A COMMON THREAD DRIVES US

2021

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

THE FOSCHINI GROUP LIMITED

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 27 July 2021 and published on 30 July 2021.

* *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 2021

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 2021, 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 (IFRS) 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 27 July 2021 and signed by:

M Lewis
Chairman
Authorised director

A E Thunström
Chief Executive Officer
Authorised director

CEO AND CFO RESPONSIBILITY STATEMENT

For the year ended 31 March 2021

The directors, whose names are stated below, hereby confirm that

(a) the consolidated annual financial statements set out on pages 22 to 100 fairly present in all material respects the financial position, financial performance and cash flows of The Foschini Group Limited in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to The Foschini Group Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of The Foschini Group Limited; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV)[1]. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

A E Thunström
Chief Executive Officer
Authorised director

27 July 2021

B Ntuli
Chief Financial Officer
Authorised director

27 July 2021

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DIRECTORS' REPORT

For the year ended 31 March 2021

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, Connor, Donna, Exact, Fabiani, The FIX, Foschini, Galaxy & Co, G-Star RAW, Hi, Hobbs, Jet, 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, the Exact division, The FIX division, the Foschini division, the Jet 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 in 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 Connor, Johnny Bigg, Rockwear, Tarocash and yd. brands. The Retail Apparel Group (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 93. The subsidiary companies, analysis of shareholdings and definitions are contained in the appendices on pages 94 to 98. Company information and shareholders' calendar are reflected on pages 99 to 100.

AUTHORISED AND ISSUED SHARE CAPITAL

At 31 March 2021, 1,1 (2020: 1,1) million shares are owned by a subsidiary of the company, 5,3 (2020: 2,8) million shares are held by employees of TFG in terms of share incentive schemes and 1,2 (2020: 1,2) 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.

TFG implemented a fully underwritten, renounceable rights issue that raised gross proceeds of R3,95 billion. The rights issue consisted of an offer of 94 270 486 new TFG ordinary shares at a subscription price of R41,90 per rights issue share. The rights issue shares constitute 28,5% of TFG's post-rights issue ordinary share capital. The net proceeds raised amounted to R3,8 billion.

DIVIDENDS

Interim ordinary

In light of the current subdued economic environment and the heightened levels of uncertainty posed by COVID-19, the Supervisory Board decided that it would be prudent not to declare an interim ordinary dividend (September 2019: 335,0 cents per share). Dividends will be resumed when appropriate to do so.

Final ordinary

The Supervisory Board has decided that it would be prudent not to declare a final dividend at this year-end (March 2020: No final dividend). As previously communicated, the Supervisory Board had guided that dividends would only be resumed when appropriate to do so. Given the better than expected recent trade performance across the Group as well as the Group's strong statement of financial position, the Supervisory Board anticipates resuming dividend payments during the 2022 financial year, with a higher planned dividend cover of 2x (with reference to headline earnings per share). This remains subject to potential acquisition/organic growth opportunities.

PREFERENCE

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

21 September 2020 – R13 000 (23 September 2019 – R13 000)
15 March 2021 – R13 000 (16 March 2020 – 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
R Stein

Non-executive directors

A D Murray

Executive directors

A E Thunström (CEO)
B Ntuli (CFO)

Changes to directors in the current financial year

During the year, the following changes took place, as was communicated on the Stock Exchange News Service (SENS) on 29 July 2020 and 5 November 2020:

- G H Davin, an independent non-executive director, was appointed as the Lead Independent Non-Executive Director with effect from 1 August 2020;
- R Stein, previously categorised as a non-executive director, was classified as an independent non-executive director effective 29 July 2020; and
- Certain changes were made to the various Board committees effective 1 August 2020.

As was announced on SENS on 2 July 2021, Mr S E Abrahams will be retiring from the Supervisory Board with effect from 2 September 2021, following the conclusion of the company's annual general meeting (AGM). Mr Abrahams, who was due to retire by rotation at the AGM, will accordingly not offer himself for re-election.

In terms of the company's memorandum of incorporation (MOI), the following directors will retire by rotation at the AGM to be held on 2 September 2021:

E Oblowitz
B L M Makgabo-Fiskerstrand
Prof. F Abrahams
S E Abrahams

The following directors, being eligible, offer themselves for re-election as directors at the AGM:

E Oblowitz
B L M Makgabo-Fiskerstrand
Prof. F Abrahams

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.

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 16 September 2020, shareholders passed the following special resolutions:

- The authorisation and approval, for all purposes under the Companies Act of South Africa (including, but not limited to, sections 41(1), 44(2) and 45(2) of the Companies Act of South Africa) the adoption and implementation of the Share Appreciation Rights Plan 2020;
- The authorisation and approval, for all purposes under the Companies Act of South Africa (including, but not limited to, sections 41(1), 44(2) and 45(2) of the Companies Act of South Africa) the adoption and implementation of the Forfeitable Share Plan 2020;
- That the MOI of the company be amended by the insertion of new clause 24.13A immediately after existing clause 24.13;
- The remuneration to be paid to non-executive directors for the period 1 October 2020 to 30 September 2021; and
- That the company may provide direct or indirect financial assistance to a related or inter-related company or corporation provided that such financial assistance may only be provided within two (2) 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.

STAFF SHARE INCENTIVE AND SHARE OPTION SCHEMES

Details are reflected in note 31.

SUBSEQUENT EVENTS

Details are reflected in note 22.3.

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 22.1 and going concern in note 22.2.

COMPANY SECRETARY'S CERTIFICATE

For the year ended 31 March 2021

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

27 July 2021

AUDIT COMMITTEE REPORT

For the year ended 31 March 2021

The Audit Committee is pleased to present its report for the financial year ended 31 March 2021 to the shareholders of TFG. This report complies with the Companies Act of South Africa, the JSE Listings Requirements, King IV and any other requirements.

- Meeting attendance for the committee is set out on page 111 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 108 to 110 of the integrated annual report.
- Details of fees paid to committee members appear in note 32 of the consolidated annual financial statements.

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 is satisfied that during the 2021 financial year it has complied with all its statutory and other regulatory duties and fulfilled its responsibilities in accordance with its charter.

The Audit Committee recognises the importance of its independent oversight 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. Furthermore, the Chairman meets with the external auditors and representatives of management separately and/or together, on an *ad hoc* basis through the year. Salient aspects of internal audit reviews are discussed at each meeting. In addition, the following is addressed at each respective meeting:

- Review of ERM and combined assurance methodology and consideration of outcomes of financial risk assessment (typically in March each year)
- Approval of annual audited results (typically in June 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 2021 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 formally 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 on internal audit matters.

Meeting dates and topics are agreed well in advance each year. Each meeting is preceded by the timely 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:
  - International Financial Reporting Standards (IFRS) and accounting matters;
  - taxation;
  - combined assurance (including ERM, legal compliance and internal audit); and
  - insurance and loss statistics.

AUDIT COMMITTEE MEMBERSHIP AS AT 31 MARCH 2021

MEMBERS AND APPOINTMENT DATES

E Oblowitz (Chairman)	1 October 2010
D Friedland	1 April 2016
B L M Makgabo-Fiskerstrand	1 October 2015
N V Simamane	24 February 2010
R Stein	1 August 2020

I assumed the role as Chairman of this committee on 1 August 2020, replacing Mr S E Abrahams who served this committee since 29 January 1999. The committee welcomed Mr R Stein, retired CFO of TFG, as a new member. All members of the committee are independent.

The CEO, the CFO, the Head of Enterprise Risk Management, the Head of Internal Audit, the Company Secretary and the external audit partner and staff attended meetings of the committee by way of standing invitations. Additional attendees during the 2021 financial year included non-executive directors Mr S E Abrahams, Mr A D Murray and Mr G H Davin, as well as relevant members of executive management, who are invited to attend all meetings on an *ad hoc* basis. The Chairman of the Group has an open invitation to attend all 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;
- 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 discuss and interrogate the annual audit plan of the external auditors as well as the related scope of work and the overall appropriateness of the key audit risks identified;
- to approve the audit fee and fees in respect of any non-audit services;
- to determine the nature and extent of any non-audit services the auditors may provide to the Group and to pre-approve all proposed agreements for non-audit services; and
- to review the findings and recommendations of the external auditors and confirmed that there were no significant unresolved matters as at the date of the approval of the annual financial statements.

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, where relevant, 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 function

- 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 heads of business (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 as well as any proposed amendments thereto 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 CFO; and
- to satisfy itself with the expertise, resources and experience of the finance function.

Financial results

- to consider any accounting treatments, significant unusual and complex 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 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 2021 financial year. Action plans are in place to address the key themes, which include the broader restructure of the internal audit function.

ELECTION OF COMMITTEE MEMBERS

The following members made themselves available for election to the committee. Such election was recommended by the Nomination Committee and will be proposed to shareholders at the upcoming 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 J H W de Kock as the incoming designated partner, for the year ending 31 March 2022; 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, the JSE Listings Requirements and any other regulations;
- determining the nature and extent of any non-audit services, which the external auditors provide to the company or any 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

The CEO and CFO, through delegated authority to executive management and regular report backs, continually evaluate the controls and control environment. This evaluation includes, *inter alia*:

- the identification of risks and the determination of their materiality;
- testing the design and implementation of controls that address significant and high risk areas impacting the financial reporting process;
- utilising the assurance function to test the operating effectiveness of these controls; and
- review of control self-assessments performed by management.

During the financial year under review the CEO and CFO have reviewed the controls for financial reporting and have presented their findings and remedial actions to the committee. One material deficiency in the design of internal controls was presented to the committee, together with the relevant compensating controls and additional procedures performed.

This deficiency relates to the processing of journals prior to these journals being reviewed and approved. This deficiency also relates to inappropriate access to process journal entries directly into the accounting system and manual journals that were not approved prior to posting. A review was performed of all the specific transactions posted with this access and no unauthorised or erroneous journals were identified. A formal and appropriate remediation plan has been developed to address this control deficiency.

The committee considered this deficiency, the status of the remedial actions undertaken, management's reliance on compensating controls and the additional review procedures performed and noted the contents of the CEO and CFO final attestation. The committee considers that this deficiency did not have a material impact on the financial reporting processes and that TFG's system of internal financial controls and financial reporting procedures are effective and forms an acceptable basis for the preparation of reliable financial statements in respect of the financial 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 2021 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 auditing approach and methodology with digital enablement. This enablement facilitates the increased automation of processes; generation of more risk focused assurance and related insights and reporting through the implementation of a suite of innovative technologies to broaden assurance coverage, particularly given the expansion of new stores in TFG Africa, London and Australia; while optimising costs and providing enhanced value through more focused risk-oriented insights. These technologies include the applications of data analytics, robotic process automation, artificial intelligence as well as other enterprise technology tools.

Ms C van der Vyver, the Head of Enterprise Risk, is currently caretaking the role of Head of Internal Audit as part of a broader restructure of the internal audit function.

The committee believes that Ms C van der Vyver possesses the appropriate expertise, skills 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 these processes to be effective.

Read more in our Risk Committee report on pages 122 and 123 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 is also a member of the Risk Committee and this ensures the ongoing alignment between these two committees. 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 respective 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 ERM methodologies, which will further enhance the Group's overall risk management coverage and focus.

Read more about our risk management approach in the Risk Committee report from page 121 of the integrated annual report.

TFG INTERNATIONAL OPERATIONS

The joint international Audit and Risk Committees continue to significantly enhance the governance oversight of both TFG London and TFG Australia. These committees meet twice a year and provide feedback to the Audit and Risk Committees as well as the Supervisory Board. The Chairmen of both these committees 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 compile assurance plans responsive to the significant risks identified and audits were conducted during the year to address those risks. No major concerns surfaced from their audit work.

THE FINANCIAL AND BUSINESS ENVIRONMENT

TRADING ENVIRONMENT

As a result of the COVID-19 pandemic, the past financial year was characterised by unprecedented global economic, political and social turmoil. Most of the Group's trading outlets across all our major trading territories – South Africa, the UK and Australia – were closed in the first month of our financial year (April 2020). In South Africa, all our jewellery stores also remained closed during the month of May 2020 due to the then prevailing lockdown restrictions. Further lockdowns were experienced in certain states of Australia, in the UK and other international markets, which continued to adversely impact trade performance in these countries throughout our 2021 financial year.

The financial year was also characterised by the following circumstances and events:

- Prioritising the safety and wellbeing of our employees, customers and suppliers;
- Implementing specific initiatives to preserve cash and optimise working capital;
- Securing additional committed facilities over and above existing funding lines;
- Purposefully restricting credit turnover for the year by imposing more stringent and reduced acceptance criteria as compared to the same period in the previous financial year. Collections from our existing customers, however, exceeded our expectations;
- The successful implementation of a rights issue that secured net proceeds of R3,8 billion. This allowed the Group to reduce debt and insulate the statement of financial position ahead of what was expected to be a sustained period of uncertainty. At the same time, it allowed the Group to continue investing in organic growth and strategic initiatives and to take advantage of market opportunities; and
- The acquisition of certain commercially viable stores and selected assets of Jet (formerly a division of Edcon Limited), which provided TFG with a strategically important expansion into the value segment of the southern African retail apparel market.

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, Australia and the UK.

Inventory

Additional inventory provisions were taken in all three of our operating territories to deal with the impact that the various lockdowns has on the clearance of seasonal product, to ensure that the Group is well positioned going into the new financial year.

Losses from crime-related incidents

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

Value-in-use of intangibles

Due to the impact of the COVID-19 pandemic, as outlined above, management, the external auditors and the Audit Committee applied their minds in stress-testing the carrying values of intangibles in both TFG Australia and, more particularly, TFG London.

Despite the challenges posed by the COVID-19 pandemic the Australian operations continued to trade ahead of management expectations and delivered record levels of profitability in the 2021 financial year. Therefore, without much difficulty, all parties concluded that despite using a high WACC rate, the Australian operations had more than sufficient headroom to sustain the carrying value of intangibles.

Out of our three main trading jurisdictions, the UK was the hardest hit by the COVID-19 pandemic with no stores operating during the fourth quarter of the financial year and non-essential retail only reopening after year-end on 12 April 2021. In total, the UK lost approximately 50% of its available store trading hours during the past financial year and experienced severely depressed footfall and consumer confidence for the remainder of the year.

Following the review of the carrying values of the investment in the fourth quarter, the increase in the level of uncertainties in the trading environment and its impact on future projected cash flows, coupled with the significant deterioration in the WACC rates previously applied, due to an increase in the business risk rates applied and confirmation of the closure of a number of department store concessions through which we had previously traded, a decision was taken to impair approximately 56% of the carrying values of TFG London's goodwill and intangible assets. This resulted in the recognition of a non-cash impairment of R2,7 billion after tax.

EXTERNAL AUDITORS

The Group's external auditors are Deloitte & Touche and the designated partner for the 2021 financial year is Mr M van Wyk. Mr J H W de Kock has been nominated as the designated partner for the 2022 financial year.

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, the designated partner, 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 (four years) and the nature and extent of non-audit services. Non-audit services of R4,6 million were provided in the current year (2020: R4,5 million).

The committee has nominated, for approval at the AGM, Deloitte & Touche as the external auditor and Mr J H W de Kock as designated audit partner for the 2022 financial year, having satisfied itself (as required by the JSE Listings Requirements):

- that the audit firm is accredited by the JSE; 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:

TFG London goodwill and intangible impairment assessment		
The Audit Committee specifically considered the recoverable amount of TFG London's goodwill and intangible assets using the value-in-use technique. The assumptions and estimates used were supported by comprehensive calculations and analyses prepared by management.	The Audit Committee received regular presentations from management. In addition, management received input from independent external consultants to corroborate a number of the most critical assumptions and estimates used in the value-in-use calculations.	The Audit Committee received reports from the external auditors on their work, which was done independently of management's calculations. The external auditors were supportive of impairment in respect of TFG London's goodwill and intangible assets.
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 CEO, which included comments made by each divisional head on: • their inventory holdings, inventory turn statistics and write-down information; and • the adequacy or otherwise of the overall quantum of their inventory holdings per business unit. The CFO also provides the Audit Committee with regular updates in terms of the level of inventory provisioning required.	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.

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 CFO AND FINANCE FUNCTION

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

In respect of the above requirement, the committee believes that Ms B Ntuli, the CFO, 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.

APPRECIATION

I acknowledge and thank my fellow committee members, attendees, the executives, management and the Deloitte & Touche engagement team for their continuing efforts, assistance and support rendered to me and this committee.

I pay tribute to Mr Sam Abrahams, my predecessor, who is retiring from the Supervisory Board at the forthcoming AGM. Sam has served this committee as Chairman over the past 22 years with extreme diligence, dedication, and competence. His long-standing and broad-ranging wise counsel is appreciated, not only by this committee, but by all at TFG who came into contact with him, and I, particularly, remain grateful to him for his abundant advice and assistance rendered to me as part of my assumption of the chairmanship of this committee.

We bid farewell to Mr Michael van Wyk, outgoing designated partner, who is emigrating from South Africa. His interactions with this committee have always been of the highest standard and we thank him for his professionalism in leading the Deloitte & Touche TFG engagement team since their appointment as external auditors and we wish him well with his life's new chapter.

APPROVAL

The committee recommended the approval of the consolidated annual financial statements and the integrated annual report for the year ended 31 March 2021 to the Supervisory Board on 27 July 2021.

The Supervisory Board subsequently approved the consolidated annual financial statements and the integrated annual report for the year ended 31 March 2021, which will be tabled and open for discussion at the forthcoming AGM.

E Oblowitz
Chairman: Audit Committee

27 July 2021

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2021

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 94, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated income statement, 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 consolidated 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 Foschini Group Limited and its subsidiaries as at 31 March 2021, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). 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.

Key Audit Matter	How the matter was addressed in the 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) and note 22.1 (Impact of Covid-19) for the related disclosures. Retail trade receivables are carried at amortised cost and the impairment is measured using the simplified approach under IFRS 9: *Financial Instruments* (IFRS 9), i.e. modelling lifetime expected credit losses (ECLs). As at 31 March 2021 gross trade receivables – retail amounted to R8 368,1 million, against which an ECL of R1 731,2 million was raised. When measuring the ECL of financial assets for the Group, the following judgements 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 (FLI), 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 response to the risk of the impairment of trade receivables in terms of IFRS 9 the following was performed by the audit team in conjunction with our Financial Services Advisory (FSA) team (credit and modelling specialists): • Obtained an understanding of the various assumptions used, the impairment modelling, data management processes, systems and methodologies. • Evaluated the impairment methodology applied against the requirements of IFRS 9. • Our specialists evaluated that the impairment methodology developed has been appropriately applied in the underlying impairment modelling. • Reviewing the reasonability of the PW and EAW outputs by performing empirical challenger estimates. • Our specialists have independently re-performed each component and the total ECL calculation based on the methodology set out by management, 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 macroeconomic 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. • Performing a top-down challenger assessment of the adequacy of FLI adjustments (including Covid impacts) utilising a Vasicek based methodology. • 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 the audit
Impairment of trade receivables – retail (continued) For the year ended 31 March 2021, management have included the following overlays: Macro-economic, Debt Relief and COVID 19 overlays. 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 retail trade receivables 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. It has therefore been identified as a key audit matter.	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 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. The audit team has obtained an understanding and performed work around the governance structures over IFRS 9 as follows: • Obtained an understanding of the overall governance structures and committees in place over both the base model and management overlays; • Design and implementation of controls was assessed over the management overlays and that of the base model; and • With the assistance of our IT specialist team, the automated controls over the base model were tested for design and implementation. Based on the above the governance processes were found to be sound and controls in place were appropriately designed and implemented.
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 331,5 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. RIM is an industry specific accounting method used to derive a weighted average product cost, approximating the net realisable value of inventory. Refer to note 1.2 (Significant judgements and estimates) and note 6 (Inventory). The RIM of valuation is complex and contains significant assumptions relating to the average margin and level at which such margin is applied. This can vary between retail entities and the method is further impacted by the amount and timing of markdowns, which could impact the gross margins. 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 RIM. • Our IT specialists performed specific automated procedures in respect of the controls around the 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. • Evaluated the appropriateness of the application of the RIM, as described in IAS 2: *Inventories (IAS 2)*. • Performed detailed analytical procedures including an analysis of the gross margin on a product level in comparison to the gross profit margin applied to that style as a whole, taking into account the mean thereof and related standard deviations and assessed the impact on inventory on hand at year-end. • Tested the underlying purchases. • Assessed markdowns pre and post year-end to ensure that there was no bias in the valuation. • Considered whether the provision for obsolete inventory, built into the RIM valuation was appropriate. • Based on the above procedures, evaluated the extent to which the RIM valuation approximated cost as required by IAS 2. • 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 RIM are reasonable and the disclosure in the consolidated financial statements acceptable.

Key Audit Matter	How the matter was addressed in the audit
TFG London goodwill and intangible impairment assessment As disclosed in note 3, the Group's goodwill and intangible asset value is R 7 301,8 million (FY20: R9 738,5 million) and an impairment expense of R2 961,5 million was recognised in the current financial year. The TFG London cash generating unit (CGU) accounts for 31% (FY20:57%) of this balance as well as the full impairment expense. In line with IAS 36: *Impairment of Assets* (IAS 36) the directors are required to assess whether goodwill and indefinite useful life intangibles are 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 2021. As disclosed in note 3, there are a number of key assumptions and estimates made in determining the inputs into the model which include: • Retail turnover growth rates; • Gross margins; • Discount rate; • Long term growth rate; and • Royalty rate. The current economic climate in the UK, uncertainty surrounding the future economic conditions of the retail industry, coupled with three national lockdowns during the current financial year increased the complexity and estimation involved in determining key assumptions used in the impairment model. Due to the significance of the goodwill and intangible asset balance, the significance of the impairment charge and the level of estimation inherently required in determining future performance and an appropriate discount rate, this has been identified as a key audit matter in our 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: • Assessing the design and testing the implementation of the key controls over the goodwill impairment process; • Engaging our internal specialists to assess the arithmetic accuracy of the impairment assessment for goodwill and intangible assets as well as the appropriateness of the valuation methodology against the requirements of IAS 36; • Engaging our internal specialists to independently calculate the discount rates, growth rates and royalty rates used in the directors' impairment calculations and considering the appropriateness of the inputs used in the directors' calculations; • With the assistance of our internal specialists, critically evaluating whether the future projected cash flows used by the Directors to calculate the value in use, complies with the requirements of IAS 36; • 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, approved budgets and considering whether they are reasonable and supportable given the current economic climate in the UK and expected future performance; • Subjecting the key judgments in the valuation model to sensitivity analysis; • Recalculating the value in use and impairment charge recognised in the consolidated financial statements; and • Assessing the adequacy of the Group's disclosures in respect of goodwill, intangible assets and the impairment recognised. Based on the procedures performed, the valuation methodology used is considered appropriate and we found the key forecast assumptions and impairment expense recognised by the directors to be supportable. We reviewed the disclosures in note 3 and found these to be appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "2021 Integrated Annual Report of The Foschini Group Limited for the year ended 31 March 2021" and in the document titled "2021 Audited Consolidated Annual Financial Statements of The Foschini Group Limited for the year ended 31 March 2021", which includes the Directors' Report, the Company Secretary's Certificate and the Audit Committee Report as required by the Companies Act of South Africa, and the CEO and CFO Responsibility Statement and Appendix 2: Shareholdings of The Foschini Group Limited, which we obtained prior to the date of this report. 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 and will 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 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 4 years.

Deloitte & Touche
Registered Auditor
Per: Michael van Wyk
Partner

27 July 2021

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	2021 Rm	2020 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	2	**2 525,0**	2 937,4
Goodwill and intangible assets	3	**7 301,8**	9 738,5
Right-of-use assets	4	**6 967,8**	7 499,3
Investment	39	**123,8**	–
Deferred taxation assets	5	**1 169,5**	1 228,2
		18 087,9	21 403,4
Current assets			
Inventory	6	**8 331,5**	8 431,1
Trade receivables – retail	7	**6 636,9**	7 762,4
Other receivables and prepayments	8	**1 331,3**	1 490,4
Concession receivables	9	**39,3**	62,7
Cash and cash equivalents	10	**4 843,2**	2 969,1
Taxation receivable		**3,4**	39,6
		21 185,6	20 755,3
Total assets		**39 273,5**	42 158,7
EQUITY AND LIABILITIES			
Share capital	11	**4,4**	3,3
Share premium		**7 905,4**	4 098,2
Treasury shares	12	**(887,9)**	(705,1)
Dividend reserve	13	**–**	–
Hedging (deficit) surplus	14	**(98,9)**	184,2
Foreign currency translation reserve	15	**912,7**	1 194,0
Post-retirement defined benefit plan reserve	17	**(23,6)**	(23,6)
Retained earnings		**9 398,9**	11 191,6
Equity attributable to equity holders of The Foschini Group Limited		**17 211,0**	15 942,6
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	18	**3 894,6**	5 480,3
Put option liability	16	**45,5**	54,2
Lease liabilities	20	**5 064,6**	5 596,8
Deferred taxation liabilities	5	**816,5**	1 087,2
Post-retirement defined benefit plan	17	**246,7**	228,6
		10 067,9	12 447,1
Current liabilities			
Interest-bearing debt	18	**2 263,1**	5 849,2
Trade and other payables	19	**6 382,3**	4 786,4
Lease liabilities	20	**3 122,3**	3 001,0
Taxation payable		**226,9**	132,4
		11 994,6	13 769,0
Total liabilities		**22 062,5**	26 216,1
Total equity and liabilities		**39 273,5**	42 158,7

CONSOLIDATED INCOME STATEMENT

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Note	2021 Rm	2020 Rm
Revenue	24	**35 585,8**	38 476,5
Retail turnover		**32 950,3**	35 323,3
Cost of turnover		**(17 960,0)**	(16 700,1)
Gross profit		**14 990,3**	18 623,2
Interest income	25	**1 358,4**	1 759,7
Other income	26	**1 277,1**	1 393,5
Net bad debt		**(1 222,4)**	(1 275,5)
Trading expenses	27	**(14 856,7)**	(15 816,2)
Operating profit before acquisition costs, gain on bargain purchase and impairment of goodwill and brands		**1 546,7**	4 684,7
Acquisition costs	38	**(16,8)**	–
Gain on bargain purchase	38	**709,0**	–
Impairment of goodwill and brands	3	**(2 958,1)**	–
Operating (loss) profit before finance costs		**(719,2)**	4 684,7
Finance costs	28	**(993,5)**	(1 335,4)
(Loss) profit before tax		**(1 712,7)**	3 349,3
Income tax expense	29	**(149,1)**	(905,5)
(Loss) profit for the year		**(1 861,8)**	2 443,8
Attributable to:			
Equity holders of The Foschini Group Limited		**(1 861,8)**	2 443,8
Earnings per ordinary share (cents)	30		
Basic^		**(614,0)**	925,7
Diluted (basic)^		**(611,8)**	921,4

^ *As required by IAS 33, the prior year basic and diluted weighted average number of shares has been adjusted retrospectively to account for the bonus element arising from the rights issue.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	2021 Rm	2020 Rm
(Loss) profit for the year	**(1 861,8)**	2 443,8
Other comprehensive (loss) 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	**(402,1)**	212,8
Foreign currency translation reserve movements	**(281,3)**	1 103,8
Deferred tax on items that are or may be reclassified to profit or loss	**119,0**	(62,4)
Other comprehensive (loss) income for the year, net of tax	**(564,4)**	1 264,8
Total comprehensive (loss) income for the year	**(2 426,2)**	3 708,6
Attributable to:		
Equity holders of The Foschini Group Limited	**(2 426,2)**	3 708,6

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
Equity at 31 March 2019	**3,3**	**4 098,2**	**(748,1)**	**1 070,8**	**9 624,9**	**14 049,1**
Total comprehensive income for the year				1 264,8	2 443,8	**3 708,6**
Profit for the year					2 443,8	**2 443,8**
Other comprehensive income						
Actuarial gain on post-retirement defined benefit plan				14,7		**14,7**
Movement in effective portion of changes in fair value of cash flow hedges (note 14)				212,8		**212,8**
Foreign currency translation reserve movements (note 15)				1 103,8		**1 103,8**
Deferred tax on movement in other comprehensive income (note 5)				(66,5)		**(66,5)**
Share-based payments reserve movements					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)**
Proceeds from sale of shares in terms of share incentive schemes					191,0	**191,0**
Shares purchased in terms of share incentive schemes			(242,9)			**(242,9)**
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**

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
Equity at 31 March 2020	**3,3**	**4 098,2**	**(705,1)**	**1 354,6**	**11 191,6**	**15 942,6**
Total comprehensive loss for the year				**(564,4)**	**(1 861,8)**	**(2 426,2)**
Loss for the year					**(1 861,8)**	**(1 861,8)**
Other comprehensive loss						
Movement in effective portion of changes in fair value of cash flow hedges (note 14)				**(402,1)**		**(402,1)**
Foreign currency translation reserve movements (note 15)				**(281,3)**		**(281,3)**
Deferred tax on movement in other comprehensive income (note 5)				**119,0**		**119,0**
Share-based payments reserve movements					**220,4**	**220,4**
Share capital issued and share premium raised^	**1,1**	**3 807,2**				**3 808,3**
Proceeds from sale of shares in terms of share incentive schemes					**2,9**	**2,9**
Shares purchased in terms of share incentive schemes			**(337,0)**			**(337,0)**
Delivery of shares by share incentive schemes			**154,2**		**(154,2)**	**–**
Equity at 31 March 2021	**4,4**	**7 905,4**	**(887,9)**	**790,2**	**9 398,9**	**17 211,0**

^ *Net of transaction costs.*

	2021	2020
Dividend per ordinary share (cents)		
Interim	**–**	335,0
Final	**–**	–
Total	**–**	335,0

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Note	2021 Rm	2020 Rm
Cash flows from operating activities			
Operating profit before working capital changes	34	**6 523,7**	8 794,5
Decrease (increase) in working capital	34	**2 910,5**	(542,1)
Cash generated from operations	34	**9 434,2**	8 252,4
Interest income		**105,2**	24,4
Finance costs	28	**(993,5)**	(1 335,4)
Taxation paid	35	**(396,6)**	(1 148,0)
Dividends received	39	**34,8**	–
Dividends paid	36	**–**	(1 839,3)
Net cash inflows from operating activities		**8 184,1**	3 954,1
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(628,7)**	(1 119,4)
Proceeds from sale of property, plant and equipment and intangible assets		**10,8**	18,5
Business combination acquisition, net of cash acquired	38	**(374,1)**	–
Investment in insurance arrangement	39	**(127,0)**	–
Net cash outflows from investing activities		**(1 119,0)**	(1 100,9)
Cash flows from financing activities			
Shares purchased in terms of share incentive schemes		**(337,0)**	(242,9)
Proceeds from sale of shares in terms of share incentive schemes		**2,9**	191,0
(Decrease) increase in interest-bearing debt	37	**(5 076,4)**	1 948,3
Lease liability payments	37	**(3 491,7)**	(2 997,9)
Net proceeds from rights issue	11	**3 808,3**	–
Net cash outflows from financing activities		**(5 093,9)**	(1 101,5)
Net increase in cash and cash equivalents during the year		**1 971,2**	1 751,7
Cash and cash equivalents at the beginning of the year		**2 969,1**	1 111,0
Effect of exchange rate fluctuations on cash held		**(97,1)**	106,4
Cash and cash equivalents at the end of the year	10	**4 843,2**	2 969,1

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
2021					
External revenue	**23 619,0**	**543,9**	**4 178,9**	**5 885,6**	**34 227,4**
External interest income	**105,2**	**1 253,2**	**–**	**–**	**1 358,4**
Total revenue*	**23 724,2**	**1 797,1**	**4 178,9**	**5 885,6**	**35 585,8**
External finance costs	**(380,9)**	**–**	**(58,1)**	**(2,7)**	**(441,7)**
External finance costs on lease liabilities	**(400,9)**	**–**	**(66,3)**	**(84,6)**	**(551,8)**
Depreciation and amortisation	**(596,3)**	**–**	**(141,1)**	**(120,2)**	**(857,6)**
Depreciation on right-of-use assets	**(2 073,7)**	**–**	**(404,6)**	**(940,0)**	**(3 418,3)**
Impairment of property, plant and equipment and intangible assets	**(29,6)**	**–**	**(144,8)**	**(8,9)**	**(183,3)**
Impairment of right-of-use assets	**(31,5)**	**–**	**(154,4)**	**(53,6)**	**(239,5)**
Impairment of trademarks and brands	**–**	**–**	**(1 253,5)**	**–**	**(1 253,5)**
Impairment of goodwill	**–**	**–**	**(1 704,6)**	**–**	**(1 704,6)**
Group loss before tax					**(1 712,7)**
Segmental profit (loss) before tax***	**1 802,0**	**45,6**	**(4 235,1)**	**674,8**	**(1 712,7)**

	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)

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

** *Relates to the TFG Africa – retail and credit segments.*

*** *The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) before tax represents the profit (loss) before tax earned by each segment. This is the measure reported to the chief operating decision-maker (CODM) for the purpose of resource allocation and segment performance.*

The Group has identified that the Chief Executive Officer (CEO) in conjunction with the Operating Board fulfils the role of the 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.

The merchandise category information per segment is presented in the table below:

	TFG Africa retail Rm	TFG London Rm	TFG Australia Rm	Total Rm
2021				
Clothing	**16 431,3**	**4 178,9**	**5 885,0**	**26 495,2**
Homeware	**1 745,6**	**–**	**–**	**1 745,6**
Cosmetics	**887,4**	**–**	**–**	**887,4**
Jewellery	**1 194,7**	**–**	**0,6**	**1 195,3**
Cellphones	**2 626,8**	**–**	**–**	**2 626,8**
Total retail turnover	**22 885,8**	**4 178,9**	**5 885,6**	**32 950,3**

	TFG Africa retail Rm	TFG London Rm	TFG Australia Rm	Total Rm
2020				
Clothing	16 308,6	7 330,9	5 410,3	29 049,8
Homeware	1 638,8	–	–	1 638,8
Cosmetics	1 084,8	–	–	1 084,8
Jewellery	1 532,1	–	50,3	1 582,4
Cellphones	1 967,5	–	–	1 967,5
Total retail turnover	22 531,8	7 330,9	5 460,6	35 323,3

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** comprising of the @home division, the Exact division, The FIX division, the Foschini division, the Jet division, the Jewellery division, the Markham division and the Sport division, retailing clothing, jewellery, cosmetics, cellphones and homeware and furniture.
- **Credit** manages the Group's trade receivables – retail and related functions with regard to the granting of credit.
- **TFG London division** comprising the Phase Eight, Whistles and Hobbs divisions, which operate through retail outlets throughout the United Kingdom and internationally, as well as online.
- **TFG Australia division** comprising the Connor, Johnny Bigg, Rockwear, Tarocash and yd. divisions. 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.

CONSOLIDATED SEGMENTAL ANALYSIS continued

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

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

The geographical information is presented in the table below:

	TFG Africa retail Rm	Credit Rm	TFG London Rm	TFG Australia Rm	Total Rm
2021					
Segment revenue					
South Africa	**21 763,7**	**1 755,6**	**–**	**–**	**23 519,3**
Rest of Africa	**1 162,2**	**41,5**	**–**	**–**	**1 203,7**
United Kingdom and Ireland	**–**	**–**	**1 069,1**	**–**	**1 069,1**
Australia	**–**	**–**	**1,1**	**5 043,3**	**5 044,4**
Rest of the World	**–**	**–**	**498,8**	**310,0**	**808,8**
E-commerce**	**798,3**	**–**	**2 609,9**	**532,3**	**3 940,5**
Total segment revenue*	**23 724,2**	**1 797,1**	**4 178,9**	**5 885,6**	**35 585,8**
Segment non-current assets					
South Africa					**8 102,5**
Rest of Africa					**330,0**
United Kingdom and Ireland					**2 982,4**
Australia					**5 122,4**
Rest of the World					**257,3**
Total segment non-current assets***					**16 794,6**

	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

* *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 2021

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 2021 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 27 July 2021.

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:

Forward-looking information

Forward-looking information used for impairment assessments as required by IAS 36 *Impairment of Assets*, 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 at 31 March 2021. 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. 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 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.

Insurance arrangement

The Hollard business arrangement is a separate contractual arrangement between different business partners and was independently valued as distinct from the Jet business acquisition and concluded to be a separate transaction (note 39).

Jet brand

The relief from royalty method was used to fair value the Jet brand at the date of acquisition. The relief from royalty method estimates the cost of licensing the acquired intangible asset from an independent party using a royalty rate based on an estimation of future revenue. The approach is based on the concept an owner of an intangible asset does not have to rent one and is therefore relieved from paying a royalty.

1. ACCOUNTING POLICIES continued

1.2 SIGNIFICANT JUDGEMENTS AND ESTIMATES continued

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 certain non-profitable stores as it is expected that they are less likely to return to profitability given the impact of COVID-19 on store profitability. The recoverable amount for sites where impairment indicators were identified was determined. These assessments were made on forecasted information and circumstances known at 31 March 2021.

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.

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.

1. ACCOUNTING POLICIES continued

1.3 BASIS OF CONSOLIDATION continued

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.

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.

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.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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. The Group has chosen to classify dividend income and dividends paid as operating activities in the consolidated cash flow.

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

1. ACCOUNTING POLICIES continued

1.7 EMPLOYEE BENEFITS

Short-term employee benefits

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

Post-employment benefits

The Group contributes to a defined benefit plan and several 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, medical and retirement funds are recognised as an employee benefit expense in profit or loss when the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plan

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 the defined benefit plan 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 the defined benefit plan is calculated 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.

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. 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, are recognised immediately in other comprehensive income (OCI). The Group determines the net interest expense on the net defined benefit liability 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, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan is 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 in a separate reserve 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. ACCOUNTING POLICIES continued

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 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.

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.

The Hollard business insurance arrangement in respect of the Jet insurance business is classified as a financial asset and is designated for measurement at the fair value with the movement in fair value being recognised in profit or loss.

1.9 FINANCIAL INSTRUMENTS continued

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.

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.

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. 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 (FVTOCI), 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.

1. ACCOUNTING POLICIES continued

1.9 FINANCIAL INSTRUMENTS continued

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, with changes in the carrying amount of the liability recorded directly in equity in the put option reserve. Changes in the carrying amount of the liability include translation differences arising from translating foreign currency put option liabilities into the presentation currency.

When the put option is exercised, the amount paid by the Group will be recognised as a reduction in the put option liability. If the put option is not exercised, the put option liability is reclassified as a NCI on the date when the option lapses.

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 is 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 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 to hedge its foreign currency risks utilising cash flow hedges. 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. ACCOUNTING POLICIES continued

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 only resumes to being 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.

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, Jet, 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.

Customer lists acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses. Customer lists are amortised over its useful life.

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:

Computer software	8,33% – 20%
Customer lists	33,3%

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) and the weighted average cost method for Jet within TFG Africa and the weighted average 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.

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% – 33,3%
Passenger vehicles	16,67% – 20%
Commercial vehicles	25%
Computer equipment	8,33% – 100%
Office equipment	3,33% – 50%
Furniture and fixtures	3,33% – 50%
Buildings	3,33% – 10%
Leasehold improvements	Shorter of useful life or lease period

Land is not depreciated.

The above depreciation rates are consistent with the comparative period apart from the newly acquired Jet property, plant and equipment.

1. ACCOUNTING POLICIES continued

1.17 PROPERTY, PLANT AND EQUIPMENT continued

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.

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.

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.

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.

1.18 LEASES continued

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 elected to utilise the practical expedient for all rent concessions that meet the criteria. The criteria are as follows:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The practical expedient has been early adopted from 1 April 2020 for rent concessions that satisfy the criteria above.

By applying the practical expedient, the Group is not required to reassess the lease liability and the effect of the change to the lease liability is reflected in profit or loss in the period in which the rent concession occurs and accounted for within the occupancy costs line item under trading expenses.

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 for store sales and the point of delivery for online sales 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.

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.

1. ACCOUNTING POLICIES continued

1.19 REVENUE AND OTHER INCOME continued

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.

1.20 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. Inter-group transactions are eliminated as part of the consolidation process.

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

1. ACCOUNTING POLICIES continued

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 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

	2021			2020		
	Cost/ deemed cost Rm	Accumulated depreciation and impairment Rm	Carrying value at the end of the year Rm	Cost/ deemed cost Rm	Accumulated depreciation and impairment Rm	Carrying value at the end of the year Rm
Land and buildings	**349,3**	**(124,0)**	**225,3**	345,9	(113,6)	232,3
Shopfittings and furniture and fixtures	**7 013,4**	**(5 285,2)**	**1 728,2**	7 027,5	(4 917,3)	2 110,2
Motor vehicles	**95,3**	**(35,7)**	**59,6**	116,9	(37,2)	79,7
Office equipment	**250,9**	**(140,9)**	**110,0**	237,1	(111,2)	125,9
Computer equipment	**1 429,9**	**(1 030,5)**	**399,4**	1 332,4	(946,3)	386,1
Leasehold improvements	**6,5**	**(4,0)**	**2,5**	6,5	(3,3)	3,2
Total	**9 145,3**	**(6 620,3)**	**2 525,0**	9 066,3	(6 128,9)	2 937,4

Reconciliation of property, plant and equipment – 2021 (Rm)

	Opening balance	Additions	Additions through business combi-nations	Disposals	Impair-ment*	Depre-ciation	Foreign exchange move-ments	Total
Land and buildings	**232,3**	**3,4**	**–**	**–**	**–**	**(10,4)**	**–**	**225,3**
Shopfittings and furniture and fixtures	**2 110,2**	**204,4**	**225,7**	**(43,4)**	**(173,3)**	**(574,4)**	**(21,0)**	**1 728,2**
Motor vehicles	**79,7**	**1,8**	**–**	**(11,1)**	**–**	**(10,4)**	**(0,4)**	**59,6**
Office equipment	**125,9**	**12,7**	**1,1**	**–**	**–**	**(29,7)**	**–**	**110,0**
Computer equipment	**386,1**	**167,9**	**2,9**	**(8,9)**	**(6,6)**	**(135,6)**	**(6,4)**	**399,4**
Leasehold improvements	**3,2**	**–**	**–**	**–**	**–**	**(0,7)**	**–**	**2,5**
Total	**2 937,4**	**390,2**	**229,7**	**(63,4)**	**(179,9)**	**(761,2)**	**(27,8)**	**2 525,0**

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

	Opening balance	Additions	Disposals	Impair-ment	Depre-ciation	Foreign exchange move-ments	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

* *Property, plant and equipment are assessed at an individual store level for indicators of impairment. Stores with indicators of impairment are often marginally profitable and loss-making stores that we potentially seek to close by no later than the next lease renewal date. These stores usually are loss making and contribute negatively to the future projected cash flows or are not aligned with our expansion strategy. We continually assess the current store base and do not anticipate that these stores will return to profitability in the future until their respective closures. Refer to segmental reporting for the allocation of impairment per segment.*

None of the Group's assets are in any way encumbered. Registers of the land and buildings are available for inspection at the registered office of the company at Parow East.

3. GOODWILL AND INTANGIBLE ASSETS

	2021			2020		
	Cost Rm	**Accumulated amortisation and impairment Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation Rm	Carrying value Rm
Trademarks and brands	**4 791,9**	**(1 213,3)**	**3 578,6**	4 183,6	(10,0)	4 173,6
Customer lists	**10,4**	**(0,7)**	**9,7**	–	–	–
Goodwill	**4 523,7**	**(1 630,3)**	**2 893,4**	4 756,3	–	4 756,3
Computer software	**1 429,1**	**(609,0)**	**820,1**	1 346,2	(537,6)	808,6
Total	**10 755,1**	**(3 453,3)**	**7 301,8**	10 286,1	(547,6)	9 738,5

Reconciliation of goodwill and intangible assets – 2021 (Rm)

	Opening balance	**Additions**	**Additions through business combinations**	**Disposals**	**Impairment**	**Amortisation**	**Foreign exchange movements**	**Total**
Trademarks and brands	**4 173,6**	**–**	**743,5**	**–**	**(1 253,5)**	**(2,1)**	**(82,9)**	**3 578,6**
Customer lists	**–**	**–**	**10,6**	**–**	**–**	**(0,8)**	**(0,1)**	**9,7**
Goodwill	**4 756,3**	**–**	**–**	**–**	**(1 704,6)**	**–**	**(158,3)**	**2 893,4**
Computer software	**808,6**	**238,5**	**–**	**(112,6)**	**(3,4)**	**(110,6)**	**(0,4)**	**820,1**
Total	**9 738,5**	**238,5**	**754,1**	**(112,6)**	**(2 961,5)**	**(113,5)**	**(241,7)**	**7 301,8**

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

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.

3. GOODWILL AND INTANGIBLE ASSETS continued

BRANDS WITH AN INDEFINITE USEFUL LIFE

	2021 Rm	2020 Rm
Instinct*	**1,5**	1,5
Fabiani*	**49,3**	49,3
G-Star RAW*	**10,7**	10,7
Jet*	**743,6**	–
Phase Eight**	**602,7**	1 948,2
Whistles**	**33,5**	36,5
Hobbs**	**195,7**	213,1
RAG***	**1 941,6**	1 899,0
	3 578,6	4 158,3

* *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 Jet brand intangible asset represents registered rights to the exclusive use of the Jet brand name. The useful life of the Jet 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 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 carrying value of nil at year-end (2020: R15,3 million) and has been impaired in the current year.

CUSTOMER LISTS WITH A DEFINITE USEFUL LIFE

The customer lists intangible asset represents TFG's fair value of the customer lists obtained in the business combination of Jet. The useful life of the customer lists is considered to have a 3 year useful life. The intangible asset will be amortised over its useful life. This useful life is assessed annually or whenever there is an indication of impairment.

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:

	2021 Rm	2020 Rm
TFG Africa	**805,1**	61,5
TFG London	**831,9**	2 197,8
TFG Australia	**1 941,6**	1 899,0
	3 578,6	4 158,3

All brands were tested for impairment to ensure the recoverable amount exceeded the carrying value.

Impairments were recognised for the Phase Eight and Damsel in a Dress brands. Refer to the key assumptions used below.

All other brands recoverable amounts exceeded the carrying value.

IMPAIRMENT TESTING OF GOODWILL

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

	2021 Rm	2020 Rm
TFG Africa	**30,3**	30,3
TFG London	**1 463,9**	3 357,5
TFG Australia	**1 399,2**	1 368,5
	2 893,4	4 756,3

Indefinite life intangible assets are tested annually for impairment or whenever there is an indication of impairment separately from goodwill.

Key assumptions used in the impairment assessments of indefinite life intangible assets and goodwill are disclosed below.

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATION

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

TFG Africa

Key assumptions used in the royalty relief method for the Jet indefinite life intangible asset

The remaining value of goodwill and indefinite life intangible assets allocated to the TFG Africa CGU is immaterial.

The key assumptions used by management in setting the financial budgets for the initial five-year period include forecasted sales growth rates. Forecast sales growth rates are based on past experience from each revenue channel and adjusted for the impact of planned store openings and closures, changes in contribution between store vs e-commerce and new strategic initiatives undertaken by TFG Africa.

Retail turnover growth rates: Retail turnover growth rates are based on the approved forecast sales forecast period of five years. The retail turnover growth rate for the Jet division for period 1 is 180% (non-comparable growth as prior year only included a six-month period of retail turnover), period 2 is 7%, period 3 is 7%, period 4 is 6% and period 5 is 6%.

3. GOODWILL AND INTANGIBLE ASSETS continued

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATION continued

TFG Africa continued

Key assumptions used in the royalty relief method for the Jet indefinite life intangible asset continued

Pre-tax discount rate: Pre-tax discount rate of 21,5% 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 pre-tax 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 4,3%.

Royalty rate: A royalty rate of 2% was used in calculating the recoverable amount of the Jet brand using the royalty relief method

The calculated headroom between the value-in-use and the carrying amount for the Jet brand amounts to R102 million.

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

Based on the sensitivity of the pre-tax discount rate, a 1% or 2% increase in this rate would not result in an impairment.

TFG London

Key assumptions used in the value-in-use model

The key assumptions used by management in setting the financial budgets for the initial five-year period include forecasted sales growth rates and expected changes to gross margin. Forecast sales growth rates are based on past experience from each revenue channel and adjusted for the impact of planned store openings and closures, changes in contribution between store vs e-commerce and new strategic initiatives undertaken by TFG London. The impacts of COVID-19 have also been taken into account, resulting in a significant decrease in turnover in the March 2021 financial year, with the recovery still lower than normal levels after 5 year period. Detailed forecasts with various scenarios were prepared and stress tested throughout the year. Four separate scenario models were prepared and weighted accordingly to calculate a weighted probability model which was used for the value-in-use model. Operating profits are forecasted based on historical experience of operating margins where possible, adjusted for the impact of changes to product costs, changes in UK market and concession partners and cost saving initiatives as well as the incorporation of the new Marks and Spencers concessions agreement and possible continuing outbreaks of COVID-19.

Retail turnover growth rates: Retail turnover growth rates are based on the approved forecast sales forecast period of five years. The retail turnover growth rate on a total TFG London CGU for period 1 is 38% (significant increase due to the 2021 financial year that was significantly impacted by COVID-19), period 2 is 5%, period 3 is 5%, period 4 is 4% and period 5 is 1% due to the expectation that TFG London will not be as impacted by COVID-19 from the 2022 financial year onwards (2020: period 1 is -34%, period 2 is 32%, period 3 is 25%, period 4 is 2% and period 5 is 1%).

Gross margins: Gross margins are based on the approved forecast gross margin for the forecast period. The gross margin for the total TFG London CGU is between 64% – 65% (2020: 62% – 67%).

Pre-tax discount rate: Pre-tax discount rate of 11,5% (2020: 7,5%) 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 pre-tax 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). The significant deterioration in discount rate used is largely due to an increase in the business risk rates applied and confirmation of the closure of a number of department store concessions through which we had previously traded and impacted the occasional and workwear segments. There is also significant uncertainty of the possible future impacts on continuing outbreaks of COVID-19. A pre-tax discount rate of 13,1% was used to calculate the royalty relief on brand valuation.

Long-term growth rate: The rate is based on the longer-term inflation expectations across the current operating retail industry being 1,5% (2020: 2,0%).

Royalty rate: A royalty rate of 3% was used in calculating the recoverable amount of the TFG London (Phase Eight, Whistles and Hobbs) brands using the royalty relief method.

The pandemic has not only directly impacted trading over the current financial year, but it has also had significant long-term ramifications on TFG London's department store partners, reducing TFG London's projected future cash flows. The increase in the level of uncertainties in the trading environment and the impact on future projected cash flows has negatively impacted the discount rates applied in assessing the carrying values. Following the review of the carrying value of the goodwill and brands, the Group has recognised in the current year an impairment charge for both goodwill and brands amounting to GBP80,0 million (R1 704,6 million) and GBP58,9 million (R1 253,5 million) respectively. The impairment expense is recorded within trading expenses in the consolidated income statement. A deferred tax reversal relating to the impairment of the brands of GBP11,2 million (R238,2 million) was recognised in the current year.

3. GOODWILL AND INTANGIBLE ASSETS continued

KEY ASSUMPTIONS USED IN RECOVERABLE VALUE CALCULATION continued

Key assumptions used in the value-in-use model continued

Following the impairment loss recognised, the recoverable amount of the CGU was equal to the carrying amount. Therefore any adverse movement in a key assumption would lead to further impairment.

The following changes in sensitive assumptions would have resulted in further increase in the impairment loss as follows:

	2021 £m
An increase in the pre-tax discount rate from 11,5% to 12,8%	**17**
A decrease in the terminal growth rate from 1,5% to 1,0%	**7**

TFG Australia

Key assumptions used in the value-in-use model

The key assumptions used by management in setting the financial budgets for the initial five-year period include forecasted sales growth rates and expected changes to gross margin. Forecast sales growth rates are based on past experience from each revenue channel and adjusted for the impact of planned store openings and closures, changes in contribution between store vs e-commerce and new strategic initiatives undertaken by TFG Australia. TFG Australia performed well despite the impact of COVID-19. Detailed forecasts with various scenarios were prepared and stress tested throughout the year. Operating profits are forecasted based on historical experience of operating margins where possible, adjusted for the impact of changes to product costs, changes in Australia market and cost saving initiatives.

Retail turnover growth rates: Retail turnover growth rates are based on the approved forecast sales forecast period of five years. The retail turnover growth rate for TFG Australia CGU for period 1 is 26% (significant increase due to the 2021 financial year that was significantly impacted by COVID-19), period 2 is 6%, period 3 is 5%, period 4 is 5% and period 5 is 5% (2020: period 1 is -64%, period 2 is 137%, period 3 is 17%, period 4 is 14% and for period 5 is 11%).

Gross margins: Gross margins are based on the approved forecast gross margin for the forecast period of 70% (2020: 70%).

Pre-tax discount rate: Pre-tax discount rate of 18,0% (2020: 11,2%) 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 pre-tax 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 2,1% (2020: 2,1%).

The calculated headroom between the value-in-use and the carrying amount for the TFG Australia cash-generating unit amounts to AUD91 million (2020: AUD302 million).

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

Based on the sensitivity of the pre-tax discount rate, a 1% or 2% increase in this rate would not result in an impairment of goodwill and indefinite life intangible assets.

4. RIGHT-OF-USE ASSETS

The Group leases land and buildings for its office space, distribution centres, factories and retail stores. The leases of office space and retail stores typically run for a period of 2 to 5 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

	2021			2020		
	Cost/ deemed cost Rm	Accumulated depreciation and impairment Rm	Carrying value at the end of the year Rm	Cost/ deemed cost Rm	Accumulated depreciation and impairment Rm	Carrying value at the end of the year Rm
Property leases	**20 523,2**	**(13 555,4)**	**6 967,8**	19 448,3	(11 949,0)	7 499,3
Total	**20 523,2**	**(13 555,4)**	**6 967,8**	19 448,3	(11 949,0)	7 499,3

4. RIGHT-OF-USE ASSETS continued

Reconciliation of right-of-use assets – 2021 (Rm)

	Opening balance	Additions	Additions through business combi-nations	Disposals	Impairment*	Depre-ciation	Foreign exchange move-ments	Total
Property leases	**7 499,3**	**1 872,1**	**1 439,0**	**(151,2)**	**(239,5)**	**(3 418,3)**	**(33,6)**	**6 967,8**
Total	**7 499,3**	**1 872,1**	**1 439,0**	**(151,2)**	**(239,5)**	**(3 418,3)**	**(33,6)**	**6 967,8**

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

	Opening balance	Additions	Disposals	Impairment	Depre-ciation	Foreign exchange move-ments	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

* *Right-of-use assets are assessed at an individual store level for indicators of impairment. Stores with indicators of impairment are often marginally profitable and loss-making stores that we potentially seek to close by no later than the next lease renewal date. These stores usually are loss making and contribute negatively to the future projected cash flows or are not aligned with our expansion strategy. We continually assess the current store base and do not anticipate that these stores will return to profitability in the future until their respective closures. Refer to segmental reporting for the allocation of impairment per segment.*

Amounts recognised in profit and loss

	2021 Rm	2020 Rm
Depreciation on right-of-use assets	**3 418,3**	3 000,1
Impairment of right-of-use assets	**239,5**	189,3
Finance costs on lease liabilities	**551,8**	586,3
COVID-19 rent concessions (note 40)	**(469,3)**	–
Expense relating to short-term leases	**–**	0,8
Expense relating to leases of low-value assets	**23,0**	17,3
Expense relating to variable payments not included in the measurement of the lease liability	**596,7**	685,6

Some of the property leases in which the Group is the lessee contain 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:

	2021 Rm	2020 Rm
Fixed payments	**4 043,5**	3 584,2
Variable payments	**596,7**	685,6
Total payments excluding COVID-19 rent concessions	**4 640,2**	4 269,8
COVID-19 rent concessions	**(469,3)**	–
Total payments	**4 170,9**	4 269,8

Overall the variable payments constitute up to 12,9% (March 2020: 16,1%) of the Group's entire lease payments (excluding COVID-19 rent concessions) for property leases.

The total cash outflow for leases amounted to R4 193,9 million (2020: R4 287,9 million).

5. DEFERRED TAXATION

	2021 Rm	2020 Rm
Balance at 1 April	**141,0**	244,2
Additions through business combinations	**(278,8)**	–
Amounts recognised directly in other comprehensive (loss) income		
Foreign currency movements	**(9,2)**	(59,9)
Financial instrument reserves	**119,0**	(62,4)
Post-retirement defined benefit plan reserve	**–**	(4,1)
Current year movement in temporary differences recognised in profit or loss		
Prior year over provision	**(207,1)**	(25,4)
Leases	**(36,0)**	24,7
Working capital allowances	**438,0**	(11,4)
Capital allowances	**(218,8)**	78,2
Restraint of trade	**(1,6)**	(4,4)
Assessed loss	**168,3**	(2,4)
Rate change	**–**	(36,1)
Brand impairment	**238,2**	–
At 31 March	**353,0**	141,0
Arising as a result of:		
Deferred taxation assets		
Financial instrument reserves	**42,1**	–
Leases	**138,3**	174,3
Working capital allowances	**877,7**	575,2
Capital allowances	**170,5**	496,3
Restraint of trade	**(29,2)**	(27,6)
Assessed loss	**169,2**	0,9
Post-retirement defined benefit plan reserve	**9,1**	9,1
Intangible assets	**(208,2)**	–
Deferred taxation assets^	**1 169,5**	1 228,2
Arising as a result of:		
Deferred taxation liabilities		
Financial instrument reserves	**–**	(76,9)
Working capital allowances	**(69,8)**	(15,1)
Capital allowances	**(6,0)**	(8,1)
Intangible assets	**(740,7)**	(987,1)
Deferred taxation liabilities	**(816,5)**	(1 087,2)
Net deferred taxation	**353,0**	141,0

^ Sufficient future taxable income is anticipated to utilise the deferred taxation assets.

6. INVENTORY

	2021 Rm	2020 Rm
Merchandise	**8 073,0**	8 168,2
Raw materials	**252,1**	255,0
Shopfitting stock	**4,3**	4,9
Consumables	**2,1**	3,0
Inventory at year-end	**8 331,5**	8 431,1

Inventory losses in the current year amounted to R291,4 million (2020: R304,6 million).

7. TRADE RECEIVABLES – RETAIL

	2021 Rm	2020 Rm
6-month credit plan	**757,4**	901,8
12-month credit plans	**5 879,5**	6 860,6
	6 636,9	7 762,4

The effective rate of interest earned on the above receivables during the year under review is 16,2% (2020: 20,0%). The Group's management of and exposure to credit and market risk is disclosed in note 21.

8. OTHER RECEIVABLES AND PREPAYMENTS

	2021 Rm	2020 Rm
Miscellaneous debtors^	**767,7**	700,5
Financial instrument asset	**–**	320,1
Prepaid expenses	**271,1**	208,9
Insurance cell captive receivables	**292,5**	260,9
	1 331,3	1 490,4

^ Miscellaneous debtors consist of sundry debtors (which includes certain rebates and recoveries) 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

	2021 Rm	2020 Rm
Concession receivables	**39,3**	62,7

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

10. CASH AND CASH EQUIVALENTS

	2021 Rm	2020 Rm
Cash and cash equivalents	**4 843,2**	2 969,1

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

	2021 Rm	2020 Rm
Authorised		
200 000 (2020: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
600 000 000 (2020: 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	**4,1**	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	**4,1**	3,0
Total in issue at the end of the year – Group	**4,0**	2,9
Preference share capital		
200 000 (2020: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
Total in issue at the end of the year – company	**4,5**	3,4
Total net issued share capital – Group	**4,4**	3,3

* *Zero as a result of rounding.*

	Number of shares 2021	2020
Reconciliation of number of shares issued:		
Opening balance	**236 756 814**	236 756 814
Rights issue^	**94 270 486**	–
Total in issue	**331 027 300**	236 756 814
Shares held by subsidiary	**(1 080 599)**	(1 080 599)
Shares held in terms of share incentive schemes	**(6 522 980)**	(4 014 269)
Total in issue at the end of the year – company	**331 027 300**	236 756 814
Total in issue at the end of the year – Group	**323 423 721**	231 661 946

^ *TFG implemented a fully underwritten, renounceable rights issue that raised gross proceeds of R3,95 billion. All necessary resolutions to effect the rights offer were passed by the requisite majority of shareholders at the Group's extraordinary general meeting held on Thursday, 16 July 2020. The rights issue consisted of an offer of 94 270 486 new TFG ordinary shares at a subscription price of R41,90 per rights issue share. The rights issue shares constitute 28,5% of TFG's post-rights issue ordinary share capital. The net proceeds raised amounted to R3,8 billion. The transaction costs relating to the rights issue amounted to R141,7 million and were accounted for as a deduction from equity.*

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.

Interim: No interim dividend was declared or paid.

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 AGM.

DIRECTORS' INTEREST

At 31 March 2021, 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	2021 Total '000	2020 Total '000
Non-executive						
M Lewis (indirect non-beneficial)	1 818,8	–	–		**1 818,8**	1 591,7
Prof. F Abrahams	–	–	–		**–**	–
C Coleman	–	–	–		**–**	–
S E Abrahams	–	–	–		**–**	–
G H Davin	–	–	–		**–**	–
D Friedland (indirect beneficial)	28,6	–	–		**28,6**	20,4
B L M Makgabo-Fiskerstrand	–	–	–		**–**	–
A D Murray (direct beneficial)	647,0	–	–		**647,0**	568,2
A D Murray (indirect beneficial)	822,5	–	–		**822,5**	722,5
E Oblowitz (direct beneficial)	3,0	–	–		**3,0**	2,2
N V Simamane (direct beneficial)	2,3	–	–		**2,3**	1,6
R Stein (direct beneficial)	184,2	–	–		**184,2**	161,6
R Stein (indirect beneficial)	80,0	–	–		**80,0**	70,1
Total non-executive	3 586,4				**3 586,4**	3 138,3

11. SHARE CAPITAL continued

DIRECTORS' INTEREST continued

	Shares '000	Share appreciation rights accepted '000	Price per share* R	Year of delivery	**2021 Total '000**	2020 Total '000
Executive						
B Ntuli (performance-based restricted forfeitable shares)	132,3	–	–	–	**132,3**	25,1
B Ntuli (restricted forfeitable shares)	18,9	–	–	–	**18,9**	13,5
	151,2	–	–	–	**151,2**	38,6
B Ntuli	–	43,9	174,3	2023	**43,9**	43,9
	–	43,9			**43,9**	43,9
A E Thunström (direct beneficial)	52,0	–	–		**52,0**	3,1
A E Thunström (performance-based restricted forfeitable shares)	307,6	–	–		**307,6**	106,3
A E Thunström (restricted forfeitable shares)	350,0	–	–		**350,0**	–
	709,6	–	–		**709,6**	109,4
A E Thunström	–	31,2	R148,2	2022	**31,2**	31,2
A E Thunström	–	37,8	R142,7	2022	**37,8**	37,8
A E Thunström	–	47,0	R138,3	2022	**47,0**	47,0
A E Thunström	–	77,0	R183,9	2022^	**77,0**	77,0
A E Thunström	–	85,6	R174,3	2023	**85,6**	85,6
	–	278,6			**278,6**	278,6
Executive						
Total executive excluding share appreciation rights	860,8				**860,8**	148,0
Total executive share appreciation rights		322,5			**322,5**	322,5
Non-executive and executive						
Total excluding share appreciation rights	4 447,2				**4 447,2**	3 286,3
Total share appreciation rights		322,5			**322,5**	322,5

* *Price per share equates to the strike price.*

^ *The TFG Remuneration Committee (Remco) decided post-year-end to forfeit the 2018 SARs due to performance conditions not being met for vesting.*

CHANGES TO DIRECTORS' INTERESTS AFTER YEAR-END

	FSRs accepted*	**Indicative value#**
Acceptance of FSRs in June 2021:		
A E Thunström	**33 180**	**R4 075 168**

* *These restricted forfeitable shares (FSRs) accepted is a result of the Remco decision to award two thirds of the 2018 performance shares in new retention shares to vest in June 2024.*

Indicative value based on the Volume Weighted Average Price (VWAP) of R122,82 on 31 March 2021.

12. TREASURY SHARES

	Number of shares 2021	2020
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 beginning of the year	**5 094 868**	5 492 754
The Foschini Share Incentive Trust	**–**	308 893
Employees of TFG in terms of share incentive schemes	**3 509 900**	1 080 210
Shares purchased during the year in terms of share incentive schemes	**3 509 900**	1 389 103
The Foschini Share Incentive Trust	**–**	(29 800)
Employees of TFG in terms of share incentive schemes	**(39 301)**	(664 378)
Shares sold during the year	**(39 301)**	(694 178)
The Foschini Share Incentive Trust	**–**	(556 500)
Employees of TFG in terms of share incentive schemes	**(961 888)**	(536 311)
Shares delivered during the year	**(961 888)**	(1 092 811)
Foschini Stores Proprietary Limited	**1 080 599**	1 080 599
The Foschini Share Incentive Trust	**1 180 343**	1 180 343
Employees of TFG in terms of share incentive schemes	**5 342 637**	2 833 926
Balance at the end of the year	**7 603 579**	5 094 868

As at 31 March 2021, a subsidiary, Foschini Stores Proprietary Limited, held 1 080 599 (2020: 1 080 599) shares, representing 0,3% (2020: 0,5%) of the company's share capital. The Foschini Share Incentive Trust held 1 180 343 (2020: 1 180 343) shares, representing 0,4% (2020: 0,5%) of the company's share capital, and employees of TFG held 5 342 637 (2020: 2 833 926) shares representing 1,6% (2020: 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 R96,0 (2020: R174,9).

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.

The Supervisory Board has decided that it would be prudent not to declare a final dividend at this year-end, but plans to resume dividends in the 2022 financial year (March 2020: No final dividend was declared).

	2021 Rm	2020 Rm
Balance at 1 April	**–**	1 065,4
Transfer from dividend reserve to distributable earnings	**–**	(1 065,4)
Balance at 31 March	**–**	–

14. HEDGING (DEFICIT) SURPLUS

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

	2021 Rm	2020 Rm
Balance at 1 April	**184,2**	33,8
Effective portion of changes in fair value of cash flow hedges	**(402,1)**	212,8
Deferred tax on movement in effective portion of cash flow hedges	**119,0**	(62,4)
Balance at 31 March	**(98,9)**	184,2
Comprised as follows:		
Forward exchange contracts – fair value	**(140,9)**	261,2
Total fair value of cash flow hedges	**(140,9)**	261,2
Deferred tax on forward exchange contracts	**42,0**	(77,0)
Total deferred tax on cash flow hedges	**42,0**	(77,0)
Balance at 31 March	**(98,9)**	184,2

The opening balance of R184,2 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.

	2021 Rm	2020 Rm
Balance at 1 April	**1 194,0**	90,2
Foreign currency translation differences	**(281,3)**	1 103,8
Balance at 31 March	**912,7**	1 194,0

16. 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^.

	2021 Rm	2020 Rm
Put option liability movement		
Balance at 1 April	**54,2**	81,0
Decrease in the fair value of the put option liability^^	**(4,5)**	(34,8)
Foreign exchange movements	**(4,2)**	8,0
Balance at 31 March	**45,5**	54,2

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

^ *Pre-IFRS 16.*

^^ *The fair value movement is recognised in trading expenses in the income statement.*

17. POST-RETIREMENT DEFINED BENEFIT PLAN

DEFINED BENEFIT PLAN

At March 2021, the Group had an obligation to provide post-retirement health care to 688 (2020: 716) 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.

	2021 Rm	2020 Rm
Movements for the year		
Balance at 1 April	**228,6**	233,8
Settlements	**(13,2)**	(8,3)
Service cost	**2,5**	2,1
Interest cost	**28,8**	15,7
Actuarial gain	**–**	(14,7)
Balance at 31 March	**246,7**	228,6
Net expense recognised in profit or loss		
Settlements	**(13,2)**	(8,3)
Service cost	**2,5**	2,1
Interest cost	**28,8**	15,7
	18,1	9,5
Post-retirement defined benefit plan reserve		
Balance at 1 April	**23,6**	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	23,6
Key assumptions used		
Gross discount rates used	**13,0%**	13,0%
Implied allowances for medical scheme contribution inflation	**10,1%**	10,1%

17. POST-RETIREMENT DEFINED BENEFIT PLAN continued

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 (2020: 60), dependent on the employee.
- Withdrawal assumptions: 0% – 15,0% depending on age of employee.

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.

The duration of the post-retirement liability is expected to be 12 years (2020: 13 years).

Expected contributions for 2022 are R14,6 (2021: R13,2) million.

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 2021:

	Defined benefit obligation	
	Increase Rm	**Decrease Rm**
Health cost inflation (1% movement)	**275,5**	222,7
Expected retirement age (1 year movement)	**251,3**	242,6
Discount rate (1% movement)	**223,1**	275,4

18. INTEREST-BEARING DEBT

	2021 Rm	2020 Rm
Non-current liabilities	**3 894,6**	5 480,3
Unsecured fluctuating loans in terms of long-term bank facilities	**3 894,6**	5 480,3
Current liabilities		
At amortised cost	**2 263,1**	5 849,2
Balance at 31 March	**6 157,7**	11 329,5

Interest-bearing debt includes banking facilities amounting to R2 263,1 (2020: R5 849,2) million, which bears variable interest at a margin of 0,90% – 1,85% (2020: 0,58% – 2,64%) above three-month Johannesburg Interbank Average Rate (JIBAR) payable within one year, R1 000,0 (2020: R1 950,0) million, which bears variable interest at a margin of 1,14% – 1,75% (2020: 1,14% – 2,09%) above three-month JIBAR payable between one and two years, and R1 700,0 (2020: R2 350,0) million, which bears variable interest at a margin of 1,46% – 1,78% (2020: 1,23% – 1,78%) above three-month JIBAR payable after two years. The effective rate (excluding TFG International) for 2021 was 5,02% Nominal Annual Compounded Monthly (NACM) (2020: 7,06% NACM). In addition to the above, a GBP58,7 (2020: GBP50,8) million loan, which bears variable interest at a margin of three-month London Interbank Offered Rate (LIBOR) plus margin: 2,50% (2020: 2,50%). There is no AUD loan for the current year (2020: AUD5,0 million) which bore an interest rate of 2,16% 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

	2021 Rm	2020 Rm
Trade payables	**3 731,3**	2 694,9
Other payables^	**1 849,6**	1 582,4
Employee-related accruals	**316,8**	232,0
Gift card liability	**196,4**	114,5
Financial instrument liability	**106,2**	–
Lay-by liability^^	**182,0**	162,6
	6 382,3	4 786,4

^ Other payables consist primarily of accruals raised in the normal course of business.
^^ Revenue recognised in the current year that was included in the lay-by liability balance in the prior year amounted to R60,4 million.

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

20. LEASE LIABILITIES

	2021 Rm	2020 Rm
Amounts due for settlement within 12 months	**3 122,3**	3 001,0
Amounts due for settlement after 12 months	**5 064,6**	5 596,8
	8 186,9	8 597,8
Maturity analysis		
Up to 1 year	**3 505,7**	3 486,9
2 – 5 years	**5 331,9**	6 004,9
More than 5 years	**130,9**	293,7
	8 968,5	9 785,5
Less: unearned interest	**(781,6)**	(1 187,7)
	8 186,9	8 597,8

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.

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 regularly reviews the Enterprise Risk Management framework and the related policies and processes.

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.

21. RISK MANAGEMENT continued

TRADE RECEIVABLES – RETAIL continued

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 77%, 8% and 15% were assigned to the "base case", "upside" and "downside" scenarios respectively (2020: weightings of 59%, 7% and 34% assigned to the "base case", "upside" and "downside" scenarios respectively).

The principal macroeconomic indicators considered as at 31 March 2021 and 2020 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.

21. RISK MANAGEMENT continued

TRADE RECEIVABLES – RETAIL continued

Incorporation of forward-looking information continued

Management have included an impairment overlay for the potential effects of the COVID-19 pandemic on credit losses, in their trade receivables – retail impairment provision. The impairment overlay amounted to R101,4 million (2020: R189,1 million). In calculating the credit impairment overlay, specifically as it relates to COVID-19, the potential impact of the pandemic itself, the various levels of lockdown and other interventions announced by governments in the relevant jurisdictions where credit is offered, were assessed. An assessment was performed to calculate the impact on credit losses as a result of the COVID-19 pandemic in the current financial year. This assessment was used as a basis to estimate the overlay requirement at reporting date. The following approach was adopted in the current financial year:

- As significant uncertainty is present at reporting date with regards to the spread of the disease and future government interventions, management used 3 scenarios to estimate the possible further impacts of the pandemic:
  - "Limited restrictions" – under this scenario the anticipated third wave, following the 2021 Easter holiday, does not result in any additional government intervention or a significant increase in infections. No further hard lockdown measures are implemented. This scenario therefore assumes that the worst impact of the pandemic has already been experienced.
  - "Selective restrictions" – under this scenario the impact of the third wave is not as significant, but government restrictions do remain in place for a significant time. The government programme to vaccinate the population is however eventually successful in curbing the spread of the disease. The length of the third wave is also not as prolonged as originally anticipated.
  - "Severe restrictions" – this assumes a severe third wave with a significant increase in infections and therefore more pronounced government intervention, which for example, results in the closure of stores and ability for customers to pay their accounts. The period of the lockdown can also be more prolonged than that which has been experienced in the current financial year.
- Probabilities were assigned to each scenario representing the likelihood of each scenario occurring. The probability weighting assigned to each scenario was as follows:
  - "Limited restrictions" – a weighting of 40%
  - "Selective restrictions" – a weighting of 50%
  - "Severe restrictions" – a weighting of 10%
- The impact on the provision requirement at reporting date, under each scenario, was as follows:
  - "Limited restrictions" – no increase in the provision requirement
  - "Selective restrictions" – a 17% increase in provision requirement
  - "Severe restrictions" – a 37% increase in provision requirement

The approach followed in the 2020 financial year was as follows:

- 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. A probability weighting of 33% was applied to each scenario due to uncertainty present at reporting date; 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 still 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 and to date, 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. The measures are anticipated to be implemented not earlier than January 2022.

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 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

21. RISK MANAGEMENT continued

TRADE RECEIVABLES – RETAIL continued

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 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross trade receivables – retail	**4 161,3**	**2 316,4**	**1 890,4**	**8 368,1**
Allowance for expected credit loss	**(375,5)**	**(498,0)**	**(857,7)**	**(1 731,2)**
Net trade receivables – retail	**3 785,8**	**1 818,4**	**1 032,7**	**6 636,9**
Allowance for expected credit loss as a percentage of gross trade receivables – retail	**9,0%**	**21,5%**	**45,4%**	**20,7%**

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%

Trade receivables – retail partially written-off during the year included in gross trade receivables – retail amounted to R406,9 million (2020: R472,2 million) and is classified as Stage 3.

21. RISK MANAGEMENT continued

CONCESSION RECEIVABLES

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

	2021 Rm	2020 Rm
Concentration by region		
United Kingdom	**34,4**	39,9
Australia	**–**	12,1
International	**4,9**	10,7
Total	**39,3**	62,7

Reconciliation of net concession receivables:

	2021 Rm	2020 Rm
Gross concession receivables	**186,8**	226,6
Allowance for expected credit loss	**(147,5)**	(163,9)
Net concession receivables	**39,3**	62,7

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

	2021 Rm	2020 Rm
Opening balance at 1 April	**(163,9)**	(140,9)
Utilisation of provision	**17,7**	3,0
Increase in provision	**(14,5)**	(1,6)
Effect of exchange rate fluctuations	**13,2**	(24,4)
Balance at 31 March	**(147,5)**	(163,9)

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.

21. RISK MANAGEMENT continued

EXPOSURE

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

In determining the recoverability of trade receivables – 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:

	2021 Rm	2020 Rm
Trade receivables – retail	**6 636,9**	7 762,4
Other receivables	**869,5**	1 231,5
Concession receivables	**39,3**	62,7
Cash and cash equivalents	**4 843,2**	2 969,1
	12 388,9	12 025,7

Reconciliation of net trade receivables – retail:

	2021 Rm	2020 Rm
Gross trade receivables – retail	**8 368,1**	9 748,4
Allowance for expected credit loss	**(1 731,2)**	(1 986,0)
Net trade receivables – retail	**6 636,9**	7 762,4
Movement in the trade receivables – retail allowance for impairment were as follows:		
Opening balance at 1 April	**(1 986,0)**	(1 851,6)
Movement in allowance for impairment	**254,8**	(134,4)
Balance at 31 March	**(1 731,2)**	(1 986,0)

Reconciliation of allowance for impairment:

31 March 2021	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 April	**445,8**	**641,0**	**899,2**	**1 986,0**
Credit advanced, net of payments received	**59,3**	**49,6**	**78,8**	**187,7**
Accounts written-off	**–**	**(11,2)**	**(1 558,5)**	**(1 569,7)**
Change in credit risk parameters	**(129,6)**	**(181,4)**	**1 438,2**	**1 127,2**
ECL allowance as at 31 March	**375,5**	**498,0**	**857,7**	**1 731,2**

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

Active customers that have made a qualifying payment within the last 30 days make up 76,6% of the trade receivables – retail book (2020: 76,9%).

Trade receivables – retail with a contractual amount of R1 545,6 million (2020: R1 323,1 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.

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 2021					
Non-derivative financial liabilities					
Interest-bearing debt	**6 157,7**	**6 625,4**	**2 448,0**	**2 264,0**	**1 913,4**
Trade and other payables^	**5 959,3**	**5 762,9**	**5 762,9**	**–**	**–**
Derivative financial liabilities					
Put option liability	**45,5**	**45,5**	**–**	**–**	**45,5**
Forward exchange contracts used for hedging	**106,2**	**2 709,2**	**2 709,2**	**–**	**–**
	12 268,7	**15 143,0**	**10 920,1**	**2 264,0**	**1 958,9**

	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

^ *Cash flow figures for trade and other payables removes the liquidity risk impact of non-financial liabilities.*

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 2021					
Forward exchange contracts					
Liability	**(106,2)**	**(2 709,2)**	**(2 709,2)**	**–**	**–**
	(106,2)	**(2 709,2)**	**(2 709,2)**	**–**	**–**

	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)	–	–

21. RISK MANAGEMENT continued

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's 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 (EUR) 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 2021				
Forward exchange contracts CNY/ZAR	**427,4**	**(18,3)**	**2,36**	**Trade and other payables**
Forward exchange contracts EUR/ZAR	**2,7**	**(0,1)**	**18,02**	**Trade and other payables**
Forward exchange contracts USD/AUD	**1 560,0**	**(64,9)**	**0,73**	**Trade and other payables**
Forward exchange contracts USD/ZAR	**719,1**	**(22,9)**	**15,49**	**Trade and other payables**

	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

Reconciliation of cash flow hedge reserve:

	Gross Rm	Deferred tax Rm	Net Rm
31 March 2021			
Balance at 1 April	**261,2**	**(77,0)**	**184,2**
Transferred into reserve	**347,0**	**(97,2)**	**249,8**
Utilised	**(791,2)**	**228,0**	**(563,2)**
Hedge ineffectiveness on cash flow hedges^	**42,1**	**(11,8)**	**30,3**
Balance at 31 March	**(140,9)**	**42,0**	**(98,9)**

	Gross Rm	Deferred tax Rm	Net Rm
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 prior year due to the impact that COVID-19 had on foreign exchange contracts. In the current year, the reversal was accounted for in profit or loss.*

21. RISK MANAGEMENT continued

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 2021*		
CNY	**181 243**	**427 367**
EUR	**149**	**2 684**
USD	**148 352**	**2 279 111**
		2 709 162

	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

* *FEC contracts at 31 March.*

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2021	2020	**2021**	2020
AUD	**11,70**	10,08	**11,22**	10,98
BWP	**1,43**	1,35	**1,33**	1,49
CNY	**2,41**	2,12	**2,25**	2,53
EUR	**19,04**	16,43	**17,33**	19,71
GBP	**21,29**	18,80	**20,37**	22,17
USD	**16,36**	14,78	**14,78**	17,85

SENSITIVITY ANALYSIS

The Group is primarily exposed to the Chinese Yuan, Euro and US Dollar currencies. The following analysis indicates the Group's sensitivity at year-end to the indicated movements in these currencies on financial instruments, assuming that all other variables, in particular interest rates, remain constant. The rates of sensitivity are the rates used when reporting the currency risk to the 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 2021		
CNY	**–**	**40,9**
EUR	**–**	**0,3**
USD	**–**	**235,7**

	Profit or loss Rm	Equity Rm
31 March 2020		
CNY	–	42,1
USD	–	241,2

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.

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

21. RISK MANAGEMENT continued

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.

	2021 Rm	2020 Rm
AUD	**669,9**	137,4
BWP	**77,3**	111,4
CHF	**31,3**	30,7
EUR	**92,9**	142,0
GBP	**729,5**	303,8
NZD	**90,6**	16,4
USD	**19,1**	88,0

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 2021		
AUD	**–**	**67,0**
BWP	**–**	**7,7**
CHF	**–**	**3,1**
EUR	**–**	**9,3**
GBP	**–**	**72,9**
NZD	**–**	**9,1**
USD	**–**	**1,9**
31 March 2020		
AUD	–	13,7
BWP	–	11,1
CHF	–	3,1
EUR	–	14,2
GBP	–	30,4
NZD	–	1,6
USD	–	8,8

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	
	2021 %	2020 %	2021 Rm	2020 Rm
Financial assets				
Trade receivables – retail (6 months)	**–**	–	**757,4**	901,8
Trade receivables – retail (12 months)	**11,8 – 17,7**	13,5 – 21,6	**5 879,5**	6 860,6
Cash and cash equivalents	**7,0**	8,8	**4 843,2**	2 969,1
			11 480,1	10 731,5
Financial liabilities				
Interest-bearing debt	**2,7 – 5,0**	3,8 – 7,1	**(6 157,7)**	(11 329,5)
Lease liabilities	**2,4 – 22,3**	4,0 – 26,3	**(8 186,9)**	(8 597,8)
Put option liability	**–**	–	**(45,5)**	(54,2)
			(14 390,1)	(19 981,5)

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 a basis consistent with the prior year. Variable rate instruments below relate to interest-bearing debt.

	Profit or loss Rm	Equity Rm
31 March 2021		
Variable rate instruments	**94,8**	**–**
Cash flow sensitivity (net)	**94,8**	**–**

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

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.

The Group is well positioned to take advantage of future growth opportunities and the intention is to increase the net debt to equity ratio^ to a level that supports this objective.

^ *Pre-IFRS 16.*

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 includes 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.

During the course of the financial year, TFG acquired the Jet insurance business. The business model adopted is not that of a cell captive but rather that of a business arrangement. The substance and accounting treatment thereof is disclosed in note 39.

21. RISK MANAGEMENT continued

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).

	2021 Rm	2020 Rm
Level 2		
Forward exchange contracts – asset	**–**	320,1
Forward exchange contracts – liability	**(106,2)**	–
Insurance cell captive receivables	**292,5**	260,9
Investment in insurance arrangement	**123,8**	–
Level 3		
Put option liability	**(45,5)**	(54,2)

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.

Investment in insurance arrangement

The investment in the insurance arrangement has 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 are payable on a basis of 7 times EBITDA^ less net debt^. The put/call liability will increase/(decrease) in line with the EBITDA^ increase/(decrease) times the multiple less net debt^.

^ *Pre-IFRS 16.*

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.

22. IMPACT OF COVID-19 GOING CONCERN AND SUBSEQUENT EVENTS

22.1 IMPACT OF COVID-19

For the purposes of the current reporting year ended 31 March 2021, management has assessed COVID-19 and related impacts on the Group's operations.

Judgements and estimates applied in the current financial results

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

Financial performance during the current year

TFG Africa

TFG Africa's retail turnover increased by 1,6% (ZAR) when compared to the same period in the previous financial year. Cash retail turnover for the year, contributing 69,3% to TFG Africa's total retail turnover, grew by 19,0% compared to the previous financial year.

TFG Africa credit

The demand for new accounts declined by 41,9% year-on-year due to the prevailing economic climate and a decrease in new account initiatives. The new account strategy remains conservative, reflected by approval rates averaging 14,9% for the current financial year. Credit retail turnover decreased by 23,6% year-on-year as a result of the muted new account growth and the impact of the lockdown on store activity. The retail net debtors' book of R6,6 billion decreased by 14,5% year-on-year. The allowance for impairment as a percentage of the debtors' book remained relatively stable at 20,7% (March 2020: 20,4%), as a provision for the impact of the COVID-19 pandemic on credit losses was retained.

TFG London

TFG London's retail turnover, contributing 12,7% to Group retail turnover, decreased by 49,7% (GBP) when compared to the same period in the previous financial year. Online performance continues to be negatively impacted by weaker department store online channels. Online retail turnover from TFG London's own sites for the year ended 31 March 2021 increased by 9,1% (GBP) compared to the previous comparable period. For the year ended 31 March 2021, online retail turnover contributed 12,0% to total Group retail turnover, up from an 8,4% contribution in the comparative 12-month period.

TFG Australia

TFG Australia's retail turnover, contributing 17,9% to Group retail turnover, decreased by 7,1% (AUD) when compared to the same period in the previous financial year. Online retail turnover in TFG Australia exceeded management's expectation with strong growth of 58,1% (AUD) for the year ended 31 March 2021.

Impact of COVID-19 on trade receivables – retail

Collections from the trade receivables – retail book remained robust, but were circa 12% lower compared to the prior financial year. Payments received on the active book however, when measured against the book balance, improved year-on-year in the last quarter of the financial year. A combination of in-office and work-from-home workforce enabled customer services and collection activity to continue unabated. A renewed focus on business process automation also improved operational efficiency. In direct response to the hard lockdown, additional payment channels were introduced. Customers are now able to make use of the Paynow facility, which allows instant payments online, using Snapscan, instant EFT or their credit/debit card. In addition, in response to the store closures during April and May, approximately 50% of the customer base as at March 2020 were given either one or two payment holidays.

The allowance for impairment of the trade receivables – retail book includes an assessment in the form of an overlay, to account for the potential effects of the COVID-19 pandemic on credit losses. This assessment was performed by evaluating the impact on credit losses experienced in the current financial year, due to the pandemic itself, and the various levels of lockdown and other interventions announced by governments in the jurisdictions where credit is offered. To calculate the overlay, management assigned probabilities to different scenarios, which reflect management's best estimate of the potential future impacts of the pandemic with regards to its severity and duration.

22. IMPACT OF COVID-19 GOING CONCERN AND SUBSEQUENT EVENTS continued

22.1 IMPACT OF COVID-19 continued

Impact of COVID-19 on concession receivables

Concession receivables relates to balances due from stores located in the United Kingdom; Australia and internationally, where concessions are in place. The provision relating to concessions has taken into account the uncertain environment and forward-looking component available at 31 March 2021.

Impact of COVID-19 on leases

As a result of store closures, the Group communicated with various landlords with requests for concessions or reductions in rental arrangements. Agreements were reached and rentals due for the months of April 2020 and onwards were withheld or only partially paid where trade has been impacted. Refer to note 40 for the adoption of COVID-19-Related Rent Concessions accounting standard amendment relating to the financial impact of these rental concessions or reductions.

Impact of COVID-19 on inventory

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 inventory not sold during the closure period. The current season inventory 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 inventory will be sold under circumstances which require significant discounting. The total inventory provision recognised in profit or loss during the year amounted to R662,0 million. The total inventory provision at year-end amounted to R1,1 billion (2020: R605,6 million).

Impact of COVID-19 on property, plant and equipment, goodwill and intangible assets and right-of-use assets

Refer to note 2, 3 and 4 for the impairments recognised on property, plant and equipment, goodwill and intangible assets and right-of-use assets as a result of COVID-19.

COVID-19 relief for employees

TFG London and TFG Australia made use of government assistance through furlough and JobKeeper programmes to financially assist employees while stores were closed, while employees were assisted in TFG Africa by making use of government support through TERS relief.

22.2 GOING CONCERN

The going concern assumption is evaluated based on information available up to the date on which the results are approved for issuance by the Supervisory Board. While there is continuing widespread economic 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 2021 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. The Group is adapting business as effectively as possible to deal with the dynamic environment within which we operate and continues to make significant progress in respect of our ongoing cost saving initiatives. The conclusion of the rights offer has also insulated the statement of financial position during this time of global economic uncertainty and allows the Group to further execute on the Group's growth strategy and vision for the future. 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 were performed, including assumptions regarding a worst case, slower rate of return to normal trading, however further lockdowns have been announced in certain states of Australia, which could impact trade performance. Online retail turnover continues to exceed management's expectation across all our major territories, except in the United Kingdom. Despite the significant adverse trading conditions experienced by TFG London due to stringent government-enforced lockdowns during the past financial year we are encouraged by current trade exceeding expectations since the reopening of non-essential retail in the UK on 12 April 2021, albeit with fewer physical store and concession routes to market. We however continue to explore alternative routes to market. In addition, following completion of the final phase of portfolio integration to the single TFG London operating platform, the conclusion of the associated head office restructuring and the closure of 230 non-profitable stores and concessions, we are able to drive the business forward with a more efficient infrastructure and an appropriately reduced cost base in place.
- the Group's debt service and covenants requirements: the Group has complied with its financial covenants for the reporting period. The Group currently has adequate available unutilised facilities in place of R5,5 billion, as well as available cash of R4,8 billion as at 31 March 2021.
- 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 continues to prioritise cost savings initiatives across all operations and business optimisation initiatives in TFG Africa and TFG London.

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.

22. IMPACT OF COVID-19 GOING CONCERN AND SUBSEQUENT EVENTS continued

22.3 SUBSEQUENT EVENTS

Subsequent to year-end, the Group acquired certain manufacturing assets from House of Monatic Proprietary Limited, Trade Call Investments Apparel Proprietary Limited, Radeen Fashions Proprietary Limited and The Joint Liquidators of Hanes South Africa Proprietary Limited (in liquidation) for a combined consideration of R23,4 million.

TFG Africa was impacted by the week of unrest which took place in the KwaZulu-Natal and Gauteng provinces in South Africa during July 2021. The riots resulted in vandalisation and looting of retail stores and warehouses. 195 retail stores were impacted by the riots, inventory was looted and certain stores were damaged as well as being set on fire. The Group will therefore be impacted by additional inventory losses and property, plant and equipment write-offs in the 2022 financial year (FY). The Group is in the process of performing an assessment to determine the full extent of the damage to both inventory and property, plant and equipment. The riots took place close to the date of signing the consolidated annual financial statements and therefore providing a reasonable assessment of the total damages to the Group would be impractical. The Group is still in the process of identifying the total impact on the Group. The Group has insurance policies in place for these events.

No further significant events took place between the year ended 31 March 2021 and date of issue of this report.

23. COMMITMENTS AND CONTINGENT LIABILITIES

	2021 Rm	2020 Rm
Capital expenditure		
Capital commitments	**4,2**	7,1

There are no contingent liabilities.

24. REVENUE

	Note	2021 Rm	2020 Rm
Retail turnover		**32 950,3**	35 323,3
Interest income	25	**1 358,4**	1 759,7
Other income	26	**1 277,1**	1 393,5
		35 585,8	38 476,5

Retail turnover consist of:	2021 Rm	2020 Rm
Cash sales^	**25 915,6**	26 114,7
Credit sales^	**7 034,7**	9 208,6
	32 950,3	35 323,3

^ *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.*

Online and stores retail turnover split included in the revenue disclosed under segmental reporting for TFG Africa, TFG London and TFG Australia.

Retail turnover per merchandise category consist of:^^	2021 Rm	2020 Rm
Clothing	**26 495,2**	29 049,8
Homeware	**1 745,6**	1 638,8
Cosmetics	**887,4**	1 084,8
Jewellery	**1 195,3**	1 582,4
Cellphones	**2 626,8**	1 967,5
	32 950,3	35 323,3

^^ *Refer to segmental reporting for the merchandise categories split per segment.*

25. INTEREST INCOME

	2021 Rm	2020 Rm
Trade receivables – retail	**1 253,2**	1 735,3
Sundry*	**105,2**	24,4
	1 358,4	1 759,7

* *Sundry primarily relates to bank interest income earned.*

26. OTHER INCOME

	2021 Rm	2020 Rm
Value-added services	**698,7**	738,8
Collection cost recovery and service fees	**543,9**	640,2
Sundry income	**34,5**	14,5
	1 277,1	1 393,5

27. TRADING EXPENSES

	2021 Rm	2020 Rm
Net occupancy costs^	**(127,3)**	(685,6)
Occupancy costs	**(4 170,8)**	(4 269,8)
Occupancy costs lease reversal	**4 043,5**	3 584,2
Depreciation on right-of-use assets	**(3 418,3)**	(3 000,1)
Depreciation and amortisation	**(857,6)**	(828,5)
Employee costs	**(5 816,7)**	(6 311,6)
Other operating costs	**(4 636,8)**	(4 990,4)
	(14 856,7)	(15 816,2)

^ *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. Included within the occupancy costs line is COVID-19 rent concessions amounting to R469,3 million. Refer to note 40 for further details relating to the COVID-19 rent concessions.*

	2021 Rm	2020 Rm
The following disclosable amounts are included above:		
Auditors remuneration		
Audit fees	**(25,4)**	(16,3)
Non-audit fees	**(4,6)**	(4,5)
Loss on disposal of property, plant and equipment and intangible assets	**(165,8)**	(68,7)
Impairment of property, plant and equipment and intangible assets	**(183,3)**	(55,7)
Profit on disposal of property, plant and equipment and intangible assets	**0,6**	1,4
Impairment of right-of-use assets	**(239,5)**	(189,3)
Share-based payments	**(220,4)**	(76,1)
Fair value adjustment on investment	**(3,2)**	–
Fair value adjustment on put option liability	**(4,5)**	(34,8)
Retirement fund expenses (note 31)	**(418,4)**	(353,9)
Foreign exchange transactions	**(12,1)**	6,3

28. FINANCE COSTS

	2021 Rm	2020 Rm
Finance costs on lease liabilities	**(551,8)**	(586,3)
Interest-bearing debt	**(441,7)**	(749,1)
	(993,5)	(1 335,4)

29. TAXATION

	2021 Rm	2020 Rm
Income tax expense		
South African current taxation		
Current year	**369,3**	684,5
Prior year over provision	**(176,1)**	(18,2)
Dividends withholding tax	**14,1**	5,3
South African deferred taxation		
Current year	**(112,4)**	0,4
Prior year under (over) provision	**183,2**	(8,9)
Non-South African current taxation		
Current year	**326,2**	260,8
Prior year over provision	**(3,5)**	(3,7)
Non-South African deferred taxation		
Current year	**(307,3)**	(51,5)
Prior year under provision	**23,9**	34,3
Rate change	**–**	0,1
Assessed loss	**(168,3)**	–
Assessed loss utilised	**–**	2,4
	149,1	905,5

	%	%
Reconciliation of the tax expense		
Effective tax rate	**(10,7)**	27,0
Foreign tax credits	**–**	(0,2)
Deferred tax not recognised	**–**	(0,2)
Learnership allowances	**(0,3)**	0,2
Insurance adjustment	**(3,4)**	1,6
Bargain purchase price	**(14,2)**	–
Goodwill impairment	**34,2**	–
Property, plant and equipment impairment	**5,0**	–
Non-deductible expenditure	**3,7**	(0,4)
Non-South African tax rate	**11,0**	0,1
Prior year over (under) provision	**2,7**	(0,1)
South African statutory rate	**28,0**	28,0

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 2021 was based on (loss) profit for the year attributable to ordinary shareholders of The Foschini Group Limited of (R1 861,8) (2020: R2 443,8) million and headline earnings of R600,1 (2020: R2 717,4) million divided by the weighted average number of ordinary shares as follows:

	2021 Gross Rm	2021 Net of taxation Rm	2020 Gross Rm	2020 Net of taxation Rm
(Loss) profit for the year attributable to equity holders of The Foschini Group Limited		**(1 861,8)**		2 443,8
Adjusted for:				
Loss on disposal of property, plant and equipment and intangible assets	**165,8**	**121,2**	68,7	50,4
Impairment of property, plant and equipment and intangible assets	**183,3**	**144,9**	55,7	42,8
Profit on disposal of property, plant and equipment and intangible assets	**(0,6)**	**(0,4)**	(1,4)	(1,0)
Impairment of right-of-use assets	**239,5**	**185,3**	189,3	145,3
Impairment of trademarks and brands	**1 253,5**	**1 015,3**	–	–
Impairment of goodwill	**1 704,6**	**1 704,6**	–	–
Gain on bargain purchase	**(709,0)**	**(709,0)**	–	–
Change in UK tax rate	**–**	**–**	–	36,1
Headline earnings		**600,1**		2 717,4

	2021 Number of shares Gross	2021 Number of shares Weighted	2020 Number of shares Gross	2020 Number of shares Weighted
Gross number of ordinary shares in issue	**331 027 300**	**310 830 401**	236 756 814	269 089 210
Treasury shares	**(7 603 579)**	**(7 603 579)**	(5 094 868)	(5 094 868)
Net number of ordinary shares in issue at end of the year	**323 423 721**	**303 226 822**	231 661 946	263 994 342

	2021 Number of shares Gross	2020 Number of shares Gross
Gross number of ordinary shares in issue	**236 756 814**	236 756 814
Treasury shares	**(5 094 868)**	(5 492 754)
Net number of ordinary shares in issue at beginning of the year	**231 661 946**	231 264 060
Movements in gross number of ordinary shares in issue		
Rights issue	**94 270 486**	–
Movements in treasury shares		
Purchased	**(3 509 900)**	(1 389 103)
Sold	**39 301**	694 178
Delivered	**961 888**	1 092 811
Gross number of ordinary shares in issue	**331 027 300**	236 756 814
Treasury shares	**(7 603 579)**	(5 094 868)
Net number of ordinary shares in issue at end of the year	**323 423 721**	231 661 946

	2021	2020^
Weighted average number of ordinary shares in issue	**303 226 822**	263 994 342
Earnings per ordinary share (cents)		
Basic earnings per ordinary share	**(614,0)**	925,7
Headline earnings per ordinary share	**197,9**	1 029,3

^ *As required by IAS 33, the prior year basic and diluted weighted average number of shares has been adjusted retrospectively to account for the bonus element arising from the rights issue.*

30. EARNINGS PER SHARE continued

DILUTED EARNINGS AND DILUTED HEADLINE EARNINGS PER SHARE

The calculation of diluted earnings and diluted headline earnings per share for the year ended 31 March 2021 is based on (loss) profit for the year attributable to ordinary shareholders of The Foschini Group Limited of (R1 861,8) (2020: R2 443,8) million and headline earnings of R600,1 (2020: R2 717,4) million divided by the fully diluted weighted average number of ordinary shares as follows:

	2021	2020^
Weighted average number of ordinary shares as above	**303 226 822**	263 994 342
Number of shares that would have been issued for no consideration – FS	**1 097 242**	1 218 902
Weighted average number of ordinary shares used for dilution	**304 324 064**	265 213 244

As at 31 March 2021, 725 123 (2020: 561 227) shares are anti-dilutive and were therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	2021	2020^
Earnings per ordinary share (cents)		
Diluted earnings per ordinary share	**(611,8)**	921,4
Diluted headline earnings per ordinary share	**197,2**	1 024,6

^ *As required by IAS 33, the prior year basic and diluted weighted average number of shares has been adjusted retrospectively to account for the bonus element arising from the rights issue.*

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.

	2021	2020
Share instruments granted and accepted for the financial year ended 31 March		
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
21 August 2020 – TFG 2010 Share Incentive Scheme^^		
Consideration	**nil**	
Estimated value on grant date	**R76,75**	
19 November 2020 – TFG 2010 Share Incentive Scheme^^		
Consideration	**nil**	
Estimated value on grant date	**R105,33**	
31 March 2021 – 2010 Share Incentive Scheme^^		
Consideration	**nil**	
Estimated value on grant date	**R122,79**	

* *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 R220,4 (2020: R76,1) 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	
	2021	2020
2007 Share Incentive Scheme		
SARs granted, subject to fulfilment of conditions, at 1 April	**1 180 343**	1 457 750
SARs granted during the year subject to fulfilment of conditions	**–**	308 893
SARs forfeited during the year	**–**	(29 800)
SARs delivered during the year#	**–**	(556 500)
SARs granted, subject to fulfilment of conditions, at 31 March	**1 180 343**	1 180 343

No SARs were delivered during the year. In 2020, the SARs delivered equated to 465 036 ordinary shares.

No SARs were delivered during the current year. For SARs delivered during the prior year, the weighted average share price was R171,2 on relevant dates of delivery.

31. EMPLOYEE BENEFITS continued

SHARE INCENTIVE SCHEMES continued

	Number of FS 2021	2020
2010 Share Incentive Scheme		
FS granted, subject to fulfilment of conditions, at 1 April	**2 833 926**	2 954 405
FS granted during the year subject to fulfilment of conditions	**3 509 900**	1 080 210
FS forfeited during the year	**(39 301)**	(664 378)
FS delivered during the year#	**(961 888)**	(536 311)
FS granted, subject to fulfilment of conditions, at 31 March	**5 342 637**	2 833 926

For the FS delivered during the year, the share price is R68,00 (2020: R177,05) 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	–^	28 900
8 June 2015	R148,15	2022	168 600
2 June 2016	R142,72	2022	190 100
2 June 2017	R138,30	2022	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.*
** *603 300 shares were available for conversion as at 31 March 2021.*
^ *The 2014 SARs have expired, however the shares linked to the SARs have not been sold as at 31 March 2021.*
^^ *The TFG Remco decided post-year-end to forfeit the 2018 SARs due to performance conditions not being met for vesting.*

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

Grant date	Grant price	Year of conversion	Number of FS
1 June 2018	R184,24	2022	749 060
5 December 2018	R179,87	2022	34 467
3 June 2019	R177,05	2023	859 490
5 December 2019	R151,63	2023	85 584
21 August 2020 – 1 June 2018 top up**	R76,75	2022	307 860
21 August 2020 – 5 December 2018 top up**	R76,75	2022	248 383
21 August 2020 – 3 June 2019 top up**	R76,75	2023	109 343
21 August 2020 – 5 December 2019 top up**	R76,75	2023	34 247
19 November 2020	R105,33	2024	2 718 397
31 March 2021	R122,79	2024	195 806
			5 342 637

** *Top up shares awarded in August 2020 will have the same conversion date as the original award it pertains to.*

31. EMPLOYEE BENEFITS continued

SHARE INCENTIVE SCHEMES continued

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

	Number of shares	
	2021	2020
Shares held at the beginning of the year	**1 180 343**	1 457 750
Shares purchased during the year	**–**	308 893
Shares sold during the year	**–**	(29 800)
Shares delivered during the year	**–**	(556 500)
Shares held at the end of the year	**1 180 343**	1 180 343

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. There is a mandatory contribution of 12% of pensionable pay for employees on a TGP pay structure and this mandatory contribution is paid by the employer for employees on a Salary Plus pay structure. This mandatory contribution includes cover for death, disability and funeral benefits, administration and management costs. With effect from 1 March 2021, members have the choice of a member contribution rate, from 3% to 18% (increasing in increments of 1,5%) of pensionable pay 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. The next statutory valuation will be performed at 31 December 2021.

	Number of members		Employer contributions	
	2021	2020	**2021 Rm**	2020 Rm
Summary per fund#:				
TFG Retirement Fund	**19 137**	13 418	**253,1**	213,4
Metropolitan Rainmaker Provident Fund (Lesotho)^	**57**	–	**0,2**	–
Namflex Pension Fund	**398**	357	**3,7**	3,6
Sibaya Provident Fund	**67**	27	**0,4**	0,4
Alexander Forbes Retirement Fund	**185**	110	**1,7**	1,2
National Pensions Scheme Authority (NAPSA) of Zambia	**166**	178	**0,6**	0,4
Social Security and National Insurance Trust (SSNIT)^^	**–**	–	**–**	0,2
National Social Security Fund (NSSF)^^^	**–**	23	**–***	–*
Other funds^^^^	**–**	–	**24,3**	–
	20 010	14 113	**284,0**	219,2

* *Zero as a result of rounding.*
\# *The information above is specific to TFG Africa, which refers to our activities on the African continent.*
^ *A new Fund was registered for Lesotho, effective 1 November 2020.*
^^ *During the prior financial year, Ghana operations ceased in October 2019 and therefore as at 31 March 2020 there were no members part of the Social Security and National Insurance Trust.*
^^^ *During the current financial year, Kenya operations ceased in September 2020 and therefore as at 31 March 2021 there were no members part of the National Social Security Fund.*
^^^^ *Contributions were made to various other funds pertaining to Jet employees on transition. As at 31 March 2021, all employees have been moved onto TFG respective retirement funds.*

31. EMPLOYEE BENEFITS continued

RETIREMENT FUNDS continued

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 (R22,8 million) was paid in the current year, GBP1,1 million (R21,2 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. AUD9,5 million (R111,6 million) was paid into superannuation fund in the current year, AUD11,3 million (R113,5 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 can also apply to the scheme upon meeting certain criteria.

Total membership currently stands at 3 121 (2020: 2 665) principal members.

These costs are charged against income as incurred and amounted to R80,6 (2020: R70,2) million, with employees contributing a further R73,4 (2020: R70,2) million to the fund.

In respect of the year ended 31 December 2020, the scheme earned risk contributions of R157,9 million and reflected a surplus of R23,8 million after the deduction of all expenses, and before investment income. The scheme had net assets at its year-end date totalling R201,4 million.

As a result of a decision by the Trustees of TFG Medical Aid Scheme to grant a contribution holiday to members in January 2021, in order to ease the financial impact some members experienced, there is a budgeted projected deficit in respect of the year ending 31 December 2021 of R31,9 million before investment income. This deficit will be recovered from the Scheme's reserves and investment income and will not impact future contributions to the Scheme.

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.

The total staff discounts recognised in profit or loss during the year amounted to 105,5 (2020: 118,5) million.

32. DIRECTORS' REMUNERATION

2021	Fees^ R'000	Remune-ration[1] R'000	Pension fund R'000	Travel allow-ance R'000	Other benefits^^ R'000	Perfor-mance bonus[2] R'000	Total R'000	IFRS share allo-cation fair value R'000
Non-executive								
M Lewis	1 092,5	–	–	–	–	–	1 092,5	–
E Oblowitz	1 158,3	–	–	–	–	–	1 158,3	–
S E Abrahams	746,1	–	–	–	–	–	746,1	–
Prof. F Abrahams	702,5	–	–	–	–	–	702,5	–
R Stein	887,3	–	–	–	–	–	887,3	–
D Friedland	673,1	–	–	–	–	–	673,1	–
N V Simamane	656,9	–	–	–	–	–	656,9	–
B L M Makgabo-Fiskerstrand	656,9	–	–	–	–	–	656,9	–
G H Davin	736,9	–	–	–	–	–	736,9	–
A D Murray[3]	1 925,9	–	–	–	–	–	1 925,9	–
C Coleman	750,3	–	–	–	–	–	750,3	–
Total	9 986,7	–	–	–	–	–	9 986,7	–
Executive								
A E Thunström[4]	–	7 729,4	1 089,4	469,5	67,7	8 554,0	17 910,0	20 894,7
B Ntuli	–	5 288,2	710,5	359,9	42,7	3 576,0	9 977,3	5 679,3
Total	–	13 017,6	1 799,9	829,4	110,4	12 130,0	27 887,3	26 574,0
Total remuneration 2021	9 986,7	13 017,6	1 799,9	829,4	110,4	12 130,0	37 874,0	26 574,0

2020	Fees^ R'000	Remune-ration R'000	Pension fund R'000	Travel allow-ance R'000	Other benefits^^ R'000	Perfor-mance bonus[5] R'000	Other remune-ration[6] 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[3]	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	7 500,0	–	17 001,0	6 327,1
B Ntuli	–	5 346,0	655,1	392,6	106,8	3 450,0	7 375,0	17 325,5	2 452,6
Total	–	13 211,6	1 618,9	904,8	266,2	10 950,0	7 375,0	34 326,5	8 779,7
Total remuneration 2020	8 053,1	13 211,6	1 618,9	904,8	266,2	10 950,0	7 375,0	42 379,6	8 779,7

^ *Fees only relate to services as directors.*

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

1 *The Operating Board took a salary reduction in the first quarter of the 2021 financial year due to the impact of COVID-19.*

2 *Performance bonus included in 2021 remuneration to be paid in 2022 and accrued in 2021. Relates to the bonus award for the 2021 year-end. Mr Thunström elected to defer 55% of his bonus into shares. The deferred short-term incentive (STI) awards will be subject to a minimum holding period of five years in terms of the minimum shareholding requirement (MSR) policy. In making this election, and in accordance with the Scheme's rules, Mr Thunström received a 40% match of Forfeitable Retention Shares which will vest in June 2024.*

3 *Mr Murray was appointed on 1 October 2019 and therefore FY 2020 represents a fee for six months in comparison to a full 12-month fee for FY 2021. The fee is inclusive of Mr Murray's representation on the TFG Australia, TFG London and TFG Limited Boards as well as committee memberships.*

4 *The CEO signed a new retention and restraint agreement due to his current retention agreement having come to an end on 1 October 2020. The Remco awarded the CEO shares in lieu of this agreement as opposed to a cash payment to ensure further personal investment by the CEO in The Foschini Group Limited, thereby creating further alignment with shareholders. The CEO was granted 350 000 shares on 23 November 2020 with a market value of R36,9m to vest in June 2023 and awarded in accordance with the FSP 2020 share scheme rules. The retention agreement signed carries certain notice clauses which ensures a more advantageous retention mechanism.*

5 *The 2020 table has been restated to take into account the STI that was provided for but only paid once the implications of COVID-19 had been assessed and the Remco had determined that the business had adequate funding and liquidity to pay the STI.*

6 *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.*

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.

	2021 Rm	2020 Rm
Administration fee earned from The Foschini Group Retirement Fund	**6,1**	6,1

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

	2021 Rm	2020 Rm
Remuneration paid to key management personnel other than the executive directors is as follows:		
Short-term employee benefits		
Remuneration	**193,0**	201,4
Performance bonus	**42,3**	–
Travel allowance	**28,3**	30,3
Post-employment benefits		
Pension fund	**20,6**	23,2
Other long-term benefits		
Other benefits	**7,6**	7,2
Share-based payments		
Fair value of share instruments granted	**91,1**	39,4
Restraint of trade payments	**14,1**	8,2
Total remuneration	**397,0**	309,7

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

34. CASH GENERATED FROM OPERATIONS

	2021 Rm	2020 Rm
Operating profit before working capital changes		
(Loss) profit before tax	**(1 712,7)**	3 349,3
Finance costs	**993,5**	1 335,4
Operating (loss) profit before finance costs	**(719,2)**	4 684,7
Adjustments for:		
Interest income – sundry	**(105,2)**	(24,4)
Dividends received	**(34,8)**	–
Non-cash items	**7 382,9**	4 134,2
Depreciation and amortisation	**874,7**	843,0
Depreciation on right-of-use assets	**3 418,3**	3 000,1
Share-based payments	**220,4**	76,1
Post-retirement defined benefit medical aid movement	**18,1**	9,5
Employee-related provisions	**(7,3)**	(2,5)
Foreign currency transactions	**12,1**	(6,3)
Hedge ineffectiveness on cash flow hedges	**42,1**	(42,1)
Put option liability movement	**(4,5)**	(34,8)
Fair value adjustment	**3,2**	–
Loss on disposal of property, plant and equipment and intangible assets	**165,8**	68,7
Impairment of property, plant and equipment and intangible assets	**183,3**	55,7
Profit on disposal of property, plant and equipment and intangible assets	**(0,6)**	(1,4)
Impairment of right-of-use assets	**239,5**	189,3
Impairment of trademarks and brands	**1 253,5**	–
Impairment of goodwill	**1 704,6**	–
Profit on termination of leases	**(31,3)**	(21,1)
Gain on bargain purchase	**(709,0)**	–
	6 523,7	8 794,5
Changes in working capital		
Inventory	**493,0**	(426,9)
Trade and other receivables	**967,7**	(239,5)
Trade and other payables	**1 449,8**	124,3
	2 910,5	(542,1)
Cash generated from operations	**9 434,2**	8 252,4

35. TAXATION PAID

	2021 Rm	2020 Rm
Balance at beginning of the year	**(92,8)**	(319,2)
Current tax for the year recognised in profit or loss	**(530,0)**	(928,7)
Foreign exchange movements	**2,7**	7,1
Balance at end of the year	**223,5**	92,8
	(396,6)	(1 148,0)

36. DIVIDENDS PAID

	2021 Rm	2020 Rm
Dividends paid during the year	–	(1 839,3)

37. CHANGES IN LIABILITY ARISING FROM FINANCING ACTIVITY

31 March 2021

			Non-cash items				
	Opening balance Rm	**Net cash flows^ Rm**	**Additions Rm**	**Additions through business combi-nations Rm**	**Disposals Rm**	**Foreign exchange movements Rm**	**Closing balance Rm**
Decrease in interest-bearing debt	**11 329,5**	**(5 076,4)**	**–**	**–**	**–**	**(95,4)**	**6 157,7**
Lease liabilities	**8 597,8**	**(3 491,7)**	**1 878,1**	**1 439,0**	**(182,5)**	**(53,8)**	**8 186,9**

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

^ *Net cash flows represent the total payments less interest.*

38. BUSINESS COMBINATIONS – JET ACQUISITIONS

Jet is a leading Southern African retailer (by brand recognition and market share) and will provide TFG with a strategically important expansion into the value segment of the Southern African retail apparel market. TFG concluded an agreement to acquire certain commercially viable stores and inventory-holding of Jet in South Africa (effective 25 September 2020) and in Botswana, the Kingdom of Eswatini, Lesotho and Namibia (effective on various dates in December 2020 and January 2021). The Group acquired 425 Jet stores for a consideration of R385,3 million.

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

The provisional at-acquisition values are presented below:

	Rm
Non-current assets	**2 422,8**
Property, plant and equipment	**229,7**
Intangible assets	**754,1**
Right-of-use assets	**1 439,0**
Current assets	**538,1**
Inventory	**534,9**
Cash and cash equivalents	**3,2**
Non-current liabilities	**1 229,2**
Lease liabilities	**950,4**
Deferred taxation liability	**278,8**
Current liabilities	**637,4**
Trade and other payables	**148,8**
Lease liabilities	**488,6**
Total identifiable net assets at fair value	**1 094,3**
Gain on bargain purchase arising from acquisition	**(709,0)**
Purchase consideration	**385,3**
Satisfied by:	
Cash consideration	**377,3**
Deferred consideration	**8,0**
Total consideration	**385,3**
Cash consideration	**377,3**
Less: Cash and cash equivalents acquired	**(3,2)**
Net cash outflow on acquisition	**374,1**

A gain on bargain purchase of R709,0 million has been recognised in profit or loss in the current year. A gain on bargain purchase occurs when the fair value of net assets of the acquiree exceeds the purchase consideration paid by the acquirer. The gain on bargain purchase arose from a combination of Edcon Limited (the previous owner of the Jet business) being managed under business rescue in terms of the Companies Act of South Africa and TFG being strategically well placed to absorb the commercially viable parts of the Jet business and to integrate the business successfully. Acquisition costs related to the Jet acquisition of R16,8 million have been expensed in the current year in profit or loss.

Revenue resulting from the Jet acquisition included in the reporting year is R2,2 billion.

It would be impractical to provide profit or loss resulting from the Jet acquisition as well as revenue and profit or loss if the business was operating from the beginning of the period as only certain stores and aspects of the Jet business was acquired by the Group and therefore the presentation of any profit or loss would be subject to inaccuracies and thereby rendering the presentation of such information to be of no value to the user.

39. INSURANCE ARRANGEMENT

TFG acquired an 85% stake in Hollard Business Associates Proprietary Limited (HBA) during the current year. This acquisition contributes to a seamless customer transition as part of TFG's acquisition of the Jet retail business, maximises customer retention and leverages existing shared intellectual property, processes and systems that have previously been implemented by the Jet and Hollard management teams. The transaction entailed TFG subscribing for a special class of shares (AS-shares) in HBA. The subscription price for the HBA shares was an amount equal to R127,0 million.

The investment in HBA has been accounted for as a financial instrument measured at fair value through profit or loss. Refer to note 21 for the details of the fair value hierarchy relating to this investment. The fair value loss adjustment of R3,2 million and dividends received of R34,8 million was recognised in other income in the current year. The investment reflected in the statement of financial position is R123,8 million at year-end.

40. 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 following accounting standard amendment:

The International Accounting Standards Board (IASB) issued COVID-19-Related Rent Concessions (amendment to IFRS 16), which became effective for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The criteria are as follows:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The practical expedient has been early adopted from 1 April 2020 for rent concessions that satisfy the criteria above. Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration and discount rate, with the adjustment to the lease liability resulting in a decrease in the right-of-use asset. By applying the practical expedient, the Group is not required to reassess the lease liability and the effect of the change to the lease liability is reflected in profit or loss in the year in which the rent concession occurs. The impact on profit or loss amounted to R469,3 million and is accounted for within the occupancy costs line item under trading expenses.

Subsequent to the amendment issued, the IASB issued COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), which extends the period for which the practical expedient may be applied to 30 June 2022. The amendment becomes effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted. Therefore, the Group will continue to apply the practical expedient in accounting for COVID-19-Related Rent Concessions in the next financial year.

41. 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. These are not expected to have a material impact on future financial statements:

	Effective for periods starting on or after
Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020 (May 2020)	1 January 2022
Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2022
Amendments to IFRS 3 (May 2020) Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37 (May 2020) Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022

APPENDIX 1: SUBSIDIARY COMPANIES

As at 31 March 2021

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 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 26 March 2021.

Spread analysis	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	8 881	70,2	2 305 072	0,7
1 001 – 10 000 shares	2 667	21,1	7 849 469	2,4
10 001 – 100 000 shares	784	6,2	26 548 661	8,0
100 001 – 1 000 000 shares	251	2,0	67 930 087	20,5
1 000 001 shares and over	61	0,5	226 394 011	68,4
	12 644	100,0	331 027 300	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	% of shares in issue
Unit trusts	121 368 342	36,7
Pension funds	105 415 941	31,8
Mutual fund	22 944 208	6,9
Insurance companies	21 731 313	6,6
Private investor	16 221 417	4,9
Sovereign wealth	15 831 335	4,8
Trading position	4 687 653	1,4
Exchange-traded fund	3 138 803	0,9
Corporate holding	2 949 151	0,9
Local authority	2 055 492	0,6
Medical aid scheme	1 278 086	0,4
University	1 075 720	0,3
Charity	521 870	0,2
Hedge fund	264 196	0,1
Foreign government	256 747	0,1
Custodians	83 368	–
Other	11 203 658	3,4
Total	331 027 300	100,0

BENEFICIAL SHAREHOLDINGS GREATER THAN 5%

Beneficial interests – direct and indirect, as per share register and information supplied by nominee companies as at 26 March 2021.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	65 866 814	19,9
Alexander Forbes Investments	17 854 457	5,4
Total	83 721 271	25,3

INVESTMENT MANAGEMENT SHAREHOLDINGS GREATER THAN 5%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 56 of the Companies Act of South Africa, the following shareholders held directly and indirectly equal to or in excess of 5% of the issued share capital as at 26 March 2021.

	Holding	% of shares in issue
Public Investment Corporation (PIC)	**51 074 438**	**15,4**
Old Mutual Limited	**33 874 406**	**10,2**
Ninety One SA Proprietary Limited	**31 924 240**	**9,7**
Prudential Investment Managers	**25 163 224**	**7,6**
Fairtree Asset Management Proprietary Limited	**22 172 886**	**6,7**
Coronation Asset Management Proprietary Limited	**21 118 461**	**6,4**
Total	**185 327 655**	**56,0**

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public shareholders	**12 280**	**97,1**	**253 592 771**	**76,6**
Non-public shareholders	**364**	**2,9**	**77 434 529**	**23,4**
Government Employees Pension Fund (PIC)	8	0,1	65 866 814	19,9
Directors (company and major subsidiary)	12	0,1	4 174 003	1,2
Trust	1	–	1 180 343	0,4
Subsidiary	1	–	1 080 599	0,3
Employees of TFG	342	2,7	5 132 770	1,6
Total	**12 644**	**100,0**	**331 027 300**	**100,0**

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of shares in issue
South Africa	**245 417 698**	**74,2**
USA and Canada	**39 512 452**	**11,9**
UK	**10 695 317**	**3,2**
Rest of Europe	**19 454 703**	**5,9**
Rest of world*	**15 947 130**	**4,8**
Total	**331 027 300**	**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
Concessions	In addition to their own stand-alone stores, TFG London and TFG Australia have 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 metres	The total leased store area including inventory 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 (HEPS)	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
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 subsidiaries (TFG London and TFG Australia)
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 TFG London and TFG Australia) where the lenders have the ability to seek compensation 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, UK and Australia), weighted by their respective geographical turnover contribution percentage

COMPANY INFORMATION

THE FOSCHINI GROUP LIMITED
Registration number 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

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AUDITORS
Deloitte & Touche

ATTORNEYS
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PRINCIPAL BANKER
FirstRand Bank Limited

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SHAREHOLDERS' CALENDAR

Financial year-end	31 March 2021
Integrated annual report publication date	30 July 2021
Annual general meeting (84th)	2 September 2021
Interim profit announcement (FY 2022)	11 November 2021

QUERIES REGARDING THIS REPORT CAN BE ADDRESSED TO:

D van Rooyen (Company Secretary)
Email: company_secretary@tfg.co.za

GREYMATTERFINCH # 15365

@home
THE HOMEWARE STORE

@homelivingspace
THE HOMEWARE STORE

AMERICANSWISS
FINE JEWELLERS SINCE 1896

ARCHIVE

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EXACT

FABIANI

THE FIX

FOSCHINI

GALAXY✶CO

G-STAR RAW

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HOBBS
LONDON

Jet

Johnny BIGG
BY TAROCASH

MARKHAM

Phase Eight

RELAY JEANS

RFO
RENEGADE FASHION OUTLET

ROCKWEAR
ACTIVEWEAR SINCE 1991

SNEAKER FACTORY

SODA BLOC

sportscene

STERNS
1896

TAROCASH

TOTALSPORTS

WHISTLES

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