

None of the Group's assets are in any way encumbered. In the current year, the Group impaired a number of established non-profitable stores relating to property, plant and equipment as it is expected that they are less likely to return to profitability given the anticipated impact of COVID-19 on store profitability. Refer to segmental reporting for the allocation of the impairment per segment. Registers of the land and buildings are available for inspection at the registered office of the company at Parow East.

3. GOODWILL AND INTANGIBLE ASSETS

	2020 Cost Rm	2020 Accumulated amortisation Rm	2020 Carrying value Rm	2019 Cost Rm	2019 Accumulated amortisation Rm	2019 Carrying value Rm
Trademarks and brands	**4 183,6**	**(10,0)**	**4 173,6**	3 729,7	(8,1)	3 721,6
Goodwill	**4 756,3**	**–**	**4 756,3**	4 190,4	–	4 190,4
Computer software	**1 346,2**	**(537,6)**	**808,6**	1 117,2	(439,1)	678,1
Total	**10 286,1**	**(547,6)**	**9 738,5**	9 037,3	(447,2)	8 590,1

Reconciliation of goodwill and intangible assets – 2020 (Rm)

	Opening balance	Additions	Amortisation	Foreign exchange movements	Total
Trademarks and brands	**3 721,6**	**–**	**(1,9)**	**453,9**	**4 173,6**
Goodwill	**4 190,4**	**–**	**–**	**565,9**	**4 756,3**
Computer software	**678,1**	**224,7**	**(94,8)**	**0,6**	**808,6**
Total	**8 590,1**	**224,7**	**(96,7)**	**1 020,4**	**9 738,5**

Reconciliation of goodwill and intangible assets – 2019 (Rm)

	Opening balance	Additions	Disposals of business	Disposals	Amortisation	Foreign exchange movements	Total
Trademarks and brands	3 293,3	–	(4,0)	–	(2,6)	434,9	3 721,6
Goodwill	3 766,6	–	(63,2)	–	–	487,0	4 190,4
Computer software	607,3	164,9	–	(11,8)	(84,2)	1,9	678,1
Total	7 667,2	164,9	(67,2)	(11,8)	(86,8)	923,8	8 590,1

ASSESSMENT OF INDEFINITE BRANDS:

All brands are assessed with the below criteria when considering if the brand has an indefinite useful life:

- 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.

BRANDS WITH AN INDEFINITE USEFUL LIFE

	2020 Rm	2019 Rm
Instinct*	**1,5**	1,5
Fabiani*	**49,3**	49,3
G-Star RAW*	**10,7**	10,7
Phase Eight**	**1 948,2**	1 654,8
Whistles**	**36,5**	31,1
Hobbs**	**213,1**	181,3
RAG***	**1 899,0**	1 778,0
	4 158,3	3 706,7

* *Included in the cash-generating unit of TFG Africa.*
** *Included in the cash-generating unit of TFG London.*
*** *Included in the cash-generating unit of TFG Australia.*

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 Whistles intangible asset represents registered rights to the exclusive use of the Whistles brand name. 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.

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

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

BRANDS WITH A DEFINITE USEFUL LIFE

The Colette brand intangible asset represents TFG's rights in terms of franchise agreements to operate Colette stores in South Africa. 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 Colette brand has been fully amortised.

The Damsel in a Dress intangible asset represents registered rights to the exclusive use of the Damsel in a Dress brand name. The useful life of the Damsel in a Dress brand is considered to be definite. This useful life is assessed annually or whenever there is an indication of impairment. The Damsel in a Dress brand has a value of R15,3 million (2019: R14,9 million) at year end.

3. GOODWILL AND INTANGIBLE ASSETS (continued)

IMPAIRMENT TESTING OF INDEFINITE LIFE INTANGIBLE ASSETS

Indefinite life intangible assets acquired through business combinations has been allocated to the individual cash-generating units as follows:

	2020 Rm	2019 Rm
TFG Africa	**61,5**	61,5
TFG London	**2 197,8**	1 867,2
TFG Australia	**1 899,0**	1 778,0
	4 158,3	3 706,7

IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the individual cash-generating units as follows:

	2020 Rm	2019 Rm
TFG Africa	**30,3**	30,3
TFG London	**3 357,5**	2 878,8
TFG Australia	**1 368,5**	1 281,3
	4 756,3	4 190,4

Indefinite life intangible assets are tested annually for impairment or whenever there is an indication of impairment as part of the goodwill testing below.

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATION

The assumptions below have been applied to calculate the recoverable amount of the TFG London and TFG Australia significant cash-generating units based on a value-in-use:

TFG London

Retail turnover growth rates: Retail turnover are based on the approved forecast sales forecast period of five years. The retail turnover growth rate for period 1 is -34% and for periods 2 – 5 years the growth rates are between 1% and 32% (2019: 3% – 6%).

Gross margins: Gross margins are based on the approved forecast gross margin for the forecast period and are between 62% – 67% (2019: 67%).

Discount rate: Discount rate of 7% (2019: 5%) represents 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 rate: The rate is based on the longer-term inflation expectations across the current operating retail industry being 2% (2019: 2%).

The calculated headroom between the value-in-use and the carrying amount for the TFG London cash-generating unit amounts to GBP87 million.

Based on the sensitivity of the WACC rate, a 1% increase would not result in an impairment, however a 2% increase would result in an impairment of goodwill.

TFG Australia

Retail turnover growth rates: Retail turnover are based on the approved forecast sales forecast period of five years. The retail turnover growth rate for period 1 is -64% and for periods 2 - 5 years the growth rates are between 11% and 137% (2019: 7% - 9%).

Gross margins: Gross margins are based on the approved forecast gross margin for the forecast period of 70% (2019: 69%).

Discount rate: Discount rate of 9% (2019: 7%) represents 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 rate: The rate is based on the longer-term inflation expectations across the current operating retail industry being 2% (2019: 2%).

The calculated headroom between the value-in-use and the carrying for the TFG Australia cash-generating unit amounts to AUD302 million.

Based on the sensitivity of the WACC rate, a 1% or 2% increase in this rate would not result in an impairment of goodwill.

No impairment loss was recognised as the recoverable amount exceeded the carrying amount of all CGUs.

4. RIGHT-OF-USE ASSETS

The Group leases land and buildings for its office space and retail stores. The leases of office space and retail stores typically run for a period of 5 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

	2020			2019		
	Cost/ deemed cost Rm	Accumulated depreciation and impairment 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
Property leases	**19 448,3**	**(11 949,0)**	**7 499,3**	16 373,1	(8 873,6)	7 499,5
Total	**19 448,3**	**(11 949,0)**	**7 499,3**	16 373,1	(8 873,6)	7 499,5

4. RIGHT-OF-USE ASSETS (continued)

Reconciliation of right-of-use assets – 2020 (Rm)

	Opening balance	Additions	Disposals	Impairment	Depreciation	Foreign exchange movements	Total
Property leases	**7 499,5**	**3 134,9**	**(259,7)**	**(189,3)**	**(3 000,1)**	**314,0**	**7 499,3**
Total	**7 499,5**	**3 134,9**	**(259,7)**	**(189,3)**	**(3 000,1)**	**314,0**	**7 499,3**

Reconciliation of right-of-use assets – 2019 (Rm)

	Opening balance	Additions	Disposals	Depreciation	Foreign exchange movements	Total
Property leases	6 937,2	2 914,7	(92,9)	(2 805,1)	545,6	7 499,5
Total	6 937,2	2 914,7	(92,9)	(2 805,1)	545,6	7 499,5

Amounts recognised in profit and loss

	2020 Rm	2019 Rm
Depreciation on right-of-use assets	**3 000,1**	2 805,1
Impairment of right-of-use assets	**189,3**	–
Finance costs on lease liabilities	**586,3**	554,6
Expense relating to short-term leases	**0,8**	1,8
Expense relating to leases of low value assets	**17,3**	15,9
Expense relating to variable payments not included in the measurement of the lease liability	**685,6**	782,5

In the current year, the Group impaired a number of established non-profitable stores right-of-use assets as it is expected that they are less likely to return to profitability given the anticipated impact of COVID-19 on store profitability. Refer to segmental reporting for the allocation of the impairment per segment.

Some of the property leases in which the Group is the lessee contains variable lease payments that are linked to sales generated from the leased stores as well as variable lease payments that do not depend on an index or rate.

The breakdown of lease payments for these property leases is as follows:

	2020 Rm	2019 Rm
Fixed payments	**3 584,2**	3 346,5
Variable payments	**685,6**	782,5
Total payments	**4 269,8**	4 129,0

Overall the variable payments constitute up to 16,1% (2019: 19,0%) of the Group's entire lease payments for property leases.

The total cash outflow for leases amounted to R4 287,9 million (2019: R4 146,7 million).

5. DEFERRED TAXATION

	2020 Rm	Restated* 2019 Rm
Balance at 1 April	**244,2**	(41,1)
IFRS 9 opening balance adjustment	**–**	176,0
Amounts recognised directly in other comprehensive income		
Foreign currency movements	**(59,9)**	(93,0)
Financial instrument reserves	**(62,4)**	(8,9)
Post-retirement defined benefit plan reserve	**(4,1)**	–
Current year movement in temporary differences recognised in profit or loss		
Prior year (over) under provision	**(25,4)**	60,8
Leases	**24,7**	(58,7)
Working capital allowances	**(11,4)**	(117,8)
Capital allowances	**78,2**	332,9
Restraint of trade	**(4,4)**	(2,1)
Assessed loss	**(2,4)**	(3,9)
Rate change	**(36,1)**	–
At 31 March	**141,0**	244,2
Arising as a result of:		
Deferred taxation asset		
Leases	**174,3**	149,6
Working capital allowances	**575,2**	601,8
Capital allowances	**496,3**	410,0
Restraint of trade	**(27,6)**	–
Assessed loss	**0,9**	3,3
Post-retirement defined benefit plan reserve	**9,1**	13,2
Deferred taxation asset^	**1 228,2**	1 177,9
Arising as a result of:		
Financial instrument reserves	**(76,9)**	(14,5)
Working capital allowances	**(15,1)**	(43,6)
Capital allowances	**(8,1)**	–
Restraint of trade	**–**	(23,2)
Intangible assets	**(987,1)**	(852,4)
Deferred taxation liability	**(1 087,2)**	(933,7)
Net deferred taxation	**141,0**	244,2

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*
^ *Sufficient future taxable income is anticipated to utilise the deferred taxation asset.*

6. INVENTORY

	2020 Rm	2019 Rm
Merchandise	**8 168,2**	7 524,8
Raw materials	**255,0**	150,9
Shopfitting stock	**4,9**	3,1
Consumables	**3,0**	2,1
Inventory at year end	**8 431,1**	7 680,9

Inventory losses in the current year amounted to R304,6 million (2019: R316,7 million).

7. TRADE RECEIVABLES – RETAIL

	2020 Rm	2019 Rm
6-month credit plan	**901,8**	930,5
12-month credit plans	**6 860,6**	6 509,3
	7 762,4	7 439,8

The effective rate of interest earned on the above receivables during the year under review is 20,0% (2019: 20,4%). The Group's management of and exposure to credit and market risk is disclosed in note 21.

8. OTHER RECEIVABLES AND PREPAYMENTS

	2020 Rm	2019 Rm
Miscellaneous debtors^	**700,5**	601,1
Financial instrument asset	**320,1**	50,3
Prepaid expenses	**208,9**	196,8
Insurance cell captive receivables	**260,9**	299,4
	1 490,4	1 147,6

^ *Miscellaneous debtors consist of sundry debtors and value-added tax (VAT).*

The Group's management of and exposure to credit and market risk is disclosed in note 21.

9. CONCESSION RECEIVABLES

	2020 Rm	2019 Rm
Concession receivables	**62,7**	174,3

The Group's management of and exposure to credit and market risk is disclosed in note 21.

10. CASH AND CASH EQUIVALENTS

	2020 Rm	2019 Rm
Cash and cash equivalents	**2 969,1**	1 111,0

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

11. SHARE CAPITAL

	2020 Rm	2019 Rm
Authorised		
200 000 (2019: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
600 000 000 (2019: 600 000 000) ordinary shares of 1,25 cents each	**7,5**	7,5
	7,9	7,9
Issued		
Ordinary share capital		
Ordinary shares of 1,25 cents each		
Total in issue	**3,0**	3,0
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	**3,0**	3,0
Total in issue at the end of the year – Group	**2,9**	2,9
Preference share capital		
200 000 (2019: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
Total in issue at the end of the year – company	**3,4**	3,4
Total net issued share capital – Group	**3,3**	3,3

* *Zero as a result of rounding.*

	Number of shares 2020	Number of shares 2019
Reconciliation of number of shares issued:		
Total in issue	**236 756 814**	236 756 814
Shares held by subsidiary	**(1 080 599)**	(1 080 599)
Shares held in terms of share incentive schemes	**(4 014 269)**	(4 412 155)
Total in issue at the end of the year – company	**236 756 814**	236 756 814
Total in issue at the end of the year – Group	**231 661 946**	231 264 060

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2020

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

11. SHARE CAPITAL (continued)

Dividend and voting rights

The holders of ordinary shares are entitled to receive dividends 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 dividends during the year:

Interim: 335,0 cents per ordinary share paid on 6 January 2020.

Final: No final dividend has been declared.

Unissued ordinary shares

In terms of the provisions of the Companies Act of South Africa 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 2020, 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	2020 Total '000	2019 Total '000
Non-executive						
M Lewis (indirect non-beneficial)	1 591,7	–	–		**1 591,7**	1 591,7
Prof. F Abrahams	–	–	–		**–**	–
C Coleman	–	–	–		**–**	–
S E Abrahams	–	–	–		**–**	–
G H Davin	–	–	–		**–**	–
D Friedland (indirect beneficial)	20,4	–	–		**20,4**	20,4
B L M Makgabo-Fiskerstrand	–	–	–		**–**	–
A D Murray (direct beneficial)	568,2	–	–		**568,2**	–
A D Murray (indirect beneficial)	722,5	–	–		**722,5**	–
E Oblowitz (direct beneficial)	2,2	–	–		**2,2**	2,2
N V Simamane (direct beneficial)	1,6	–	–		**1,6**	1,6
R Stein (direct beneficial)	161,6	–	–		**161,6**	266,6
R Stein (indirect beneficial)	70,1	–	–		**70,1**	70,1
Total non-executive	3 138,3	–			**3 138,3**	1 952,6

	Shares '000	Share appreciation rights accepted '000	Price per share* R	Year of delivery	2020 Total '000	2019 Total '000
Executive						
A D Murray (restricted forfeitable shares)[1]	–	–	–		**–**	142,9
	–	–			**–**	142,9
A D Murray[1]	–	–	111,10	2020	**–**	89,4
A D Murray[1]	–	–	148,15	2020	**–**	76,4
A D Murray[1]	–	–	142,72	2020	**–**	119,0
A D Murray[1]	–	–	138,30	2020	**–**	132,8
	–	–			**–**	417,6
B Ntuli (performance-based restricted forfeitable shares)	25,1	–	–		**25,1**	–
B Ntuli (restricted forfeitable shares)	13,5	–	–		**13,5**	–
	38,6	–			**38,6**	–
B Ntuli	–	43,9	174,32	2023	**43,9**	–
	–	43,9			**43,9**	–
A E Thunström (direct beneficial)	3,1	–	–		**3,1**	–
A E Thunström (indirect beneficial)	–	–	–		**–**	–
A E Thunström (performance-based restricted forfeitable shares)	106,3	–	–		**106,3**	74,7
	109,4	–			**109,4**	74,7
A E Thunström	–	31,2	148,15	2021	**31,2**	31,2
A E Thunström	–	37,8	142,72	2021	**37,8**	37,8
A E Thunström	–	47,0	138,30	2021	**47,0**	47,0
A E Thunström	–	77,0	183,89	2022	**77,0**	77,0
A E Thunström	–	85,6	174,32	2023	**85,6**	–
	–	278,6			**278,6**	193,0
Executive						
Total executive excluding share appreciation rights	148,0				**148,0**	217,6
Total executive share appreciation rights		322,5			**322,5**	610,6
Non-executive and executive						
Total excluding share appreciation rights	3 286,3				**3 286,3**	2 170,2
Total share appreciation rights		322,5			**322,5**	610,6

[1] *Retired as an executive director at the end of September 2018. Restricted forfeitable shares and SARs were accepted in the capacity of an executive director.*
* *Price per share equates to the strike price.*

CHANGES TO DIRECTORS' INTERESTS AFTER YEAR END

The following changes in directors' interests occurred after year end:

- On 26 June 2020, A E Thunström sold a portion and retained a portion of vested shares previously granted (with performance based restricted conditions) on 2 June 2017 in terms of and subject to the rules of the company's 2010 Share Incentive Scheme (refer SENS announcement published on 2 July 2020).
- On 23 July 2020, A D Murray sold shares to enable him and his associate to follow their rights in terms of the company's rights offer (refer SENS announcement published on 27 July 2020).
- On 7 August 2020, various directors acquired shares off-market in terms of the company's rights offer (refer SENS announcement published on 11 August 2020).

11. SHARE CAPITAL (continued)

At the date of signature of this report, the directors had the following interest in the company's issued shares:

	Non-executive						Total non-executive	Executive		Total executive	Total non-executive plus executive
	M Lewis '000	E Oblowitz '000	D Friedland '000	N V Simamane '000	R Stein '000	A D Murray '000		A E Thunström '000	B Ntuli '000		
Direct beneficial		3,0		2,3	184,1	647,0	836,4	52,0		52,0	888,4
Indirect beneficial			28,6		80,0	822,5	931,1				931,1
Indirect non-beneficial	1 818,8						1 818,8				1 818,8
	1 818,8	3,0	28,6	2,3	264,1	1 469,5	3 586,3	52,0		52,0	3 638,3

The company has reviewed some of the key legal and operational terms and conditions of the SAR plan and FS plan and will be asking shareholders to vote on new sets of plan rules, which incorporate good corporate governance enhancements, at the company's annual general meeting in September 2020. The company would typically make its annual grant of share awards in June of each year; however, for the financial year ending March 2021, as a result of COVID-19 and the approval of new rules, the company will not be making any share awards until after the forthcoming annual general meeting, and at such a time when the company is not in a closed period. The Remuneration Committee feels that it would be prudent to allow additional time for the social and economic impacts to be more meaningfully evaluated prior to making any awards. As and when awards are made during the year, the necessary regulatory announcements will be made.

12. TREASURY SHARES

In terms of a special resolution passed at the annual general meeting of the company on 3 September 2019, 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 JSE Limited Listings Requirements and the Companies Act of South Africa, and is valid only until the company's next annual general meeting.

	Number of shares 2020	2019
Foschini Stores Proprietary Limited	**1 080 599**	1 080 599
The Foschini Share Incentive Trust	**1 457 750**	1 298 600
Employees of TFG in terms of share incentive schemes	**2 954 405**	3 100 600
Balance at the beginning of the year	**5 492 754**	5 479 799
The Foschini Share Incentive Trust	**308 893**	295 950
Employees of TFG in terms of share incentive schemes	**1 080 210**	976 905
Shares purchased during the year in terms of share incentive schemes	**1 389 103**	1 272 855
The Foschini Share Incentive Trust	**(29 800)**	(86 000)
Employees of TFG in terms of share incentive schemes	**(664 378)**	(153 750)
Shares sold during the year	**(694 178)**	(239 750)
The Foschini Share Incentive Trust	**(556 500)**	(50 800)
Employees of TFG in terms of share incentive schemes	**(536 311)**	(969 350)
Shares delivered during the year	**(1 092 811)**	(1 020 150)
Foschini Stores Proprietary Limited	**1 080 599**	1 080 599
The Foschini Share Incentive Trust	**1 180 343**	1 457 750
Employees of TFG in terms of share incentive schemes	**2 833 926**	2 954 405
Balance at the end of the year	**5 094 868**	5 492 754

As at 31 March 2020, a subsidiary, Foschini Stores Proprietary Limited, held 1 080 599 (2019: 1 080 599) shares, representing 0,5% (2019: 0,5%) of the company's share capital. The Foschini Share Incentive Trust held 1 180 343 (2019: 1 457 750) shares, representing 0,5% (2019: 0,6%) of the company's share capital, and employees of TFG held 2 833 926 (2019: 2 954 405) shares representing 1,2% (2019: 1,2%) of the company's share capital. The Foschini Share Incentive Trust and employees of TFG hold shares in terms of the share incentive schemes. Average purchase price of shares purchased during the year was R174,9 (2019: R215,5).

13. DIVIDEND RESERVE

A liability for 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.

No final dividend was declared (2019: 450,0 cents per share).

	2020 Rm	2019 Rm
Balance at 1 April	**1 065,4**	994,4
Transfer from dividend reserve to distributable earnings	**(1 065,4)**	(994,4)
Transfer to dividend reserve from distributable earnings	**–**	1 065,4
Balance at 31 March	**–**	1 065,4

14. HEDGING SURPLUS

The hedging 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.

	2020 Rm	2019 Rm
Balance at 1 April	**33,8**	10,0
Effective portion of changes in fair value of cash flow hedges	**212,8**	32,7
Deferred tax on movement in effective portion of cash flow hedges	**(62,4)**	(8,9)
Balance at 31 March	**184,2**	33,8
Comprised as follows:		
Forward exchange contracts – fair value	**261,2**	48,4
Total fair value of cash flow hedges	**261,2**	48,4
Deferred tax on forward exchange contracts	**(77,0)**	(14,6)
Total deferred tax on cash flow hedges	**(77,0)**	(14,6)
Balance at 31 March	**184,2**	33,8

The opening balance of R33,8 million was realised during the year and recycled to profit or loss. Refer to note 21 for the reconciliation of the cash flow hedge reserve. 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.

	2020 Rm	Restated* 2019 Rm
Balance at 1 April	**90,2**	(833,3)
Foreign currency translation differences	**1 103,8**	923,5
Balance at 31 March	**1 194,0**	90,2

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

16. PUT OPTION LIABILITY

The Group has put/call arrangements with certain joint venture (JV) partners which is payable on a basis of 7 times EBITDA^ less net debt^.

	2020 Rm	2019 Rm
Put option liability movement		
Balance at 1 April	**81,0**	72,7
Decrease in the fair value of the put option liability	**(34,8)**	(1,6)
Foreign exchange movements	**8,0**	9,9
Balance at 31 March	**54,2**	81,0

The Group's management of and exposure to cash flow and liquidity risk is disclosed in note 21.

^ *Pre-IFRS 16.*

17. POST-RETIREMENT DEFINED BENEFIT PLAN

DEFINED BENEFIT PLAN

At March 2020, the Group had an obligation to provide post-retirement health care to 716 (2019: 731) members. Employees who joined the company prior to 1 January 1999 and have met certain requirements are eligible for a post-employment subsidy on their contributions. These members belong to the TFG Medical Aid Scheme, registered in terms of the Medical Schemes Act, No. 131 of 1998, as amended. An actuarial valuation was performed as at 31 March 2020.

	2020 Rm	2019 Rm
Movements for the year		
Balance at 1 April	**233,8**	215,8
Settlements	**(8,3)**	(11,2)
Service cost	**2,1**	4,3
Interest cost	**15,7**	24,9
Actuarial gain	**(14,7)**	–
Balance at 31 March	**228,6**	233,8
Net expense recognised in profit or loss		
Settlements	**(8,3)**	(11,2)
Service cost	**2,1**	4,3
Interest cost	**15,7**	24,9
	9,5	18,0
Post-retirement defined benefit plan reserve included in other comprehensive income		
Balance at 1 April	**34,2**	34,2
Actuarial gain	**(14,7)**	–
Actuarial gain remeasurements due to:		
Demographic assumptions	**31,2**	–
Financial assumptions	**(39,3)**	–
Experience adjustments	**(6,6)**	–
Deferred tax on actuarial gain	**4,1**	–
	23,6	34,2
Key assumptions used		
Gross discount rates used	**13,0%**	10,5%
Implied allowances for medical scheme contribution inflation	**10,1%**	9,3%

OTHER ASSUMPTIONS

Mortality assumptions:

- Pre-retirement Male “SA85–90 (Light)”
- Pre-retirement Female ”SA85-90 (Light)”
- Post-retirement Male “PA90” males
- Post-retirement Female “PA90” females

“SA85-90 (Light)” and “PA90” are standard actuary mortality tables used as the basis for the assumptions regarding the life expectancy of employees and pensioners in the valuation.

Withdrawal and retirement assumptions:

- Employees are assumed to retire at their normal retirement age of 60 (2019: 60), dependent on the employee.
- Withdrawal assumptions: 0% – 15,0% depending on age of employee.

17. POST-RETIREMENT DEFINED BENEFIT PLAN (continued)

OTHER ASSUMPTIONS (continued)

The Group is exposed to the following risks through its post-retirement defined benefit plan:

- Inflation;
- Longevity;
- Open-ended, long-term liability;
- Future changes in legislation;
- Future changes in the tax environment;
- Perceived inequality by non-eligible employees;
- Administration; and
- Enforcement of eligibility criteria and rules.

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 the 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 2020:

	Defined benefit obligation	
	Increase Rm	**Decrease Rm**
Health cost inflation (1% movement)	**257,4**	204,6
Expected retirement age (1 year movement)	**233,2**	224,5
Discount rate (1% movement)	**205,0**	257,3

18. INTEREST-BEARING DEBT

	2020 Rm	**2019 Rm**
Non-current liabilities	**5 480,3**	6 017,4
Unsecured fluctuating loans in terms of long-term bank facilities	**5 480,3**	6 017,4
Current liabilities		
At amortised cost	**5 849,2**	3 196,0
Balance at 31 March	**11 329,5**	9 213,4

Interest-bearing debt includes banking facilities amounting to R5 849,2 (2019: R3 063,0) million, which bears variable interest at a margin of 0,58% – 2,64% (2019: 0,50% – 1,75%) above three-month Johannesburg Interbank Average Rate (JIBAR) payable within one year, R1 950,0 (2019: R1 350,0) million, which bears variable interest at a margin of 1,14% – 2,09% (2019: 1,53% – 1,70%) above three-month JIBAR payable between one and two years, and R2 350,0 (2019: R3 473,0) million, which bears variable interest at a margin of 1,23% – 1,78% (2019: 0,61% – 1,78%) above three-month JIBAR payable after two years. The effective rate (excluding TFG International) for 2020 was 7,06% Nominal Annual Compounded Monthly (NACM) (2019: 8,32% NACM). In addition to the above, a GBP50,8 (2019: GBP60,0) million loan, which bears variable interest at a margin of three-month London Interbank Offered Rate (LIBOR) plus margin: 2,50% (2019: 3,25% – 4,00%). An AUD5,0 (2019: AUD19,0) million loan, which bears an interest rate of 2,16% (2019: 3,26%) plus margin: 1,55% – 1,80%.

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

Debt covenants which are required to be met include ratios such as interest cover and net interest-bearing debt to EBITDA excluding the impact of IFRS 16. All debt covenants within the Group have been met during the year and at year end.

The Group's management of and exposure to liquidity and market risk is disclosed in note 21.

19. TRADE AND OTHER PAYABLES

	2020 Rm	Restated* 2019 Rm
Trade payables	**2 694,9**	2 236,8
Other payables^	**1 582,4**	1 644,4
Employee-related accruals	**232,0**	231,2
Gift card liability	**114,5**	97,5
Lay-by liability^^	**162,6**	153,2
	4 786,4	4 363,1

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*
^ *Other payables consist primarily of accruals.*
^^ *Revenue recognised in the current year that was included in the lay-by liability balance in the prior year amounted to R64,7 million.*

The Group's management of and exposure to market and cash flow and liquidity risk is disclosed in note 21.

20. LEASE LIABILITIES

	2020 Rm	2019 Rm
Amounts due for settlement within 12 months	**3 001,0**	2 836,4
Amounts due for settlement after 12 months	**5 596,8**	5 611,4
	8 597,8	8 447,8
Maturity analysis		
Up to 1 year	**3 486,9**	3 211,0
2 - 5 years	**6 004,9**	6 037,6
More than 5 years	**293,7**	391,1
	9 785,5	9 639,7
Less: unearned interest	**(1 187,7)**	(1 191,9)
	8 597,8	8 447,8

The Group does not face a significant liquidity risk with regard to its lease liabilities.

21. RISK MANAGEMENT

OVERVIEW

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

- Credit risk
- Liquidity risk
- Market risk
- Currency 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.

21. RISK MANAGEMENT (continued)

RISK MANAGEMENT FRAMEWORK

The Supervisory Board has overall responsibility for the establishment and oversight of the Group's Enterprise Risk Management framework. The Supervisory Board has delegated oversight over the related processes to the Risk and Audit Committees. The committees report regularly on their activities to the Supervisory Board.

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 Risk Committee reviews the Enterprise Risk Management framework and the related policies and processes annually.

The Risk and Audit Committees assist the Supervisory Board in the assessment of the adequacy of the risk management process.

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 receivables - retail, other receivables, concession receivables and cash and cash equivalents. The Group does not consider there to be any significant concentration of credit risk in respect of which adequate impairment has not been raised. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

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 trade receivables - retail population into consideration.

The formal governance structures within the Group include the Credit Executive Committee as well as the Financial Services Credit Committee (FSCC). The FSCC is responsible for approving all credit risk related policies and processes and will inform the credit risk appetite within the guidelines specified through the Operating Board mandate, under which the Credit Executive Committee operate. The FSCC is mandated by the Credit Executive Committee to review all credit risk related aspects.

Credit granting

The risk arising on trade receivables – retail 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 behaviour displayed by the customer. These credit facilities are reviewed annually subject to the requirements of the applicable legislation in the jurisdictions where credit is provided, such as the National Credit Act. The scorecards are monitored regularly and redeveloped as appropriate.

Account holders who are more than one cycle delinquent are unable to spend. Depending on the duration of the delinquency, credit limits may be adjusted downwards. Where certain criteria are met, accounts in arrears are rehabilitated to maximise collections and profitability.

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. There is no single customer that represents more than 5% of the total trade receivables – retail balance.

Allowance for impairment

The IFRS 9 technical committee, which consists of senior management of the Credit Division within the Group, is mandated by the FSCC to determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance. The policies, procedures and impact of the allowance for impairment are reviewed and approved at the IFRS 9 technical committee. The IFRS 9 technical committee is responsible for developing and maintaining the Group's processes for measuring expected credit losses (ECL) including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL. In addition, the IFRS 9 technical committee must ensure that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its measurement of ECL. Significant judgement and estimates are applied in the process of incorporating forward-looking information into the ECL calculation and increase the level of volatility in the impairment provision number.

The following approach is followed to assess forward-looking information via the IFRS 9 technical committee. This entails:

- Use of economic reports and forecasts from a reputable economics consultancy which reflect at least a three-year period from reporting date;
- A "base case" economic scenario is generated from a forecast reflecting macroeconomic conditions which remain consistent to the macroeconomic environment at reporting date;
- An "upside" economic scenario is generated based on a forecast reflecting an improvement in macroeconomic conditions;
- A "downside" economic scenario is generated based on a forecast reflecting a deterioration in macroeconomic conditions;
- Applying credit judgement to the forward-looking model with respect to regulatory, significant economic and legislative changes; and
- A stress factor is calculated for each scenario to calculate the impact on ECL. The following stress factors were calculated for each scenario:
  - "Base case" – additional ECL requirement of 5%
  - "Upside" – reduction in ECL requirement of 10%
  - "Downside" – additional ECL requirement of 10%

Probabilities are assigned to each macroeconomic scenario to calculate the impact on ECL. The "base case" scenario is considered to be the most plausible scenario and is in line with the assumptions used for the Group's strategic planning and budgeting purposes. The probability weighting assigned to each scenario was as follows: weightings of 59%, 7% and 34% were assigned to the "base case", "upside" and "downside" scenarios respectively (2019: a weighting of 100% assigned to the "downside" scenario).

The principal macroeconomic indicators considered as at 31 March 2020 and 2019 include: Gross Domestic product (GDP) year-on-year growth, unemployment rates, repurchase interest rates, inflation and fuel price year-on-year movement and the Transunion Consumer Credit Index.

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. The impairment overlay amounted to R189,1 million. In calculating the credit impairment overlay, specifically as it relates to COVID-19, the potential impact of the pandemic itself, the lockdown and other interventions announced by governments where credit is offered were assessed. The following approach was adopted:

- The probability of write-off (PW), exposure at write-off (EAW) and loss given write-off (LGW) was increased by applying stress factors to "base case", "upside" and "downside" scenarios;
- Anticipated recovery yields were reduced by applying the stress factor for each scenario;
- Probabilities were assigned to each scenario. The probability weighting assigned to each scenario was 33%; and
- The following stress factors were applied to each scenario:
  - "Base case" – 5%
  - "Upside" – 2,5%
  - "Downside" – 10%

Regulatory or legislative changes are also considered. The only significant regulatory or legislative change affecting the macroeconomic scenarios as at the current and previous reporting date, is the National Credit Amendment Act, commonly referred to as the "The Debt Intervention Act". The Act was signed into law in South Africa in August 2019 but has not yet been given an effective date. The Act seeks to provide greater relief to over-indebted consumers by providing a mechanism for, amongst other things, debt extinguishment. Customers earning a gross income of R7,500 or less per month where the unsecured debt accrued does not exceed R50,000, could qualify for relief under the Act. The impact of the Act on the ECL was assessed at the current and previous financial year. The assessment is based on the most up to date information available regarding which customers would potentially qualify for debt intervention, the financial impact of the proposed intervention and the best estimate of the timing of the intervention. Additional information was made available in the 2021 financial year regarding the anticipated implementation date of the relief measures. The measures are anticipated to be implemented not earlier than January 2021.

21. RISK MANAGEMENT (continued)

TRADE RECEIVABLES – RETAIL (continued)

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of Write-off (PW);
- Exposure at Write-off (EAW); and
- Loss given Write-off (LGW).

These ECL parameters are derived from statistical models and internal historical data and are adjusted to reflect probability-weighted forward-looking information.

PW is an estimate of the likelihood of write-off over a given time horizon. It is estimated as at a point in time based on the expectation over the full lifetime of the asset. The estimate is based on statistical models developed using behavioural scorecards. The behavioural scorecards predict the likelihood of a store account reaching a written-off state. The behavioural scorecards are compiled from historical internal data using quantitative factors to calculate a future view. Quantitative factors include, amongst others, the age and gender of account holders, vintage of the store account, the facility available, payment behaviour and the maximum recency over an observation period.

Segmentation analysis is also performed to identify homogenous subpopulations which tend to behave differently. Different behaviour scorecards are developed for each subpopulation to improve the accuracy of the estimate of the likelihood of write-off.

EAW is an estimate of the expected exposure at a future write-off date. The EAW model predicts the relationship between the eventual write-off balance and the current gross carrying value in the event of write-off. An analytically determined pay-down rate of the gross carrying amount over the life of an account is calculated based on a pay-down model methodology.

The Group measures ECL over the period that it is exposed to credit risk and measures ECL considering the risk of write-off over the maximum contractual period over which the entity is exposed to credit risk. The revolving trade receivables – retail account facility does not have a fixed term or repayment structure. No provision is made and held against trade receivables – retail unutilised facilities based on the fact that the facility does not meet the definition of a loan commitment. The Group can refuse or limit future purchases at any point.

LGW is an estimate of the likely loss arising on write-off. The LGW model for trade receivables - retail consider the period of recovery, recovery costs and recovery rates. The calculation is on a discounted cash flow basis. The cash flows are discounted at the current effective interest rate for variable rate financial instruments and at the original effective interest rate for fixed rate financial instruments.

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Homogenous subpopulations within the development population are identified. These homogenous subpopulations tend to behave differently which is an indication that different behaviour scorecards need to be developed on each subpopulation/segment to obtain better results. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate resegmentation of the assets. This may result in new segments being created or assets moving to an existing segment that better reflects the similar credit risk characteristics of that segment of assets.

Credit quality

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

Class of financial instrument	Financial statement caption	Note
Trade receivables – retail accounts	Trade receivables – retail	7

Geographical segments
Credit on trade receivables – retail accounts are offered only in the TFG Africa geographical segment. Credit is offered in South Africa, Namibia, Botswana, Eswatini and Lesotho. The exposures to credit in Namibia, Botswana, Eswatini and Lesotho are insignificant from a Group perspective.

Risk profile
The risk profile of the active trade receivables – retail book based on the TFG provision matrix is as follows at 31 March:

31 March 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross trade receivables – retail	**4 957,8**	**2 762,5**	**2 028,1**	**9 748,4**
Allowance for expected credit loss	**(445,8)**	**(641,0)**	**(899,2)**	**(1 986,0)**
Net trade receivables – retail	**4 512,0**	**2 121,5**	**1 128,9**	**7 762,4**
Allowance for expected credit loss as a percentage of gross trade receivables – retail	**9,0%**	**23,2%**	**44,3%**	**20,4%**

31 March 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross trade receivables – retail	4 889,9	2 716,4	1 685,1	9 291,4
Allowance for expected credit loss	(459,7)	(614,3)	(777,6)	(1 851,6)
Net trade receivables – retail	4 430,2	2 102,1	907,5	7 439,8
Allowance for expected credit loss as a percentage of gross trade receivables – retail	9,4%	22,6%	46,1%	19,9%

Trade receivables – retail partially written-off, included in gross trade receivables – retail, amounted to R472,2 million (2019: R333,2 million) and is classified as Stage 3.

CONCESSION RECEIVABLES
Concession receivables relates to balances due from stores located in the United Kingdom, Australia and internationally, where concessions are in place.

	2020 Rm	**2019 Rm**
Concentration by region		
United Kingdom	**39,9**	77,1
Australia	**12,1**	–
International	**10,7**	97,2
Total	**62,7**	174,3

Reconciliation of net concession receivables:

	2020 Rm	**2019 Rm**
Gross concession receivables	**226,6**	315,2
Allowance for expected credit loss	**(163,9)**	(140,9)
Net concession receivables	**62,7**	174,3

21. RISK MANAGEMENT (continued)

CONCESSION RECEIVABLES (continued)

Movement in the concession receivables allowance for impairment were as follows:

	2020 Rm	2019 Rm
Opening balance at 1 April	**(140,9)**	(5,8)
Change on initial application of IFRS 9	**–**	(150,9)
Restated opening balance	**(140,9)**	(156,7)
Utilisation of provision	**3,0**	67,4
Increase in provision	**(1,6)**	(31,8)
Effect of exchange rate fluctuations	**(24,4)**	(19,8)
Balance at 31 March	**(163,9)**	(140,9)

Class of financial instrument	Financial statement caption	Note
Concession receivables	Concession receivables	9

OTHER RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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.

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 - retail, 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:

	2020 Rm	2019 Rm
Trade receivables – retail	**7 762,4**	7 439,8
Other receivables	**1 231,5**	950,8
Concession receivables	**62,7**	174,3
Cash and cash equivalents	**2 969,1**	1 111,0
	12 025,7	9 675,9

Reconciliation of net trade receivables – retail:

	2020 Rm	2019 Rm
Gross trade receivables – retail	**9 748,4**	9 291,4
Allowance for expected credit loss	**(1 986,0)**	(1 851,6)
Net trade receivables – retail	**7 762,4**	7 439,8
Movement in the trade receivables – retail allowance for impairment were as follows:		
Opening balance at 1 April	**(1 851,6)**	(1 101,2)
Change on initial application of IFRS 9	**–**	(542,5)
Restated opening balance	**(1 851,6)**	(1 643,7)
Movement in allowance for impairment	**(134,4)**	(207,9)
Balance at 31 March	**(1 986,0)**	(1 851,6)

Reconciliation of allowance for impairment:

31 March 2020	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April	**459,7**	**614,3**	**777,6**	**1 851,6**
Credit advanced, net of payments received	**142,4**	**212,3**	**95,2**	**449,9**
Accounts written-off	**–**	**(9,6)**	**(1 245,6)**	**(1 255,2)**
Change in credit risk parameters	**(156,3)**	**(176,0)**	**1 272,0**	**939,7**
ECL allowance as at 31 March	**445,8**	**641,0**	**899,2**	**1 986,0**

31 March 2019	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April	413,3	583,2	647,2	1 643,7
Credit advanced, net of payments received	176,7	213,0	78,9	468,6
Accounts written-off	–	(2,4)	(1 076,7)	(1 079,1)
Change in credit risk parameters	(130,3)	(179,5)	1 128,2	818,4
ECL allowance as at 31 March	459,7	614,3	777,6	1 851,6

Active customers that have made a qualifying payment within the last 30 days make up 76,9% of the trade receivables – retail book (2019: 77,7%).

Trade receivables – retail with a contractual amount of R1 323,1 million (2019: R1 115,3 million) written-off during the year are still subject to enforcement activity.

21. RISK MANAGEMENT (continued)

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. Refer to note 22.2 for details of renegotiated contractual maturities after year end.

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 2020					
Non-derivative financial liabilities					
Interest-bearing debt	**11 329,5**	**12 489,0**	**6 315,2**	**2 276,8**	**3 897,0**
Trade and other payables	**4 554,4**	**4 439,9**	**4 439,9**	**–**	**–**
Derivative financial liabilities					
Put option liability	**54,2**	**54,2**	**–**	**–**	**54,2**
	15 938,1	**16 983,1**	**10 755,1**	**2 276,8**	**3 951,2**

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2019					
Non-derivative financial liabilities					
Interest-bearing debt	9 213,4	10 453,9	3 455,9	2 771,5	4 226,5
Trade and other payables	4 131,9	4 034,4	4 034,4	–	–
Derivative financial liabilities					
Put option liability	81,0	81,0	–	–	81,0
	13 426,3	14 569,3	7 490,3	2 771,5	4 307,5

Please refer to note 20 for the maturity disclosure on lease liabilities.

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:

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2020					
Forward exchange contracts					
Asset	**320,1**	**(2 316,8)**	**(2 316,8)**	**–**	**–**
	320,1	**(2 316,8)**	**(2 316,8)**	**–**	**–**

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2019					
Forward exchange contracts					
Asset	50,3	(2 452,5)	(2 452,5)	–	–
	50,3	(2 452,5)	(2 452,5)	–	–

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 profit or loss 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 foreign exchange risk. The financial risk activities are governed by appropriate policies and procedures to identify financial risks, measured and managed in accordance with the Group's treasury policy. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Currency risk is the risk that the future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities. The Group is exposed to currency risk as operating subsidiaries undertake transactions that are denominated in foreign currencies. These currencies are primarily the Australian Dollar (AUD), British Pound (GBP), Chinese Yuan (CNY), Euro and US Dollar (USD).

The hedging instrument used is forward exchange contracts (FEC). Cash flow hedge accounting is applied to all open FECs. FECs are designated as hedging instruments in cash flow hedges of forecasted transactions and firm commitments. These forecast transactions are used to mitigate the exposure of the variability in cash flows attributable to highly probable forecast transactions and firm commitments to purchase stock denominated in a foreign currency.

There is a direct economic relationship between the hedging instrument and the hedged item. The conclusion is that the changes in fair values of the hedging instrument and the hedged item are moving in opposing directions and the change in fair value of hedging instrument highly offsets the change in fair value of the hedged item. The Group has established a hedge ratio of 1:1 since the notional amount and currency of the hedged item is the same as the notional amount of the foreign currency leg of the hedging instrument. To test the hedge effectiveness, the Group uses a qualitative method.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged instruments
- The credit risk of the contracting parties differently impacting the fair value movements of the hedging instruments and hedged items
- The variability of the forecasted amount of cash flows of hedged items and hedging instruments

The risk of financial loss due to the volatility of the foreign currency transactions arises from:

- Translation exposure – the effect of exchange rate movements on the recorded results of a foreign entity.
- Transaction exposure – the effect of exchange rate movement on the price of goods and services imported/exported.

The Group manages its currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of highly probable forecasted purchases and firm commitments.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to align to the terms of the hedged exposure in order to ensure that the critical terms are matched. For hedges of highly probable forecast transactions and firm commitments, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the maturity date of the FEC. Any timing mismatches are addressed under the sources of ineffectiveness.

21. RISK MANAGEMENT (continued)

CURRENCY RISK (continued)

The Group is holding the following forward exchange contracts that form part of a hedging relationship:

	Notional amount Rm	Carrying amount Rm	Average forward rate	Line item in the statement of financial position
Year ended 31 March 2020				
Forward exchange contracts CNY/ZAR	**365,5**	**55,5**	**2,24**	**Other receivables and prepayments**
Forward exchange contracts USD/AUD	**1 565,5**	**197,9**	**0,69**	**Other receivables and prepayments**
Forward exchange contracts USD/ZAR	**385,8**	**66,7**	**15,36**	**Other receivables and prepayments**
Year ended 31 March 2019				
Forward exchange contracts CNY/ZAR	439,2	8,4	2,13	Other receivables and prepayments
Forward exchange contracts EUR/ZAR	0,2	–*	15,99	Other receivables and prepayments
Forward exchange contracts GBP/ZAR	0,2	–*	18,47	Other receivables and prepayments
Forward exchange contracts USD/AUD	1 498,3	34,1	0,73	Other receivables and prepayments
Forward exchange contracts USD/ZAR	427,6	7,8	14,45	Other receivables and prepayments

* *Zero as a result of rounding.*

Reconciliation of cash flow hedge reserve:

	Gross	Deferred taxation	Net
Year ended 31 March 2020			
Balance at 1 April	**48,4**	**(14,6)**	**33,8**
Transferred into reserve	**459,4**	**(131,5)**	**327,9**
Utilised	**(204,5)**	**57,3**	**(147,2)**
Hedge ineffectiveness on cash flow hedges^	**(42,1)**	**11,8**	**(30,3)**
Balance at 31 March	**261,2**	**(77,0)**	**184,2**

^ *Hedge ineffectiveness occurred in the current year due to the impact that COVID-19 had on foreign exchange contracts.*

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 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 2020*		
CNY	**166 354**	**365 476**
USD	**123 348**	**1 951 276**
		2 316 752
31 March 2019*		
CNY	206 634	439 249
Euro	10	152
GBP	11	209
USD	141 938	2 012 851
		2 452 461

* *FEC contracts at 31 March.*

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2020	2019	**2020**	2019
AUD	**10,08**	10,00	**10,98**	10,28
CNY	**2,12**	2,05	**2,53**	2,17
Euro	**16,43**	16,00	**19,71**	16,39
GBP	**18,80**	17,99	**22,17**	18,87
USD	**14,78**	13,76	**17,85**	14,49

21. RISK MANAGEMENT (continued)

SENSITIVITY ANALYSIS

The Group is primarily exposed to the Chinese Yuan currencies, Euro, British Pound and US Dollar. 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 Supervisory 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 2020		
CNY	**–**	**42,1**
USD	**–**	**241,2**

	Profit or loss Rm	Equity Rm
31 March 2019		
CNY	–	44,8
Euro	–	–*
GBP	–	–*
USD	–	223,5

* *Zero as a result of rounding.*

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.

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. The table below includes only the material foreign currency cash balances held in the Group other than the South African Rand.

	2020 Rm	2019 Rm
AUD	**137,4**	121,7
BWP	**111,4**	72,8
Euro	**142,0**	67,2
GBP	**303,8**	303,3
USD	**88,0**	71,8

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 2020		
AUD	**–**	**13,7**
BWP	**–**	**11,1**
Euro	**–**	**14,2**
GBP	**–**	**30,4**
USD	**–**	**8,8**
31 March 2019		
AUD	–	12,2
BWP	–	7,3
Euro	–	6,7
GBP	–	30,3
USD	–	7,2

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, provides credit and invests funds. This risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions.

There is no interest rate risk on trade payables.

PROFILE

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

	Interest rate at 31 March		Carrying amount	
	2020 %	2019 %	2020 Rm	2019 Rm
Financial assets				
Trade receivables – retail (6 months)	**–**	–	**901,8**	930,5
Trade receivables – retail (12 months)	**13,5 – 21,6**	14,8 – 24,9	**6 860,6**	6 509,3
Cash and cash equivalents	**8,8**	10,3	**2 969,1**	1 111,0
			10 731,5	8 550,8
Financial liabilities				
Interest-bearing debt	**3,8 – 7,1**	3,3 – 8,3	**(11 329,5)**	(9 213,4)
Lease liabilities	**4,0 – 26,3**	4,0 – 26,3	**(8 597,8)**	(8 447,8)
Put option liability	**–**	–	**(54,2)**	(81,0)
			(19 981,5)	(17 742,2)

21. RISK MANAGEMENT (continued)

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 2019. Variable rate instruments below relate to interest-bearing debt.

	Profit or loss Rm	Equity Rm
31 March 2020		
Variable rate instruments	**112,3**	**–**
Cash flow sensitivity (net)	**112,3**	**–**

	Profit or loss Rm	Equity Rm
31 March 2019		
Variable rate instruments	101,7	–
Cash flow sensitivity (net)	101,7	–

CAPITAL RISK MANAGEMENT

The Supervisory 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 and retained earnings of the Group. The Supervisory Board monitors the return on equity, which the Group defines as profit for the year divided by total average equity. The Supervisory Board also monitors the level of dividends to ordinary shareholders.

The Supervisory 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.

It is our intention to bring our debt to equity ratio^ (currently 52,4% on a consolidated basis with recourse gearing of 49,9%) closer to our medium-term target of 40%. 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.

Through the use of a cell captive arrangement, 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 is not performed adequately.

^ *Pre-IFRS 16.*

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

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).

	2020 Rm	2019 Rm
Level 2		
Forward exchange contracts – asset	**320,1**	50,3
Insurance cell captive receivables	**260,9**	299,4
Level 3		
Put option liability	**(54,2)**	(81,0)

There are no level 1 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:

Forward exchange contracts

The fair values are based on authorised financial institution quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Insurance cell captive receivables

The insurance cell captive receivables have been valued at its net asset value at the reporting date and approximates fair value.

The following valuation techniques were used for measuring level 3 fair values:

Put option liability

The Group has put/call arrangements with certain JV partners which is payable on a basis of 7 times EBITDA^ less net debt^. The put/call liability will increase in line with the EBITDA^ increase times the multiple less net debt^.

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. The amortised cost of trade receivables – retail and concession receivables, which is the carrying value less impairment provision, is based on future expected cash flows to be recovered that are discounted and accordingly a reasonable approximation of their fair value. Interest-bearing debt bears interest at market related rates which is therefore a reasonable approximation of fair value.

^ *Pre-IFRS 16.*

22. SUBSEQUENT EVENTS AND GOING CONCERN

22.1 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.

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 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).

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 reopened 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.

Impact of COVID-19 on trade receivables – retail

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. Due to the forward-looking nature of the ECL provision, management included an impairment overlay for the potential effects of COVID-19 on credit losses in their trade receivables impairment provision, amounting to R189,1 million. The overlay was calculated by applying stress factors to the probability of write-off (PW), exposure at write-off (EAW) and loss given write-off (LGW) as at reporting date, based on three probability weighted scenarios. 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. 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.

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 introduced payment holidays during the most restrictive lockdown period which were the months of April and May 2020. In addition, the criteria for granting of new credit has been tightened.

Impact of COVID-19 on leases

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.

Rights offer

TFG implemented a fully underwritten, renounceable rights offer to raise gross proceeds of up to R3,95 billion. All requisite resolutions to effect the rights offer have been passed by the requisite majority of shareholders at the Group's extraordinary general meeting held on Thursday, 16 July 2020.

The rights offer will consist of an offer of 94 270 486 renounceable rights to subscribe for new TFG ordinary shares in the ratio of 40 rights offer shares for every 100 TFG ordinary shares held by TFG shareholders (excluding TFG shareholders resident or located in the restricted jurisdictions to be set out in the rights offer Circular on the record date of the rights offer, being Friday, 24 July 2020, and/or such proportionate lower number of rights offer shares in respect of a holding of less than 100 TFG ordinary shares, offered for a subscription price of R41,90 per rights offer share.

The rights offer issue price represents a discount of approximately 32,8% to the Theoretical Ex-rights Price calculated using the prevailing 30-day volume-weighted average price and 40,6% to the prevailing 30-day volume-weighted average price of TFG shares as at Wednesday, 15 July 2020. The rights offer shares will constitute approximately 28,6% of TFG's post-rights offer share capital.

Conditional offer to acquire JET

On 10 July 2020, TFG submitted a conditional offer to acquire certain commercially viable stores and selected assets of JET, a division of Edcon Limited for a cash purchase consideration of R480 million.

Conclusion

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.

22.2 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 and management is not aware of material uncertainties related to events or circumstances that may cast significant doubt upon the Group's ability to do so. 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;

22. SUBSEQUENT EVENTS AND GOING CONCERN (continued)

22.2 GOING CONCERN (continued)

Financial performance subsequent to year end:

TFG Africa

TFG Africa's retail turnover declined 38,4% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, predominantly as a result of all TFG Africa's South African operations being closed from 27 March 2020 to 30 April 2020. c.80% of the stores reopened from 1 May 2020, with all stores adhering to strict COVID-19 safety protocols.

TFG Africa credit

A conservative credit appetite and restricted approval criteria remain in place. Credit as previously announced on SENS on 15 May 2020, cash collections in respect of our debtors' book were strong in the month of May, the month from which customers could again make account payments in our stores and as a result of customers continuing to adopt the electronic and other alternative payment channels made available to them.

TFG London

TFG London's Pound Sterling-denominated retail turnover declined 68,5% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, against the backdrop of a disrupted environment characterised by government-enforced lockdowns that temporarily prevented all physical store and concession sales in almost all of TFG London's UK, European and Rest of the World operations. The store and concession estate gradually reopened during May and June (in the UK from 15 June 2020), albeit with significantly lower than usual levels of footfall across all markets, particularly in central London and commuter locations which rely on public transport, as well as on office and tourist trade, both of which are yet to return.

TFG Australia

All stores were closed on 27 March 2020 in response to government restrictions and regulations on social distancing and the reopening of outlets commenced in April, with all outlets reopened by the end of May. Trade has been impacted by individual States having different levels of restrictions based on the number of active COVID-19 cases and recently, the State of Victoria announced a lockdown (in parts of the State) due to indications of a second wave of infections, although stores are expected to remain open on minimum rosters. E-commerce retail turnover growth for the three months ended 27 June 2020 was strong in Australian Dollar terms at 74,0% when compared to the same period in the previous financial year.

- **the Group's debt service and covenants requirements:** the Group has complied with its financial covenants for the reporting period, which are net debt^/EBITDA^ <2,5 ('leverage') and EBITA^/gross interest^ >3,2 ('interest cover'). 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 September 2020 measurement period and reset for the March 2021 period to leverage <3,5 and interest cover >1,0. The Group currently has adequate liquidity facilities in place including additional committed facilities of R3,3 billion which have become available post-year end but have not been required to be utilised as of yet, 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. The Group has also accessed government funding, where available, in each of our territories of operation and also continue to prioritise cost savings initiatives across all operations and business optimisation initiatives in TFG Africa.

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.

^ *Pre-IFRS 16.*

23. COMMITMENTS AND CONTINGENT LIABILITIES

	2020 Rm	2019 Rm
Capital expenditure		
Capital commitments	**7,1**	16,3

There are no contingent liabilities.

24. REVENUE

	Note	2020 Rm	2019 Rm
Retail turnover		**35 323,3**	34 101,4
Interest income	25	**1 759,7**	1 764,0
Other income	26	**1 393,5**	1 262,8
		38 476,5	37 128,2

Retail turnover consist of:	2020 Rm	2019 Rm
Cash sales^	**26 114,7**	24 656,9
Credit sales^	**9 208,6**	9 444,5
	35 323,3	34 101,4

^ *Retail turnover included in the revenue disclosed under segmental reporting for TFG Africa includes both cash and credit sales. For the TFG London and TFG Australia segments, revenue only includes cash sales.*

25. INTEREST INCOME

	2020 Rm	2019 Rm
Trade receivables – retail	**1 735,3**	1 748,3
Sundry	**24,4**	15,7
	1 759,7	1 764,0

26. OTHER INCOME

	2020 Rm	2019 Rm
Value-added services	**738,8**	754,6
Collection cost recovery and service fees	**640,2**	487,6
Sundry income	**14,5**	20,6
	1 393,5	1 262,8

Notes to the consolidated financial statements (continued)

For the year ended 31 March 2020

THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES

27. TRADING EXPENSES

	2020 Rm	Restated* 2019 Rm
Operating profit before acquisition costs and finance costs has been arrived at after taking account of:		
Trading expenses		
Net occupancy costs^	**(685,6)**	(782,5)
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)

^ *Net occupancy costs include occupancy costs and occupancy costs lease reversal. Occupancy costs refers to costs associated with the rental of property leases. Occupancy costs lease reversal refers to the costs associated with property leases that are accounted for under the IFRS 16 standard.*

	2020 Rm	Restated* 2019 Rm
The following disclosable amounts are included above:		
Auditors remuneration		
Audit fees	**(16,3)**	(17,2)
Non-audit fees	**(4,5)**	(4,1)
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)**	–
Retirement fund expenses	**(353,9)**	(321,8)
Staff discount	**(118,5)**	(113,0)
Foreign exchange transactions	**6,3**	9,1

28. FINANCE COSTS

	2020 Rm	Restated* 2019 Rm
Finance costs on lease liabilities	**(586,3)**	(554,6)
Interest-bearing debt	**(749,1)**	(749,9)
	(1 335,4)	(1 304,5)

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

29. TAXATION

	2020 Rm	Restated* 2019 Rm
Income tax expense		
South African current taxation		
Current year	**684,5**	837,5
Prior year (over) under provision	**(18,2)**	51,6
Dividends withholding tax	**5,3**	3,9
South African deferred taxation		
Current year	**0,4**	(70,0)
Prior year over provision	**(8,9)**	(68,0)
Non-South African current taxation		
Current year	**260,8**	255,8
Prior year (over) under provision	**(3,7)**	0,2
Non-South African deferred taxation		
Current year	**(51,5)**	(80,4)
Prior year under provision	**34,3**	7,2
Rate change	**0,1**	–
Assessed loss recognised	**2,4**	–
	905,5	937,8

	%	%
Reconciliation of the tax expense		
Effective tax rate	**27,0**	26,2
Foreign tax credits	**(0,2)**	–
Deferred tax not recognised	**(0,2)**	–
Australian Group tax relief	**–**	0,2
Prior year unrecognised capital allowances	**–**	0,3
Learnership allowances	**0,2**	0,3
Insurance cell	**1,6**	1,5
Non-deductible expenditure	**(0,4)**	(1,6)
Non-South African tax rate	**0,1**	0,9
Prior year (under) over provision	**(0,1)**	0,2
South African statutory rate	**28,0**	28,0

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

30. EARNINGS PER SHARE

BASIC AND HEADLINE EARNINGS PER SHARE

The calculation of basic and headline earnings per share for the year ended 31 March 2020 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 443,8 (2019: R2 640,1) million and headline earnings of R2 717,4 (2019: R2 745,1) million divided by the weighted average number of ordinary shares as follows:

	2020 Gross Rm	2020 Net of taxation Rm	Restated*, ^ 2019 Gross Rm	Restated*, ^ 2019 Net of taxation Rm
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)	(1,0)
Loss on disposal of business	**–**	**–**	23,8	21,8
Loss on disposal of property, plant and equipment and intangible assets	**68,7**	**50,4**	44,1	33,2
Impairment of property, plant and equipment	**55,7**	**42,8**	79,3	58,3
Profit on disposal of property, plant and equipment and intangible assets	**(1,4)**	**(1,0)**	(10,1)	(7,3)
Impairment of right-of-use assets	**189,3**	**145,3**	–	–
Change in UK tax rate	**–**	**36,1**	–	–
Headline earnings		**2 717,4**		2 745,1

* *Refer to note 38 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.*

	2020 Number of shares Gross	2020 Number of shares Weighted	2019 Number of shares Gross	2019 Number of shares Weighted
Gross number of ordinary shares in issue	**236 756 814**	**236 756 814**	236 756 814	236 756 814
Treasury shares	**(5 492 754)**	**(5 492 754)**	(5 479 799)	(5 479 799)
Net number of ordinary shares in issue at beginning of year	**231 264 060**	**231 264 060**	231 277 015	231 277 015
Shares purchased in terms of share incentive schemes	**(1 389 103)**	**(1 100 836)**	(1 272 855)	(1 039 595)
Shares sold	**694 178**	**491 425**	239 750	102 507
Shares delivered	**1 092 811**	**727 510**	1 020 150	749 266
Net number of ordinary shares in issue at end of the year	**231 661 946**	**231 382 159**	231 264 060	231 089 193

	2020	Restated* 2019
Weighted average number of ordinary shares in issue	**231 382 159**	231 089 193
Earnings per ordinary share (cents)		
Basic earnings per ordinary share	**1 056,2**	1 142,5
Headline earnings per ordinary share^	**1 174,4**	1 187,9

* *Refer to note 38 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.*

The calculation of diluted earnings and diluted headline earnings per share for the year ended 31 March 2020 is based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 443,8 (2019: R2 640,1) million and headline earnings of R2 717,4 (2019: R2 745,1) million divided by the fully diluted weighted average number of ordinary shares as follows:

	2020	2019
Weighted average number of ordinary shares as above	**231 382 159**	231 089 193
Number of shares that would have been issued for no consideration – share incentive schemes	**1 218 902**	2 120 768
Weighted average number of ordinary shares used for dilution	**232 601 061**	233 209 961

	2020	Restated* 2019
Earnings per ordinary share (cents)		
Diluted earnings per ordinary share	**1 050,6**	1 132,1
Diluted headline earnings per ordinary share^	**1 168,2**	1 177,1

* *Refer to note 38 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.*

Refer to note 22.1 regarding details of the rights offer subsequent to year end.

31. 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.

31. EMPLOYEE BENEFITS (continued)

SHARE INCENTIVE SCHEMES (continued)

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 three 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. Restricted shares vest after three years, subject to continued employment.

	2020	2019
Share instruments granted and accepted for the financial year ended 31 March		
1 June 2018 – 2007 Share Incentive Scheme		
Grant price*		R183,89
Fair value of option^		R61,39
Expected volatility		32,69%
Expected dividend yield		5,16%
Risk-free interest rate		8,00%
1 June 2018 – 2010 Share Incentive Scheme^^		
Consideration		nil
Estimated value on grant date		R184,24
5 December 2018 – 2010 Share Incentive Scheme^^		
Consideration		nil
Estimated value on grant date		R179,87
3 June 2019 – 2007 Share Incentive Scheme		
Grant price*	**R174,32**	
Fair value of option^	**R51,15**	
Expected volatility	**50,77%**	
Expected dividend yield	**7,15%**	
Risk-free interest rate	**9,00%**	
3 June 2019 – 2010 Share Incentive Scheme^^		
Consideration	**nil**	
Estimated value on grant date	**R177,05**	
5 December 2019 – 2010 Share Incentive Scheme^^		
Consideration	**nil**	
Estimated value on grant date	**R151,63**	

* *Grant price equates to the strike price.*

^ *Using the binomial model, the expected volatilities above were calculated as rolling volatilities to match the expected life of the instrument. TFG's historical daily closing share price was used for the calculation.*

^^ *The fair value of the 2010 Share Incentive Scheme is the market price of the shares on grant date. Participants entitled to dividends, therefore the market price has not been adjusted when determining the fair value.*

The Group recognised total expenses of R76,1 (2019: R87,3) 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 2020	Number of SARs 2019
2007 Share Incentive Scheme		
SARs granted, subject to fulfilment of conditions, at 1 April	**1 457 750**	1 298 600
SARs granted during the year subject to fulfilment of conditions	**308 893**	295 950
SARs forfeited during the year	**(29 800)**	(86 000)
SARs delivered during the year#	**(556 500)**	(50 800)
SARs granted, subject to fulfilment of conditions, at 31 March	**1 180 343**	1 457 750

SARs delivered during the year equates to 465 035 (2019: 120 696) ordinary shares.

For the SARs delivered during the year, the weighted average share price is R171,2 (2019: R200,9) on relevant dates of delivery.

	Number of FS 2020	Number of FS 2019
2010 Share Incentive Scheme		
FS granted, subject to fulfilment of conditions, at 1 April	**2 954 405**	3 100 600
FS granted during the year subject to fulfilment of conditions	**1 080 210**	976 905
FS forfeited during the year	**(664 378)**	(153 750)
FS delivered during the year#	**(536 311)**	(969 350)
FS granted, subject to fulfilment of conditions, at 31 March	**2 833 926**	2 954 405

For the FS delivered during the year, the share price is R177,05 (2019: R184,24) on date of delivery.

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

Grant date	Grant price*	Year of conversion	Number of SARs
10 June 2014	R111,10	2021	28 900
8 June 2015	R148,15	2021	168 600
2 June 2016	R142,72	2021	190 100
2 June 2017	R138,30	2021	244 600
1 June 2018	R183,89	2022	239 250
3 June 2019	R174,32	2023	308 893
			1 180 343

* *Grant price equates to the strike price.*

31. EMPLOYEE BENEFITS (continued)

SHARE INCENTIVE SCHEMES (continued)

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

Grant date	Grant price	Year of conversion	Number of FS
2 June 2017	R139,49	2021	961 600
1 June 2018	R184,24	2022	820 650
5 December 2018	R179,87	2022	34 467
3 June 2019	R177,05	2023	927 764
5 December 2019	R151,63	2023	89 445
			2 833 926

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

	Number of shares 2020	Number of shares 2019
Shares held at the beginning of the year	**1 457 750**	1 298 600
Shares purchased during the year	**308 893**	295 950
Shares sold during the year	**(29 800)**	(86 000)
Shares delivered during the year	**(556 500)**	(50 800)
Shares held at the end of the year	**1 180 343**	1 457 750

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 contributes 12% of pensionable salary, which includes cover for death, disability and funeral benefits, administration and management costs. Members (including those variable pay employees who have opted to join the fund in accordance with the provisions of the Labour Relations Act) make contributions of 7,5% of pensionable salary to the Fund.

A statutory valuation of the fund was performed at 31 December 2018, in which the valuator reported that the fund was in a sound financial position.

	Number of members		Employer contributions	
	2020	2019	2020 Rm	2019 Rm
Summary per fund#:				
TFG Retirement Fund	**13 418**	13 045	**213,4**	199,3
Investment Solutions Provident Fund^	**–**	–	**–**	2,4
Namflex Pension Fund	**357**	409	**3,6**	3,8
Sibaya Provident Fund	**27**	29	**0,4**	0,4
Alexander Forbes Retirement Fund	**110**	108	**1,2**	1,0
National Pensions Scheme Authority (NAPSA) of Zambia	**178**	190	**0,4**	0,6
Social Security and National Insurance Trust (SSNIT)^^	**–**	30	**0,2**	0,3
National Social Security Fund (NSSF)	**23**	24	**–***	–*
	14 113	13 835	**219,2**	207,8

* *Zero as a result of rounding.*

The information above is specific to TFG Africa, which refers to our activities on the African continent.

^ *During the prior financial year, the Investment Solutions Provident Fund was dissolved into the TFG Retirement Fund and therefore there were no members as at 31 March 2019.*

^^ *Ghana operations ceased in October and therefore as at 31 March 2020 there were no members part of the Social Security and National Insurance Trust.*

TFG London
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. GBP1,1 million (R21,2 million) was paid in the current year, GBP0,7 million (R13,5 million) was paid in the prior year.

TFG Australia
For employees, a government mandated 9,5% of all ordinary time earnings must be paid into a retirement fund nominated by the employee provided the employee meets certain requirements. AUD11,3 million (R113,5 million) was paid into a superannuation fund in the current year, AUD10,0 million (R100,5 million) was paid into a superannuation fund in the prior year.

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 Eswatini can also apply to the scheme upon meeting certain criteria.

Total membership currently stands at 2 665 (2019: 2 970) principal members.

These costs are charged against income as incurred and amounted to R70,2 (2019: R66,5) million, with employees contributing a further R70,2 (2019: R66,5) million to the fund.

In respect of the year ended 31 December 2019, the scheme earned risk contributions of R143,9 million and reflected a surplus of R7,7 million after the deduction of all expenses, and before investment income. The trustees are confident that the changes made to the benefit design last year with the introduction of a revised entry level benefit plan, has paved the way for membership growth to strengthen the sustainability of the scheme. The scheme had net assets at its year end date totalling R175,8 million.

The budgeted projected surplus in respect of the year ending 31 December 2020 is R1,6 million before investment income.

Other defined contribution plans
Permanent employees are able to take up voluntary medical aid scheme membership in the country in which they operate.

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

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

32. DIRECTORS' REMUNERATION

2020	Fees^ R'000	Remune-ration R'000	Pension fund R'000	Travel allow-ance R'000	Other benefits* R'000	Perfor-mance bonus R'000	Other remune-ration*** R'000	Total R'000	IFRS share allo-cation fair value R'000
Non-executive									
M Lewis	**1 074,9**	**–**	**–**	**–**	**–**	**–**	**–**	**1 074,9**	**–**
E Oblowitz	**923,9**	**–**	**–**	**–**	**–**	**–**	**–**	**923,9**	**–**
S E Abrahams	**885,1**	**–**	**–**	**–**	**–**	**–**	**–**	**885,1**	**–**
Prof. F Abrahams	**710,3**	**–**	**–**	**–**	**–**	**–**	**–**	**710,3**	**–**
R Stein	**695,6**	**–**	**–**	**–**	**–**	**–**	**–**	**695,6**	**–**
D Friedland	**690,0**	**–**	**–**	**–**	**–**	**–**	**–**	**690,0**	**–**
N V Simamane	**673,3**	**–**	**–**	**–**	**–**	**–**	**–**	**673,3**	**–**
B L M Makgabo-Fiskerstrand	**673,3**	**–**	**–**	**–**	**–**	**–**	**–**	**673,3**	**–**
G H Davin	**609,0**	**–**	**–**	**–**	**–**	**–**	**–**	**609,0**	**–**
A D Murray	**951,4**	**–**	**–**	**–**	**–**	**–**	**–**	**951,4**	**–**
C Coleman	**166,3**	**–**	**–**	**–**	**–**	**–**	**–**	**166,3**	**–**
Total	**8 053,1**	**–**	**–**	**–**	**–**	**–**	**–**	**8 053,1**	**–**
Executive									
A E Thunström	**–**	**7 865,6**	**963,8**	**512,2**	**159,4**	**–**	**–**	**9 501,0**	**6 327,1**
B Ntuli	**–**	**5 346,0**	**655,1**	**392,6**	**106,8**	**–**	**7 375,0**	**13 875,5**	**2 452,6**
Total	**–**	**13 211,6**	**1 618,9**	**904,8**	**266,2**	**–**	**7 375,0**	**23 376,5**	**8 779,7**
Total remuneration 2020	**8 053,1**	**13 211,6**	**1 618,9**	**904,8**	**266,2**	**–**	**7 375,0**	**31 429,6**	**8 779,7**

2019	Fees^ R'000	Remune-ration R'000	Pension fund R'000	Travel allow-ance R'000	Other benefits* R'000	Perfor-mance bonus R'000	Other remune-ration**, ^^ R'000	Total R'000	IFRS share allo-cation fair value R'000
Non-executive									
M Lewis	976,9	–	–	–	–	–	–	976,9	–
E Oblowitz	830,8	–	–	–	–	–	–	830,8	–
S E Abrahams	790,8	–	–	–	–	–	–	790,8	–
Prof. F Abrahams	655,8	–	–	–	–	–	–	655,8	–
R Stein	613,5	–	–	–	–	–	–	613,5	–
D Friedland	629,3	–	–	–	–	–	–	629,3	–
N V Simamane	613,3	–	–	–	–	–	–	613,3	–
B L M Makgabo-Fiskerstrand	613,3	–	–	–	–	–	–	613,3	–
G H Davin	586,3	–	–	–	–	–	–	586,3	–
Total	6 310,0	–	–	–	–	–	–	6 310,0	–
Executive									
A E Thunström	–	6 268,2	846,2	452,5	58,1	13 381,6	8 400,0	29 406,6	4 311,1
B Ntuli	–	1 162,2	156,9	85,4	9,3	–	4 000,0	5 413,8	–
A D Murray	–	4 700,3	634,5	256,1	26,2	8 843,1	–	14 460,2	–
Total	–	12 130,7	1 637,6	794,0	93,6	22 224,7	12 400,0	49 280,6	4 311,1
Total remuneration 2019	6 310,0	12 130,7	1 637,6	794,0	93,6	22 224,7	12 400,0	55 590,6	4 311,1

^ *Fees only relate to services as directors.*

* *Other benefits include housing allowance and medical aid subsidy.*

** *Mr Thunström was appointed CEO in September 2018. As a result of his appointment as CEO, the Remco decided to pay Mr Thunström, in line with other executives, a restraint of trade payment of R8,4 million. Ms Ntuli received a once-off sign-on bonus of R4,0 million during the financial year ended March 2019 to compensate her for financial entitlements she forfeited as a result of leaving her previous employer. The local talent pool of CFOs with the expertise and credentials of Ms Ntuli is limited. Given that TFG initiated the engagement with Ms Ntuli and that Ms Ntuli would forfeit a short-term and long-term incentive due in 2019 from her previous employer, the Remco decided that the award of a once-off sign-on bonus would be necessary and appropriate in these circumstances. The sign-on bonus is repayable if Ms Ntuli leaves TFG within 12 months of joining.*

*** *Ms Ntuli joined TFG in January 2019 as CFO. In September 2019, Ms Ntuli received a payment of R7 375 000 as consideration for accepting a service agreement and restraint of trade contract.*

^^ *Other remuneration has been restated to ensure consistent classifications and disclosures between the current and prior years, to rectify a disclosure omission for 2019 and to comply with best practice.*

33. RELATED PARTIES

SHAREHOLDERS

An analysis of the principal shareholders of the company is provided in appendix 2. 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 were 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.

	2020 Rm	2019 Rm
Administration fee earned from The Foschini Group Retirement Fund	**6,1**	5,4

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 32.

Interest of directors in contracts

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

Loans to directors

No loans have been made to directors.

EMPLOYEES

	2020 Rm	2019 Rm
Remuneration paid to key management personnel other than the executive directors is as follows:		
Short-term employee benefits		
Remuneration	**201,4**	200,8
Performance bonus	**–**	87,8
Travel allowance	**30,3**	32,0
Post-employment benefits		
Pension fund	**23,2**	25,0
Other long-term benefits		
Other benefits	**7,2**	6,8
Share-based payments		
Fair value of share instruments granted	**39,4**	64,3
Restraint of trade payments	**8,2**	46,5
Total remuneration	**309,7**	463,2

Refer to note 32 for further disclosure regarding remuneration paid to executive directors of the company.

34. CASH GENERATED FROM OPERATIONS

	2020 Rm	Restated* 2019 Rm
Operating profit before working capital changes		
Profit before tax	**3 349,3**	3 578,1
Finance costs	**1 335,4**	1 304,5
Operating profit before finance costs	**4 684,7**	4 882,6
Adjustments for:		
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 transactions	**(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
Changes in working capital		
Inventory	**(426,9)**	(611,0)
Trade and other receivables	**(239,5)**	(787,0)
Trade and other payables	**124,3**	610,0
	(542,1)	(788,0)
Cash generated from operations	**8 252,4**	7 979,3

* *Refer to note 38 for the impact of the IFRS 16 change in accounting policy.*

35. TAXATION PAID

	2020 Rm	2019 Rm
Balance at beginning of the year	**(319,2)**	(107,0)
Current tax for the year recognised in profit or loss	**(928,7)**	(1 149,0)
Foreign exchange movements	**7,1**	(10,3)
Balance at end of the year	**92,8**	319,2
	(1 148,0)	(947,1)

36. DIVIDENDS PAID

	2020 Rm	2019 Rm
Dividends paid during the year	**(1 839,3)**	(1 756,1)

37. CHANGES IN LIABILITY ARISING FROM FINANCING ACTIVITY

31 March 2020

			Non-cash items			
	Opening balance Rm	Net cash flows Rm	Additions Rm	Disposals Rm	Foreign exchange movements Rm	Closing balance Rm
Increase in interest-bearing debt	**9 213,4**	**1 948,3**	**–**	**–**	**167,8**	**11 329,5**
Lease liabilities	**8 447,8**	**(2 997,9)**	**3 074,3**	**(280,8)**	**354,4**	**8 597,8**

31 March 2019

			Non-cash items			
	Opening balance Rm	Net cash flows Rm	Additions Rm	Disposals Rm	Foreign exchange movements Rm	Closing balance Rm
Decrease in interest-bearing debt	9 350,6	(319,2)	–	–	182,0	9 213,4
Lease liabilities	7 802,3	(2 747,0)	2 883,7	(94,6)	603,4	8 447,8

38. 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.

During the year, the Group adopted the relevant accounting standards that are in issue and which have become effective.

IFRS 16: *LEASES*

During the current year, the Group adopted IFRS 16 *Leases* (IFRS 16) retrospectively from 31 March 2018.

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 (refer to note 1.8 for further information regarding accounting for leases under IFRS 16). 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 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 Rm	IFRS 16 Rm	Restated 31 March 2018 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

	31 March 2019 Rm	IFRS 16 Rm	Restated 31 March 2019 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			
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 expenses	(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 cash flows 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)	Note	31 March 2019	IFRS 16	Restated 31 March 2019
Basic	30	1 141,7	0,8	1 142,5
Headline^	30	1 187,1	0,8	1 187,9
Diluted (basic)	30	1 131,3	0,8	1 132,1
Diluted (headline)^	30	1 176,3	0,8	1 177,1

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

38. ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR (continued)

IFRS 16: *LEASES* (continued)

	As if IAS 17 still applied 31 March 2020 Rm	IFRS 16 Rm	As presented 31 March 2020 Rm
Consolidated statement of financial position			
Non-current assets			
Right-of-use assets	–	7 499,3	7 499,3
Deferred taxation assets	1 051,1	177,1	1 228,2
Equity			
Total equity	16 407,1	(464,5)	15 942,6
Non-current liabilities			
Operating lease liability	358,8	(358,8)	–
Lease liabilities	–	5 596,8	5 596,8
Current liabilities			
Trade and other payables	4 847,0	(60,6)	4 786,4
Operating lease liability	37,6	(37,6)	–
Lease liabilities	–	3 001,0	3 001,0
Consolidated income statement			
Trading expenses	(16 235,6)	419,4	(15 816,2)
Occupancy costs	(4 273,3)	3,5	(4 269,8)
Occupancy costs lease reversal	–	3 584,2	3 584,2
Depreciation on right-of-use assets	–	(3 000,1)	(3 000,1)
Depreciation and amortisation	(828,5)	–	(828,5)
Employee costs	(6 311,6)	–	(6 311,6)
Other operating expenses	(4 822,2)	(168,2)	(4 990,4)
Finance costs	(749,1)	(586,3)	(1 335,4)
Income tax expense	(948,4)	42,9	(905,5)
Consolidated statement of comprehensive income			
Foreign currency translation reserve movements	1 186,0	(82,2)	1 103,8
Consolidated cash flow statement			
Operating cash flows before working capital changes	5 210,3	3 584,2	8 794,5
Increase in working capital	(481,5)	(60,6)	(542,1)
Finance costs	(749,1)	(586,3)	(1 335,4)
Lease liability payments	–	(2 997,9)	(2 997,9)

Earnings per ordinary share (cents)	Note	As if IAS 17 still applied 31 March 2020 Rm	IFRS 16	As presented 31 March 2020 Rm
Total				
Basic	30	**1 109,7**	**(53,5)**	**1 056,2**
Headline	30	**1 165,1**	**9,3**	**1 174,4**
Diluted (basic)	30	**1 103,9**	**(53,3)**	**1 050,6**
Diluted (headline)	30	**1 159,0**	**9,2**	**1 168,2**

IFRIC 23: *UNCERTAINTY OVER INCOME TAX TREATMENTS*

The IFRIC 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*, and did not have a significant impact on the Group.

39. 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 a material impact on future financial statements:

COVID-19-RELATED RENT CONCESSIONS

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.

Appendix 1: Subsidiary companies

As at 31 March

Name of subsidiary	Country of registration	Ownership
*Trading subsidiaries**		
Dress Holdco A Limited	**UK**	**100%**
Fashion Retailers Proprietary Limited	**Namibia**	**100%**
Fashion Retailers (Zambia) Limited	**Zambia**	**100%**
Foschini (Lesotho) Proprietary Limited	**Lesotho**	**100%**
Foschini Retail Group Proprietary Limited	**South Africa**	**100%**
Foschini (Swaziland) Proprietary Limited	**Eswatini**	**100%**
Prestige Clothing Proprietary Limited	**South Africa**	**100%**
TFG Apparel Supply Company Proprietary Limited	**South Africa**	**100%**
TFG Retailers Proprietary Limited	**Australia**	**100%**
The Foschini Group Ghana Limited	**Ghana**	**100%**
The Foschini Group Kenya Limited	**Kenya**	**100%**

* *These companies are material direct subsidiaries of The Foschini Group Limited.*

Appendix 2:
Shareholdings of The Foschini Group Limited

ANALYSIS OF SHAREHOLDINGS

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 27 March 2020.

Spread analysis	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	7 856	67,5	2 772 520	1,2
1 001 – 10 000 shares	2 767	23,8	7 910 516	3,4
10 001 – 100 000 shares	752	6,5	24 451 003	10,3
100 001 – 1 000 000 shares	211	1,8	59 948 475	25,3
1 000 001 shares and over	45	0,4	141 674 300	59,8
	11 631	100,0	236 756 814	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	% of shares in issue
Unit trusts/Mutual	81 213 476	34,3
Pension funds	71 225 929	30,1
Sovereign wealth	18 076 341	7,6
Private investor	14 186 317	6,0
Insurance companies	12 718 648	5,3
Trading position	10 168 373	4,3
Exchange-Traded Fund	7 008 940	3,0
Employees	4 014 269	1,7
Corporate holding	3 056 816	1,3
Hedge fund	2 353 090	1,0
Custodians	2 108 197	0,9
Other	10 626 418	4,5
	236 756 814	100,0

BENEFICIAL SHAREHOLDINGS GREATER THAN 5%

Beneficial interests – direct and indirect, as per share register and information supplied by nominee companies as at 27 March 2020.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	38 290 650	16,2

Appendix 2: Shareholdings of The Foschini Group Limited (continued)

FUND MANAGERS' HOLDINGS GREATER THAN 5%

According to disclosures made, the following fund managers administered client portfolios which included more than 5% of the company's issued shares.

	Holding	% of shares in issue
PIC	31 284 409	13,2
Old Mutual Limited	15 876 130	6,7
Ninety One Limited	14 982 004	6,3
	62 142 543	26,2

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	11 235	96,6	189 885 805	80,2
Government Employees Pension Fund (PIC)	9	0,1	38 290 650	16,2
Directors (company and major subsidiary)	12	0,1	3 485 491	1,5
Trust	1	–	1 180 343	0,5
Subsidiary	1	–	1 080 599	0,4
Employees of TFG	373	3,2	2 833 926	1,2
Total	11 631	100,0	236 756 814	100,0

GEOGRAPHICAL SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding	% of shares in issue
South Africa	146 067 698	61,7
United States of America and Canada	44 677 478	18,9
United Kingdom	17 169 193	7,2
Rest of Europe	12 565 579	5,3
Rest of world*	16 276 866	6,9
Total	236 756 814	100,0

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of shares in issue
South Africa	136 599 146	57,7
United States of America and Canada	41 336 296	17,4
United Kingdom	10 131 805	4,3
Rest of Europe	28 075 152	11,9
Rest of world*	20 614 415	8,7
Total	236 756 814	100,0

* *Represents all shareholdings except those in the above regions.*

Appendix 3: Definitions

Capex	Capital expenditure
Companies Act of South Africa	Companies Act of South Africa, No. 71 of 2008, as amended
Concession arrangement	In addition to their own stand-alone stores, TFG London has concession arrangements with key department store partners from whom they occupy an agreed floor space area (referred to as "mat") dedicated to their product
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
EBIT	Earnings, excluding acquisition costs, before finance costs and tax
EBITA	Earnings, excluding acquisition costs, before finance costs, tax and amortisation
EBITDA	Earnings, excluding acquisition costs, before finance costs, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance costs
EBITDA margin	EBITDA expressed as a percentage of retail turnover
Finance charge cover	Operating profit before finance costs divided by finance costs
Free cash flow (FCF)	Earnings, excluding acquisition costs, before finance costs and tax plus depreciation and amortisation net of changes in net working capital and capital expenditure
Gross square metre	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 acquisition costs incurred
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
Market capitalisation	The market price per share at year end multiplied by the number of ordinary shares in issue at year end
Net bad debt as a % of debtors' book	VAT-exclusive bad debts, net of recoveries and including provision movement as percentage of gross receivables
Net bad debt write-off	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

Appendix 3:
Definitions (continued)

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, lease liabilities 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 the integrated multi-channel retailing (e-commerce, online sales, mobile app sales)
Operating margin	Operating profit before finance costs expressed as a percentage of retail turnover
Operating profit	Profit earned from normal business operations
Outlets	TFG London trades through a combination of stand-alone stores and concession arrangements resulting in their presence being referred to as outlets rather than the traditional stores
Overdue values as a % to debtors' book	Overdue portion of debtors at statement month-end as a percentage of gross receivables
Recourse debt	Amounts owed by 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, excluding acquisition costs, before finance costs and tax (EBIT)/ average capital employed
Same store	Stores that 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 year end
Total shareholder return (TSR)	The return for a shareholder through the appreciation in TFG's share price plus dividends paid over a specified period
Trading expenses	Costs incurred in the normal course of business including, among others, depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs
VWAP	Volume weighted average price
Weighted CPI	CPI of the major geographical areas that TFG trades in (South Africa, the United Kingdom and Australia), weighted by their respective geographical turnover contribution percentage

COMPANY INFORMATION

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Registration number 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

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SHAREHOLDERS' CALENDAR

Financial year end	31 March 2020
Integrated report publication date	14 August 2020
Annual general meeting (83rd)	16 September 2020
Interim profit announcement (2021)	5 November 2020

QUERIES REGARDING THIS REPORT CAN BE ADDRESSED TO:
D van Rooyen (Company Secretary)
Email: company_secretary@tfg.co.za

GREYMATTERFINCH # 14361

TFG is made up of the following retail brands:

@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.