WE INSPIRE OUR CUSTOMERS **TO LIVE THEIR BEST LIVES**

2022

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

THE FOSCHINI GROUP LIMITED

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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 Centre of Excellence 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 29 July 2022 and published on 29 July 2022.

* *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 2022

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 2022, the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, the consolidated segmental analysis and the notes to the consolidated financial statements which includes a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and JSE Limited Listings Requirements.

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

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

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards.

APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of The Foschini Group Limited were approved by the Supervisory Board on 29 July 2022 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 2022

Each of the directors, whose names are stated below, hereby confirm that:

(a) the consolidated annual financial statements set out on pages 20 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) to the best of our knowledge and belief, 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;

(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 as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

(f) We are not aware of any fraud involving directors.

A E Thunström
Chief Executive Officer
Authorised director

29 July 2022

B Ntuli
Chief Financial Officer
Authorised director

29 July 2022

DIRECTORS' REPORT

For the year ended 31 March 2022

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, Exact, Fabiani, The FIX, Foschini, Galaxy & Co., Granny Goose, G-Star RAW, Hi, Hobbs, Jet, Johnny Bigg, Markham, MyTFG World, Phase Eight, Relay Jeans, RFO, Rockwear, Sneaker Factory, Sportscene, Sterns, Tarocash, Totalsports, Whistles and yd. Our range of 29 retail brands offers clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, homeware and furniture across value to upper market.

The Group consists of four operating segments:

TFG Africa retail division refers to the consolidated performance of all African operations comprising of the @home division, Exact division, the FIX division, the Foschini division, the 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 and related functions with regard to the granting of credit within certain countries within TFG Africa.

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

TFG Australia refers to the consolidated performance of TFG Retailers Proprietary Limited and all its subsidiaries. TFG Retailers Proprietary Limited is the ultimate Australian holding company of 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 20 to 93. The subsidiary companies, analysis of shareholdings and definitions are contained in the appendices on pages 94 to 100. Company information and shareholders' calendar are reflected on page 100.

Authorised and issued share capital

At 31 March 2022, 1,1 (2021: 1,1) million shares are owned by a subsidiary of the company, 6,3 (2021: 5,3) million shares are held by employees of TFG in terms of share incentive schemes and 1,1 (2021: 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.

Dividends

Interim ordinary

The directors declared a dividend of 170,0 (2021: No interim dividend) cents per ordinary share, which was paid on Monday, 10 January 2022 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 7 January 2022.

Final ordinary

The directors declared a final dividend of 330,0 (2021: No final dividend) cents per ordinary share, payable on Monday, 25 July 2022, to ordinary shareholders recorded in the books of the company at the close of business on Friday, 22 July 2022.

Preference

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

19 September 2021 – R13 000 (21 September 2020 – R13 000)

14 March 2022 – R13 000 (15 March 2021 – 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
C Coleman
G H Davin
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane
R Stein

Non-executive director

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 2 July 2021:

- S E Abrahams retired from the Supervisory Board with effect from 2 September 2021, following the conclusion of the Company's annual general meeting.

In terms of the Company's Memorandum of Incorporation (MOI), the following directors will retire by rotation at the Annual General Meeting (AGM) to be held on 8 September 2022, being eligible, offer themselves for re-election as directors:

M Lewis
A D Murray
C Coleman
G H Davin

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

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 2 September 2021, shareholders passed the following special resolutions:

- The remuneration to be paid to non-executive directors for the period 1 October 2021 to 30 September 2022; and
- That the company may provide direct or indirect financial assistance to a related or interrelated company or corporation provided that such financial assistance may only be provided within two (2) years from the date of the adoption of the special resolution and subject further to Sections 44 and 45 of the Companies Act.

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 a going concern in the foreseeable future and, based on this review, the directors are satisfied that the Group and businesses are going concerns and continued to adopt the going concern basis in preparing the consolidated financial statements.

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

COMPANY SECRETARY’S CERTIFICATE

For the year ended 31 March 2022

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

D van Rooyen
Company Secretary

29 July 2022

AUDIT COMMITTEE REPORT

For the year ended 31 March 2022

The Audit Committee is pleased to present its report for the financial year ended 31 March 2022 to the shareholders of TFG. This report complies with the Companies Act of South Africa, the JSE Listings Requirements, King IV and any other relevant requirements.

- Meeting attendance for the committee members is set out on page 110 of the integrated annual report (IAR). 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 2022 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, at pre-determined dates, usually before the holding of the various committee meetings, as well as on an *ad hoc* basis throughout 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 verbal and written reports to the Supervisory Board that summarise the committee's discussions, findings and recommendations.

The committee held three formal meetings during the 2022 financial year. As part of the Group's governance structures, there is also a joint Audit and Risk Committee for TFG London and TFG Australia. The committees for TFG London and TFG Australia 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 all 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 2022

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

The CEO, the CFO, the Head of Enterprise Risk Management, the Head of Internal Audit, the Company Secretary and the partner and senior members of the external auditors team attended meetings of the committee by way of standing invitations. Additional attendees during the 2022 financial year included non-executive directors Mr S E Abrahams (who retired from the Supervisory Board with effect from 2 September 2021), 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, section 3.84(g)(iii) of the Listings Requirements and any other legislation and/or regulations;
- 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 to establish that there are 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 annual 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 of 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 these are operating effectively;
- 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, prior to their implementation, 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 of 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 and its related activities.

Financial results

- to consider any accounting treatments, significant, unusual, sensitive 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 validity of 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/or any other relevant reports issued by the JSE to audit committees 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 and/or any 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 relevant key themes emanating from that evaluation.

ELECTION OF COMMITTEE MEMBERS

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

- Mr R Stein will step down as a member of the Audit Committee
- Mr G H Davin will be appointed as a member of the Audit Committee

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
- G H Davin

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 designated partner, for the year ending 31 March 2023; being satisfied that both Deloitte and Mr J H W de Kock 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 prior to the provision of such non-audit services;
- 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 that fall within the remit of the committee's charter;
- making submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and financial reporting; and
- performing any 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
- reviewing of control self-assessments performed by management.

During the current financial year, partial deficiencies in the design and operational effectiveness of certain internal controls were presented to the committee together with the relevant compensating controls and additional procedures performed. A formal remediation plan was developed and all significant matters had been satisfactorily remediated by the end of the financial year.

The committee considered the deficiencies identified, the status of the remedial actions undertaken and management's reliance on compensating controls and additional review procedures performed, and noted the contents of the CEO and CFO final attestation. The committee is of the opinion that none of these deficiencies had a material impact on the financial reporting processes and that TFG's system of internal financial controls and financial reporting procedures are effective and form a basis for the preparation of reliable financial statements in respect of the year under review.

This assessment included consideration of all the entities included in the consolidated annual financial statements and TFG's ability to effectively prepare and report on the consolidated annual financial statements.

In addition, during the 2022 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 methodologies with digital enablement and associated interventions. This enablement facilitates the increased automation of processes; enhanced generation of more risk-focused assurance and related insights and reporting through the implementation of a suite of 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.

During the financial year under review Mr R Kusel was appointed Group Head of Internal Audit with effect from 1 September 2021. Prior to this date, Ms C van der Vyver, the Head of Group Assurance, was care taking the role as part of a broader restructure of the internal audit function.

The committee believes that both Mr R Kusel and Ms C van der Vyver possess the appropriate expertise, skills and experience to meet their responsibilities in that position and that the internal audit function was functioning and performing effectively throughout the year under review.

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 119 and 121 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 reciprocally, the Chairman of the Risk Committee is also an invitee to this committee. This reciprocal cross membership ensures the ongoing alignments 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 information management and technology 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 continual improvements in the development of ERM methodologies which 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 119 of the integrated annual report.

TFG INTERNATIONAL OPERATIONS

The joint international Audit and Risk Committees continue to play an important role in the governance oversight of the Group as well as TFG London and TFG Australia. The TFG London joint Audit and Risk Committee is chaired by Mr R Stein whilst the TFG Australia joint Audit and Risk Committee is chaired by Mr E Oblowitz. These committees typically 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 compiles assurance plans responsive to the significant risks identified and appropriate assurance reviews and audits were conducted during the year to assess those risks. No major concerns surfaced from the internal audit work undertaken.

THE FINANCIAL AND BUSINESS ENVIRONMENT

Trading environment

The financial year under review was characterised by a strong post-COVID-19 recovery as the majority of the Group's outlets traded strongly, especially in the last two quarters of the financial year. The improvement in trading was supported by the continued easing of government-enforced lockdowns and restrictions in all three of our major trading territories and by the impetus of the global vaccine drive.

The strong financial results for the year were achieved in spite of the impact of civil unrest and riots in certain parts of South Africa during July 2021, the severe lockdown restrictions still experienced in Australia in the second quarter and the severe disruptions caused through ongoing implementation by Eskom of load shedding across all provinces in South Africa.

As previously announced on the JSE Stock Exchange News Service (SENS), 198 South African stores were looted and damaged to varying degrees by the civil unrest experienced in the KwaZulu-Natal province and parts of the Gauteng province. The Group reopened 174 of these stores by the end of March 2022. The remainder of the stores will only reopen from June 2022 onwards and two stores will not be reopened. SASRIA payments of R541 million (VAT inclusive) have been received to date.

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

- Prioritising the safety and wellbeing of our employees, customers and suppliers.
- The Group remaining cautiously conservative with its credit lending criteria in South Africa given the prevailing economic conditions.
- The successful completion of a number of acquisitions in the local manufacturing sector in South Africa, thereby securing increased manufacturing capacity to support the Group's strong localised, quick response supply chain and sourcing model, which provided mitigation against international supply chain disruptions.
- The acquisition of Quench, a digital, on-demand shopping platform and last mile delivery provider. The addition of Quench to TFG's existing portfolio of brands enhances TFG's strategic intent of expanding its position as a dominant omnichannel retailer in Africa.
- The Group entered into a sale and purchase agreement to acquire the entire issued share capital of Tapestry Home Brands. Tapestry is a direct-to-consumer, vertically integrated designer, manufacturer and omnichannel cash retailer of home furnishings serving consumers' living and sleeping needs, targeting the middle to upper LSM markets. The transaction seeks to provide TFG with exposure to new and diverse products and categories as well as gaining new customers to complement the current TFG customer base in existing categories. The transaction is in line with TFG's stated strategy of vertical integration in key product categories and the continued development of its quick response local manufacturing capability. All conditions precedent to the transaction have either been fulfilled or waived as set out in the Share Purchase Agreement (SPA), it being noted that the approval from the relevant competition authorities was obtained. Accordingly, the Transaction is now unconditional in accordance with the terms of the SPA and is envisaged to be implemented with an effective date of 1 August 2022.

ACCOUNTING MATTERS

Accounting for the impact of the civil unrest in South Africa

As indicated above, TFG Africa was impacted by the week of civil unrest which took place in the KwaZulu-Natal and Gauteng provinces in South Africa during July 2021.

The Group has raised a receivable of R150 million for the year ended 31 March 2022 to recover for the losses of profit due to the business interruption, which is included within sundry income. The total receivable outstanding as at the end of the current financial year amounts to R230 million.

As the insurance income relating to damages is linked directly to expenses incurred due to the riot, the Group has included both the income and expenses relating to losses within other operating expenses. The Group performed an assessment to identify if the losses related to store assets should be capitalised or treated as repairs and maintenance based on the nature of the damages incurred at a store level. The inventory losses have been included under other operating expenses as the Group determined this to be an abnormal expense in terms of IAS2.38, which is directly linked to the insurance income.

Insurance claims receivable: Significant judgement is required in assessing the virtual certainty of the recoverability of insurance claims receivable resulting from the civil unrest in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Although the Group is adequately insured for loss of assets and business interruption, this assessment was supported by the progression of the discussion with the insurer and their representatives, the payments received to date, market confidence provided regarding their commitment and financial ability of the insurer to settle outstanding claims.

Further detail is provided on page 76.

The external auditors as well as executive management and the Audit Committee members have reviewed these calculations, assumptions and significant judgements and the Audit Committee is satisfied with the accounting treatment and related disclosures included in the annual financial statements.

Provision for doubtful debts

As is set out on page 62, full details of the 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 the level of the provision carried is appropriate responsive to the determining assumptions in South Africa, Australia and the UK, respectively.

Inventory

The inventory provisioning methodology is consistent with that of the previous financial year and given the prevailing and forecasted macroeconomic and the individual jurisdictional specific conditions, inventory provisions remain at levels which are commercially sensible. After considered debate and review of the external and internal auditors' reports, together with detailed operational inputs from senior executives and brand leaders, the Audit Committee is satisfied that the value of inventory reflected on the statement of financial position at 31 March 2022 is fairly stated.

Losses from crime-related incidents

Commensurate with other commercial enterprises, although the Group continues to suffer from crime-related incidents in South Africa, our specialist Forensics department continues making progress in proactively limiting losses and assisting the law enforcement agencies in their attempts to bring 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 stress-testing valuation scenarios to the carrying values of intangibles in TFG Africa, TFG Australia and TFG London, respectively.

As a result of the strong post-COVID-19 recovery, all three trading territories continued to trade ahead of management expectations and delivered strong levels of profitability and cash flow generation in the 2022 financial year.

Following the review of the carrying values of the intangibles, it was concluded that the relevant operations had adequate headroom to sustain the current carrying value of intangibles.

EXTERNAL AUDITORS

The Group's external auditors are Deloitte & Touche and the designated partner is Mr J H W de Kock.

Deloitte & Touche is afforded unrestricted access to the Group's records and management, and were free to present any issues arising from their conduct of the annual audit to the committee. In addition, the designated partner, where necessary, has unrestrained opportunity to raise any 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 remained independent of the Group and executive and senior management throughout the conduct of their audit and therefore able to express an independent opinion on the Group's consolidated annual financial statements. The committee specifically considered Deloitte & Touche's tenure (five years) and the nature and extent of non-audit services rendered. Non-audit services totalling R3,6 million were provided during the current year (2021: R4,6 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 2023 financial year, having satisfied itself (by obtaining and reviewing the information specified in Paragraph 22.15(h) of the JSE Listings Requirements), *inter alia*, that:

- the audit firm is accredited by the JSE; and
- 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 annual 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 for the ensuing year.

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

Goodwill and intangible impairment assessment

- The Audit Committee specifically considered the recoverable amount of the Group's goodwill and intangible assets using the value-in-use technique. The assumptions and estimates used were supported by comprehensive calculations, analyses, forecasts and assumptions as prepared by management.
- The Audit Committee received timely and appropriate presentations from management. In addition, management received inputs 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 that no impairments are required in respect of the Group's goodwill and intangible assets.

Recovery of trade receivables

- During the year, the committee received detailed presentations from the Group director responsible for credit on the processes and procedures undertaken in controlling the granting of credit as well as the optimisation of the collection of receivables. These reports detailed trends in the credit environment, recoveries, bad debt write-offs and other relevant patterns 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. Appropriate discussions took place on their work undertaken and their findings.

Inventory

- The Audit Committee members received monthly summarised CEO reports, the commentary of 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 provided the Audit Committee with regular updates in terms of the level of inventory provisioning.

- 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 during the year by the Risk Committee.
- The external auditors provided a detailed year-end report on their work undertaken in their satisfaction of this financial caption being fairly stated.

INTEGRATED ANNUAL REPORT

The committee fulfils an oversight role in respect of the contents 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 at this stage, obtaining any independent assurance would not be required.

The committee considered the sustainability information as disclosed in the integrated annual report, assessed its consistency with the consolidated annual financial statements and Inspired Living Report and is satisfied that the sustainability information is in no way contradictory to information 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 the CFO, Ms B Ntuli, 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 current senior incumbents 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 and attendees, the CEO, CFO and executives, management and the Deloitte & Touche engagement team for their continuing efforts, assistance, guidance and support rendered to me and to this committee during the year under review.

APPROVAL

The committee recommended the approval of the consolidated annual financial statements and the integrated annual report for the year ended 31 March 2022 to the Supervisory Board on 29 July 2022.

The Supervisory Board subsequently approved the consolidated annual financial statements and the integrated annual report for the year ended 31 March 2022, which will be tabled and open for discussion at the forthcoming AGM.

E Oblowitz
Chairman: Board Audit Committee

29 July 2022

INDEPENDENT AUDITOR'S REPORT

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 20 to 93, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, 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 2022, gross trade receivables – retail amounted to R8 670.8 million, against which an ECL of R1 658.4 million was raised.	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, in conjunction with our credit and modelling specialists, the impairment methodology applied against the requirements of IFRS 9: *Financial Instruments*. • Our specialists evaluated that the impairment methodology developed has been appropriately applied in the underlying impairment modelling. • Reviewing the reasonability of the PW and EAW outputs by performing empirical challenger estimates.

Key Audit Matter

How the matter was addressed in the audit

Impairment of trade receivables – retail continued

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.
- Discounted Survival Percentage is the discount factor applied on a segmented basis derived from a survival curve to discount future losses. Instead of discounting the EAW of each account by the number of months it takes for the account to be written off, a survival curve to derive a discount factor on a segmented basis is used i.e., what percentage of the balance survives from one month to the next (where survival is 100% write off), and apply the discounting on this survival percentage.

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.

For the year ended 31 March 2022, management have included the following overlays: Macro-economic and Debt Relief 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.

- 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 macro-economic inputs are appropriately incorporated into the models. Where management applied out-of-model adjustments to the forward-looking information, we evaluated these for reasonableness against historical experience and evaluated the methodology applied to incorporate these into the forecasts.
- Performing a top-down challenger assessment of the adequacy of FLI adjustments 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.

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.

Key Audit Matter	How the matter was addressed in the audit
Valuation of inventory under the retail inventory method	
Inventory on hand at year end is one of the Group's most significant assets amounting to R9 349.2 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	
The Group's goodwill and intangible asset value of R6 923.7 million (FY21: R7 301.8 million) makes up a significant portion of the total non-current assets of the group. The goodwill attributable to the TFG London (UK) cash generating unit (CGU) and the value of the TFG London brands amount to 32% of the total goodwill and indefinite life intangible assets balance at the end of the 2022 financial year. This includes a significant impairment expense recognised in the prior year of R2 958.1 million. Refer to note 3 (Goodwill and Intangible Assets). 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 on an annual basis. The recoverable amount of the CGU was calculated using the value-in-use technique. The recoverable amounts of the TFG London brands (Phase Eight, Whistles and Hobbs) were calculated using the royalty relief method These valuations are subjective in nature as they are dependent on the directors' best estimate of the CGU and brands' future performance based on information known as at 31 March 2022. 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 the ongoing impact of the pandemic resulted in significant estimation and judgment applied in the annual impairment assessment. Due to the significance of the goodwill and intangible asset balance and the level of estimation inherently required in determining future performance, royalty rate 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 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 consider 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 analyses, including retail turnover growth rates, gross margins, discount rates, long term growth rates and royalty rates; • Independently recalculating the recoverable amount for the CGU and brand intangible assets; • Assessing the adequacy of the Group's disclosures in respect of goodwill and intangible assets. 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 "2022 Integrated Annual Report of The Foschini Group Limited for the year ended 31 March 2022" and in the document titled "2022 Audited Consolidated Annual Financial Statements of The Foschini Group for the year ended 31 March 2022", 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, Appendix 1: Subsidiary Companies, 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 communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 5 years.

Deloitte & Touche
Registered Auditor

Per: J H W de Kock
Partner

29 July 2022

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	2022 Rm	2021 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	2	**3 209,6**	2 525,0
Goodwill and intangible assets	3	**6 923,7**	7 301,8
Right-of-use assets	4	**7 643,8**	6 967,8
Investment	39	**136,8**	123,8
Deferred taxation assets	5	**1 329,0**	1 169,5
		19 242,9	18 087,9
Current assets			
Inventory	6	**9 349,2**	8 331,5
Trade receivables – retail	7	**7 012,4**	6 636,9
Other receivables and prepayments	8	**1 767,4**	1 331,3
Concession receivables	9	**195,0**	39,3
Cash and cash equivalents	10	**5 745,8**	4 843,2
Taxation receivable		**–**	3,4
		24 069,8	21 185,6
Total assets		**43 312,7**	39 273,5
EQUITY AND LIABILITIES			
Share capital	11	**4,4**	4,4
Share premium		**7 905,4**	7 905,4
Treasury shares	12	**(1 046,3)**	(887,9)
Dividend reserve	13	**1 092,4**	–
Hedging deficit	14	**(157,2)**	(98,9)
Foreign currency translation reserve	15	**658,3**	912,7
Post-retirement defined benefit plan reserve	17	**8,0**	(23,6)
Retained earnings		**10 672,9**	9 398,9
Equity attributable to equity holders of The Foschini Group Limited		**19 137,9**	17 211,0
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	18	**4 883,7**	3 894,6
Put option liability	16	**32,6**	45,5
Lease liabilities	20	**5 449,5**	5 064,6
Deferred taxation liabilities	5	**839,9**	816,5
Post-retirement defined benefit plan	17	**221,1**	246,7
		11 426,8	10 067,9
Current liabilities			
Interest-bearing debt	18	**1 899,4**	2 263,1
Trade and other payables	19	**7 206,5**	6 382,3
Lease liabilities	20	**3 366,5**	3 122,3
Taxation payable		**275,6**	226,9
		12 748,0	11 994,6
Total liabilities		**24 174,8**	22 062,5
Total equity and liabilities		**43 312,7**	39 273,5

CONSOLIDATED INCOME STATEMENT

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Note	2022 Rm	2021 Rm
Revenue	24	**46 167,4**	35 585,8
Retail turnover		**43 370,3**	32 950,3
Cost of turnover		**(22 343,5)**	(17 960,0)
Gross profit		**21 026,8**	14 990,3
Interest income	25	**1 227,0**	1 358,4
Other income	26	**1 570,1**	1 277,1
Net bad debt		**(983,8)**	(1 222,4)
Trading expenses	27	**(17 968,6)**	(14 856,7)
Operating profit before acquisition costs, gain on bargain purchase and impairment of goodwill and brands		**4 871,5**	1 546,7
Acquisition costs	38	**(58,8)**	(16,8)
Gain on bargain purchase	38	**–**	709,0
Impairment of goodwill and brands		**–**	(2 958,1)
Operating profit (loss) before finance costs		**4 812,7**	(719,2)
Finance costs	28	**(783,8)**	(993,5)
Profit (loss) before tax		**4 028,9**	(1 712,7)
Income tax expense	29	**(1 119,4)**	(149,1)
Profit (loss) for the year		**2 909,5**	(1 861,8)
Attributable to:			
Equity holders of The Foschini Group Limited		**2 909,5**	(1 861,8)
Earnings per ordinary share (cents)	30		
Total			
Basic		**901,9**	(614,0)
Diluted (basic)		**894,6**	(611,8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	2022 Rm	2021 Rm
Profit (loss) for the year	**2 909,5**	(1 861,8)
Other comprehensive income (loss):		
Items that will never be reclassified to profit or loss		
Actuarial gain on post-retirement defined benefit plan	**43,8**	–
Deferred tax on items that will never be reclassified to profit or loss	**(12,2)**	–
Items that are or may be reclassified to profit or loss		
Movement in effective portion of changes in fair value of cash flow hedges	**(80,9)**	(402,1)
Foreign currency translation reserve movements	**(254,4)**	(281,3)
Deferred tax on items that are or may be reclassified to profit or loss	**22,6**	119,0
Other comprehensive loss for the year, net of tax	**(281,1)**	(564,4)
Total comprehensive income (loss) for the year	**2 628,4**	(2 426,2)
Attributable to:		
Equity holders of The Foschini Group Limited	**2 628,4**	(2 426,2)

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 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**

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 2021	4,4	7 905,4	(887,9)	790,2	9 398,9	17 211,0
Total comprehensive income for the year				(281,1)	2 909,5	2 628,4
Profit for the year					2 909,5	2 909,5
Other comprehensive loss						
Actuarial gain on post-retirement defined benefit plan (note 14)				43,8		43,8
Movement in effective portion of changes in fair value of cash flow hedges				(80,9)		(80,9)
Foreign currency translation reserve movements (note 15)				(254,4)		(254,4)
Deferred tax on movement in other comprehensive income (note 5)				10,4		10,4
Share-based payments reserve movements					87,1	87,1
Dividends paid (note 36)					(556,0)	(556,0)
Transfer to dividend reserve (note 13)				1 092,4	(1 092,4)	–
Proceeds from sale of shares in terms of share incentive schemes					11,8	11,8
Shares purchased in terms of share incentive schemes			(244,4)			(244,4)
Delivery of shares by share incentive schemes			86,0		(86,0)	–
Equity at 31 March 2022	4,4	7 905,4	(1 046,3)	1 601,5	10 672,9	19 137,9

	2022	2021
Dividend per ordinary share (cents)		
Interim	170,0	–
Final	330,0	–
Total	500,0	–

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 March

The Foschini Group Limited and its subsidiaries

	Note	2022 Rm	2021 Rm
Cash flows from operating activities			
Operating profit before working capital changes	34	**9 490,6**	6 523,7
(Increase) decrease in working capital	34	**(1 294,6)**	2 910,5
Cash generated from operations	34	**8 196,0**	9 434,2
Interest income		**65,1**	105,2
Finance costs	28	**(783,8)**	(993,5)
Taxation paid	35	**(1 192,1)**	(396,6)
Dividends received	39	**82,4**	34,8
Dividends paid	36	**(556,0)**	–
Net cash inflows from operating activities		**5 811,6**	8 184,1
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(1 574,0)**	(628,7)
Proceeds from sale of property, plant and equipment and intangible assets		**90,4**	10,8
Business combination acquisition, net of cash received	38	**(220,3)**	(374,1)
Investment in insurance arrangement	39	**–**	(127,0)
Net cash outflows from investing activities		**(1 703,9)**	(1 119,0)
Cash flows from financing activities			
Shares purchased in terms of share incentive schemes		**(244,4)**	(337,0)
Proceeds from sale of shares in terms of share incentive schemes		**11,8**	2,9
Increase (decrease) in interest-bearing debt		**688,9**	(5 076,4)
Lease liability payments	37	**(3 536,9)**	(3 491,7)
Net proceeds from rights issue	30	**–**	3 808,3
Net cash outflows from financing activities		**(3 080,6)**	(5 093,9)
Net increase in cash and cash equivalents during the year		**1 027,1**	1 971,2
Cash and cash equivalents at the beginning of the year		**4 843,2**	2 969,1
Effect of exchange rate fluctuations on cash held		**(124,5)**	(97,1)
Cash and cash equivalents at the end of the year	10	**5 745,8**	4 843,2

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**
2022					
External revenue	**31 264,1**	**581,0**	**6 253,8**	**6 841,5**	**44 940,4**
External interest income	**65,1**	**1 161,9**	**–**	**–**	**1 227,0**
Total revenue*	**31 329,2**	**1 742,9**	**6 253,8**	**6 841,5**	**46 167,4**
External finance costs	**(213,1)**	**–**	**(75,5)**	**(4,3)**	**(292,9)**
External finance costs on lease liabilities	**(376,7)**	**–**	**(40,7)**	**(73,5)**	**(490,9)**
Depreciation and amortisation	**(641,1)**	**–**	**(94,8)**	**(124,7)**	**(860,6)**
Depreciation on right-of-use assets	**(2 377,6)**	**–**	**(202,1)**	**(873,8)**	**(3 453,5)**
(Impairment) Impairment reversal of property, plant and equipment and intangible assets	**(11,2)**	**–**	**41,9**	**(6,6)**	**24,1**
Impairment of right-of-use assets	**(82,9)**	**–**	**(35,9)**	**–**	**(118,8)**
Group profit before tax					**4 028,9**
Segmental profit before tax**	**2 665,6**	**174,6**	**372,4**	**816,3**	**4 028,9**

	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)

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

** *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 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 chief operating decision-maker (CODM). The Operating Board, is distinct from the Group's Supervisory Board, consists only of executive directors. All operating segments' operating results are reviewed regularly by the CODM to make decisions about the allocation of resources to the operating segment and to assess its performance.

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

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

	TFG Africa retail Rm	TFG London Rm	TFG Australia Rm	Total Rm
2022				
Clothing	**22 740,4**	**6 253,8**	**6 841,5**	**35 835,7**
Homeware	**2 251,2**	**–**	**–**	**2 251,2**
Cosmetics	**959,8**	**–**	**–**	**959,8**
Jewellery	**1 449,7**	**–**	**–**	**1 449,7**
Cellphones	**2 873,9**	**–**	**–**	**2 873,9**
Total retail turnover	**30 275,0**	**6 253,8**	**6 841,5**	**43 370,3**

	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

The group is split into four reportable operating segments, and is further structured based on products and services offered.

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

- **TFG Africa retail division** comprising of the @home division, 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 and related functions with regard to the granting of credit.
- **TFG London division** comprising of 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 of 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
2022					
Segment revenue					
South Africa	**28 753,2**	**1 703,9**	**–**	**–**	**30 457,1**
Rest of Africa	**1 633,9**	**39,0**	**–**	**–**	**1 672,9**
United Kingdom and Ireland	**–**	**–**	**2 868,3**	**–**	**2 868,3**
Australia	**–**	**–**	**–**	**5 866,7**	**5 866,7**
Rest of the World	**–**	**–**	**559,1**	**341,8**	**900,9**
E-commerce**	**942,1**	**–**	**2 826,4**	**633,0**	**4 401,5**
Total segment revenue*	**31 329,2**	**1 742,9**	**6 253,8**	**6 841,5**	**46 167,4**
Segment non-current assets					
South Africa					**9 312,2**
Rest of Africa					**327,3**
United Kingdom and Ireland					**2 622,9**
Australia					**5 238,3**
Rest of the World					**276,4**
Total segment non-current assets***					**17 777,1**

	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

* *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 2022

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 2022 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) and its interpretations adopted by the International Accounting Standards Board, 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 29 July 2022.

Basis of measurement

The financial statements are prepared on the going concern and historical cost basis, except where otherwise stated. Certain individual companies (foreign operations) in the Group have functional currencies that differ to that of the presentation currency of the Group and are translated on consolidation.

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; and
- Exposure at Write-off (EAW) is an estimate of the expected exposure at a future write-off date.
- The Group uses reasonable and supportable forward-looking information, which is based on assumptions and expert opinion for the future movement of different economic drivers and how these drivers will affect each other. As these assumptions and expert opinions pertain to uncertain future events, significant judgement is present. Forward-looking information can include the impact of potential future legislation. The impact on ECLs is assessed based on the latest information available regarding the applicable legislation. Estimates and judgements are required to assess the impact on the PW and EAW, and the timing of the anticipated credit loss.
- No provision is made and held against trade receivables – retail unutilised facilities. The unutilised facility does not meet the definition of a loan commitment.

Concession receivables

Concession receivables relates to balances due from stores located in the United Kingdom and internationally, where concessions 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 forward-looking component available at 31 March 2022. 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

Certain inventories in TFG Africa are valued by use of the retail inventory method (RIM) 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 and to and during the restrictions. The Group assessed the inventory provisioning to identify the impact specifically relating to COVID-19.

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).

1.2 Significant judgements and estimates continued

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

The Group has considered property, plant and equipment and right-of-use (ROU) 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. 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 2022.

Goodwill and intangible assets impairment assessment

The recoverable amount of the TFG Africa, TFG London and TFG Australia cash-generating units (CGUs) was calculated using the value in use valuation technique when assessing the goodwill and indefinite useful life intangibles for impairment. The recoverable amount of the CGUs was used for the goodwill impairment, whilst the recoverable amounts of the individual brands were used for brand impairment. The Group uses certain judgements in calculating the recoverable amount of the goodwill and brand within each CGU. Some of these judgements include the use of a weighted average cost of capital (WACC) rate, retail turnover growth rate, long-term growth rate and a royalty rate. 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 only include renewal options where we are reasonably certain that the renewal option will be 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), fair value estimation (note 21), and the virtual certainty of the recoverability of insurance claims receivable resulting from the civil unrest (note 22).

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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Adjustments made on changes of interest in subsidiaries are recognised in equity when control is retained, and in profit or loss when control is lost.

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

The Group established a structured entity in the form of the share incentive trust and TFG Foundation. The Group does not have any direct or indirect shareholding in the share incentive trust and TFG Foundation. However the Group directs all the relevant activities of the share incentive trust and TFG Foundation through key management involvement that directly affects the returns generated and therefore the share incentive trust and TFG Foundation, that in substance are controlled by the Group, are consolidated.

1. ACCOUNTING POLICIES continued

1.3 Basis of consolidation continued

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, 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 contingent consideration is a measurement period adjustment, the change in fair value is adjusted for retrospectively and is recognised directly as goodwill. When it is not a measurement period adjustment, the change in fair value is recognised in profit or loss in terms of the underlying IFRS standard applicable to the contingent consideration.

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 are transferred to a dividend reserve. The Group has chosen to classify dividend income and dividend distributions as operating activities in the consolidated cash flow statement.

1. ACCOUNTING POLICIES continued

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.

1.7 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, bonus, annual and sick leave represent the amount the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits are calculated at undiscounted amounts based on current wage and salary rates and expensed when incurred.

Post-employment benefits

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

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension, provident, 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 plans

Post-retirement medical aid benefits

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of 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) and are not reclassified. 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 are recognised in profit or loss.

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

1. ACCOUNTING POLICIES continued

1.7 Employee benefits continued

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.

1.8 Expenses

Finance costs

Finance costs comprise interest paid and payable on borrowings calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Leases containing variable payments 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. The Group defines a short-term lease as one that has a lease term of 12 months or less without any purchase options.

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. The majority of the Group's receivables do not contain a significant financing component and therefore are measured at transaction price.

1. ACCOUNTING POLICIES continued

1.9 Financial instruments continued

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 and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents is comprised of 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 is classified as a current financial asset included within other receivables and prepayments on the statement of financial position. The financial asset is designated for measurement at fair value through profit or loss as it does not qualify for recognition at fair value through other comprehensive income.

The Hollard business arrangement in respect of the Jet insurance business is classified as a non-current financial asset included within investment on the statement of financial position. The financial asset is designated for measurement at fair value through profit or loss as it does not qualify for recognition at fair value through other comprehensive income.

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. Any recoveries made are recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at fair value through other comprehensive income (FVTOCI). For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

1. ACCOUNTING POLICIES continued

1.9 Financial instruments continued

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 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.

Gains and losses on subsequent measurement of hedged instruments

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 an NCI on the date when the option lapses.

1. ACCOUNTING POLICIES continued

1.9 Financial instruments continued

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 shares

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.

1.11 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.

1. ACCOUNTING POLICIES continued

1.11 Foreign currencies continued

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 they approximate 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 exposure 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.

For each cash flow hedge which is entered into to mitigate the risk of exposure to the variability in cash flows, the below is considered and documented.

- Identify the nature of the hedged risk
- Identify the hedged item
- Specify the hedging instrument
- Confirm the methodology of the hedging ratio used to determine effectiveness
- Detail the analysis of expected sources of ineffectiveness
- Detail how the effectiveness requirements will be met including:
  - Economic relationship
  - Whether credit risk dominates the economic relationship
  - Confirmation that the hedge ratio is in line with the risk management
- Detail the reason behind any rebalancing

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.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss and does not affect OCI.

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 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 re-habilitated 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 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.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Currently, the Instinct, Fabiani, Granny Goose, 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 company, 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	7% – 33%
Customer lists	33%

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 the Retail Inventory Method (RIM) and separately the weighted average cost method to value inventory and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. The weighted average cost method is used specifically for Jet within TFG Africa and in TFG International. 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. Cost is defined as any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

1. ACCOUNTING POLICIES continued

1.17 Property, plant and equipment continued

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

Shopfittings and furniture and fixtures	8% – 33%
Passenger vehicles	17% – 20%
Commercial vehicles	25%
Computer equipment	14% – 33%
Office equipment	5% – 20%
Buildings	3% – 10%
Leasehold improvements	Shorter of useful life or lease period

Land is not depreciated.

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.

1. ACCOUNTING POLICIES continued

1.18 Leases continued

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

The lease liability is remeasured whenever:

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

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

The Group has 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)).

1. ACCOUNTING POLICIES continued

1.19 Revenue and other income continued

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

Value-added services

Publishing income

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

Mobile one2one airtime income

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

Income earned from the insurance cell captives

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

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

Collection cost recovery and service fees

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

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

1.20 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.

Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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.

1.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and when it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

The Group has recognised a provision for employee benefits, insurance claims and certain tax provisions within trade and other payables on the statement of financial position. Movements in the liability, including notional interest, are accounted for in the income statement.

2. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	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	**423,6**	**(135,1)**	**288,5**	349,3	(124,0)	225,3
Shopfittings and furniture and fixtures	**7 390,3**	**(5 148,8)**	**2 241,5**	7 013,4	(5 285,2)	1 728,2
Motor vehicles	**106,3**	**(37,9)**	**68,4**	95,3	(35,7)	59,6
Office equipment	**259,2**	**(114,2)**	**145,0**	250,9	(140,9)	110,0
Computer equipment	**1 342,8**	**(878,4)**	**464,4**	1 429,9	(1 030,5)	399,4
Leasehold improvements	**6,5**	**(4,7)**	**1,8**	6,5	(4,0)	2,5
Total	**9 528,7**	**(6 319,1)**	**3 209,6**	9 145,3	(6 620,3)	2 525,0

Reconciliation of property, plant and equipment – 2022 (Rm)

	Opening balance	**Additions**	**Additions through business combi-nations**	**Disposals**	**Impair-ment reversal**	**Depre-ciation**	**Foreign exchange move-ments**	**Total**
Land and buildings	**225,3**	**74,2**	**–**	**–**	**–**	**(11,0)**	**–**	**288,5**
Shopfittings and furniture and fixtures	**1 728,2**	**1 175,2**	**0,5**	**(100,9)**	**22,0**	**(569,6)**	**(13,9)**	**2 241,5**
Motor vehicles	**59,6**	**26,4**	**0,8**	**(8,3)**	**–**	**(10,1)**	**–**	**68,4**
Office equipment	**110,0**	**46,9**	**22,3**	**(0,3)**	**–**	**(33,9)**	**–**	**145,0**
Computer equipment	**399,4**	**232,3**	**0,3**	**(23,8)**	**2,1**	**(143,4)**	**(2,5)**	**464,4**
Leasehold improvements	**2,5**	**–**	**–**	**–**	**–**	**(0,7)**	**–**	**1,8**
Total	**2 525,0**	**1 555,0**	**23,9**	**(133,3)**	**24,1**	**(768,7)**	**(16,4)**	**3 209,6**

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

None of the Group's assets is in any way encumbered. Property, plant and equipment and 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 the Group potentially seeks to close by no later than the next lease renewal date. These stores usually contribute negatively to the future projected cash flows or are not aligned with the Group's expansion strategy. The Group continually assesses the current store base and do not anticipate that these stores will return to profitability in the future until their respective closures. In the current year, certain stores became profitable resulting in an impairment reversal. Certain IT assets were written off and impaired due to the new digitalisation strategy in TFG Africa. Refer to segmental reporting for the allocation of impairment per segment. Registers of the land and buildings are available for inspection at the registered office of the company at Parow East.

3. GOODWILL AND INTANGIBLE ASSETS

	2022 Cost Rm	2022 Accumulated amortisation and impairment Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated amortisation and impairment Rm	2021 Carrying value Rm
Trademarks and brands	**4 635,3**	**(1 143,8)**	**3 491,5**	4 791,9	(1 213,3)	3 578,6
Customer lists	**10,3**	**(4,2)**	**6,1**	10,4	(0,7)	9,7
Goodwill	**4 511,9**	**(1 536,4)**	**2 975,5**	4 523,7	(1 630,3)	2 893,4
Computer software	**848,7**	**(398,1)**	**450,6**	1 429,1	(609,0)	820,1
Total	**10 006,2**	**(3 082,5)**	**6 923,7**	10 755,1	(3 453,3)	7 301,8

Reconciliation of goodwill and intangible assets – 2022 (Rm)

	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Foreign exchange movements	Total
Trademarks and brands	**3 578,6**	**–**	**11,7**	**–**	**–**	**(98,8)**	**3 491,5**
Customer lists	**9,7**	**–**		**–**	**(3,3)**	**(0,3)**	**6,1**
Goodwill	**2 893,4**	**–**	**195,9**	**–**	**–**	**(113,8)**	**2 975,5**
Computer software	**820,1**	**19,0**	**–**	**(279,2)**	**(108,6)**	**(0,7)**	**450,6**
Total	**7 301,8**	**19,0**	**207,6**	**(279,2)**	**(111,9)**	**(213,6)**	**6 923,7**

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

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

	2022 Rm	2021 Rm
Instinct*	**1,5**	1,5
Fabiani*	**49,3**	49,3
G-Star RAW*	**10,7**	10,7
Jet*	**743,6**	743,6
Granny Goose*	**11,7**	–
Phase Eight**	**570,7**	602,7
Whistles**	**30,7**	33,5
Hobbs**	**184,2**	195,7
RAG***	**1 889,1**	1 941,6
	3 491,5	3 578,6

* *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 Granny Goose brand intangible asset represents registered rights to the exclusive use of the Granny Goose brand name. The useful life of the Granny Goose 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 brand 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 brand 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 brand 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 brand 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.

Customer lists with a definite useful life

The customer lists intangible asset represents TFG's fair value of the customer lists. The useful life of the customer lists is considered to have a 3 year useful life. The intangible asset is 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:

	2022 Rm	2021 Rm
TFG Africa	**816,8**	805,1
TFG London	**784,0**	831,9
TFG Australia	**1 890,7**	1 941,6
	3 491,5	3 578,6

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

	2022 Rm	2021 Rm
TFG Africa	**226,2**	30,3
TFG London	**1 386,8**	1 463,9
TFG Australia	**1 362,5**	1 399,2
	2 975,5	2 893,4

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

Key assumptions used in recoverable amount 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 intangible asset

The remaining value of goodwill and indefinite intangibles allocated to the TFG Africa CGU is insignificant.

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. TFG Africa 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 Africa 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 the Jet intangible asset for period 1 is 8%, period 2 is 12%, period 3 is 12%, period 4 is 11% and period 5 is 5%.

Pre-tax discount rate: Pre-tax discount rate of 18,2% (2021: 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 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%.

The calculated headroom between the value-in-use and the carrying amount for the Jet brand amounts to R274 million.

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

3. GOODWILL AND INTANGIBLE ASSETS continued

Key assumptions used in recoverable value calculation continued

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

Based on the sensitivity of the WACC rate, an increase of one percentage point would result in the headroom being R184 million. A decrease in the royalty rate by 0,5% would result in the headroom being R20 million.

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, expected changes to gross margin and EBITDA margins. 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. 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 impact 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 6%, period 2 is 2%, period 3 is 2%, period 4 is 1% and period 5 is 1% due to the expectation that TFG London will not be as impacted by COVID-19 from the 2023 financial year onwards (2021: period 1 is 38%, period 2 is 5%, period 3 is 5%, period 4 is 4% 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 65% – 66% (2021: 64 – 65%).

Pre-tax discount rate: Pre-tax discount rate of 12,8% (2021: 11,5%) represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The deterioration in discount rate used is largely due to an increase in the business risk rates applied and uncertain UK environment. A pre-tax discount rate of 13,9% (2021: 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% (2021: 1,5%).

Royalty rate: A royalty rate of 3% (2021: 3%) was used in calculating the recoverable amount of the TFG London (Phase Eight, Whistles and Hobbs) brands using the royalty relief method.

The calculated headroom between the value-in-use and the carrying amount for the TFG London cash-generating unit amounts to GBP79 million. The Phase Eight brand has no headroom at 31 March 2022. In the prior year, following the review of the carrying value of the goodwill and brands, the Group recognised 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.

Based on the sensitivity of the WACC rate, an increase of one percentage point would result in the headroom being GBP63 million. A decrease in the long-term growth rate by 0,5% would result in the headroom being GBP73 million.

A one percentage point increase in the WACC rate would result in an additional impairment of the Phase Eight brand of GBP3 million. A decrease in the royalty rate by 0,5% would result in an additional impairment of the Phase Eight brand of GBP5 million.

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, expected changes to gross margin and EBITDA margins. 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 8%, period 2 is 9%, period 3 is 9%, period 4 is 9% and period 5 is 9% (2021: period 1 is 26%, period 2 is 6%, period 3 is 5%, period 4 is 5% and for period 5 is 5%).

Gross margins: Gross margins are based on the approved forecast gross margin for the forecast period of 70% (2021: 70%).

3. GOODWILL AND INTANGIBLE ASSETS continued

Key assumptions used in recoverable value calculation continued

Pre-tax discount rate: Pre-tax discount rate of 18,1% (2021: 18,0%) represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

Long-term growth rate: The rate is based on the longer-term inflation expectations across the current operating retail industry being 2,1% (2021: 2,1%).

The calculated headroom between the value-in-use and the carrying amount for the TFG Australia cash-generating unit amounts to AUD115 million (2021: AUD91 million).

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

Based on the sensitivity of the WACC rate, an increase of one percentage point would result in the headroom being AUD69 million. A decrease in the long-term growth rate by 0,5% would result in the headroom being AUD100 million.

4. RIGHT-OF-USE ASSETS

The Group leases land and buildings for its office space and retail stores. The leases of office space and retail stores typically run for a period of 3 to 5 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.

	2022			2021		
	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	**23 171,1**	**(15 527,3)**	**7 643,8**	20 523,2	(13 555,4)	6 967,8
Total	**23 171,1**	**(15 527,3)**	**7 643,8**	20 523,2	(13 555,4)	6 967,8

Reconciliation of right-of-use assets – 2022 (Rm)

	Opening balance	**Additions**	**Additions through business combi-nations**	**Disposals**	**Impair-ment***	**Depre-ciation**	**Foreign exchange move-ments**	**Total**
Property leases	**6 967,8**	**4 548,2**	**11,9**	**(240,6)**	**(118,8)**	**(3 453,5)**	**(71,2)**	**7 643,8**
Total	**6 967,8**	**4 548,2**	**11,9**	**(240,6)**	**(118,8)**	**(3 453,5)**	**(71,2)**	**7 643,8**

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

	Opening balance	Additions	Additions through business combi-nations	Disposals	Impair-ment	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

* *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 contribute negatively to the future projected cash flows or are not aligned with the Group's expansion strategy. The Group continually assesses 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.*

4. RIGHT-OF-USE ASSETS continued

Amounts recognised in profit and loss

	2022 Rm	2021 Rm
Depreciation on right-of-use assets	**3 453,5**	3 418,3
Impairment of right-of-use assets	**118,8**	239,5
Finance costs on lease liabilities	**490,9**	551,8
COVID-19 rent concessions (note 40)	**(32,3)**	(469,3)
Expense relating to leases of low value assets	**25,3**	23,0
Expense relating to variable payments not included in the measurement of the lease liability	**664,9**	596,7

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:

	2022 Rm	2021 Rm
Fixed payments	**4 025,5**	4 043,5
Variable payments	**664,9**	596,7
Total payments excluding COVID-19 rent concessions	**4 690,4**	4 640,2
COVID-19 rent concessions	**(32,3)**	(469,3)
Total payments	**4 658,1**	4 170,9

Overall the variable payments constitute up to 14,2% (March 2021: 12,9%) of the Group's entire lease payments (excluding COVID-19 rent concessions) for property leases.

The total cash outflow for leases amounted to R4 683,5 million (2021: R4 193,9 million).

5. DEFERRED TAXATION

	2022 Rm	2021 Rm
Balance at 1 April	**353,0**	141,0
Additions through business combinations	**4,0**	(278,8)
Amounts recognised directly in other comprehensive income (loss)		
Foreign currency movements	**(5,0)**	(9,2)
Financial instrument reserves	**22,6**	119,0
Post-retirement defined benefit plan reserve	**(12,2)**	–
Current year movement in temporary differences recognised in profit or loss		
Prior year under (over) provision	**81,1**	(207,1)
Leases	**81,5**	(36,0)
Working capital allowances	**153,9**	438,0
Capital allowances	**(148,6)**	(218,8)
Restraint of trade	**(0,3)**	(1,6)
Assessed loss	**28,1**	168,3
Rate change	**(65,0)**	–
Brand impairment	**–**	238,2
At 31 March	**493,1**	353,0
Arising as a result of:		
Deferred taxation asset		
Financial instrument reserves	**64,7**	42,1
Leases	**219,8**	138,3
Working capital allowances	**1 013,2**	877,7
Capital allowances	**66,8**	170,5
Restraint of trade	**(28,9)**	(29,2)
Assessed loss	**197,3**	169,2
Post-retirement defined benefit plan reserve	**(3,1)**	9,1
Intangible assets	**(200,8)**	(208,2)
Deferred taxation asset^	**1 329,0**	1 169,5
Arising as a result of:		
Deferred taxation liability		
Working capital allowances	**(70,0)**	(69,8)
Capital allowances	**(6,0)**	(6,0)
Intangible assets	**(763,9)**	(740,7)
Deferred taxation liability	**(839,9)**	(816,5)
Net deferred taxation^^	**489,1**	353,0

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

^^ *Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.*

6. INVENTORY

	2022 Rm	2021 Rm
Merchandise	**8 835,7**	8 073,0
Raw materials	**470,0**	252,1
Shopfitting stock	**28,9**	4,3
Consumables	**14,6**	2,1
Inventory at year-end	**9 349,2**	8 331,5

Inventory losses in the current year amounted to R448,1 million (2021: R291,4 million).

7. TRADE RECEIVABLES – RETAIL

	2022 Rm	2021 Rm
6-month credit plan	**803,8**	757,4
12-month credit plans	**6 208,6**	5 879,5
	7 012,4	6 636,9

The effective rate of interest earned on the above receivables during the year under review is 15,5% (2021: 16,2%). The Group's management of and exposure to credit and market risk is disclosed in note 21. The figures disclosures above is net of ECL provisions.

8. OTHER RECEIVABLES AND PREPAYMENTS

	2022 Rm	2021 Rm
Miscellaneous debtors^	**927,5**	767,7
Prepaid expenses	**561,5**	271,1
Insurance cell captive receivables	**278,4**	292,5
	1 767,4	1 331,3

^ *Miscellaneous debtors consist of sundry debtors (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

	2022 Rm	2021 Rm
Concession receivables	**195,0**	39,3

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

10. CASH AND CASH EQUIVALENTS

	2022 Rm	2021 Rm
Cash and cash equivalents	**5 745,8**	4 843,2

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

	2022 Rm	2021 Rm
Authorised		
200 000 (2021: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
600 000 000 (2021: 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**	4,1
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**	4,1
Total in issue at the end of the year – Group	**4,0**	4,0
Preference share capital		
200 000 (2021: 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**	4,5
Total net issued share capital – Group	**4,4**	4,4

* *Zero as a result of rounding.*

	Number of shares	
	2022	2021
Reconciliation of number of shares issued:		
Opening balance	**331 027 300**	236 756 814
Rights issue	**–**	94 270 486
Total in issue	**331 027 300**	331 027 300
Shares held by subsidiary	**(1 080 599)**	(1 080 599)
Shares held in terms of share incentive schemes	**(7 421 549)**	(6 522 980)
Total in issue at the end of the year – company	**331 027 300**	331 027 300
Total in issue at the end of the year – Group	**322 525 152**	323 423 721

Dividend and voting rights

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

Holders of ordinary shares received the following dividends during the year:

Interim: 170,0 cents per share paid on 10 January 2022.

Final: 330,0 cents per share payable on 25 July 2022.

Unissued ordinary shares

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

11. SHARE CAPITAL continued

Directors' interest

At 31 March 2022, 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	**2022 Total '000**	2021 Total '000
Non-executive						
M Lewis (indirect non-beneficial)	1 818,8	–	–		**1 818,8**	1 818,8
Prof. F Abrahams	–	–	–		**–**	–
C Coleman	–	–	–		**–**	–
G H Davin	–	–	–		**–**	–
D Friedland (indirect beneficial)	30,0	–	–		**30,0**	28,6
B L M Makgabo-Fiskerstrand	–	–	–		**–**	–
A D Murray (direct beneficial)	647,0	–	–		**647,0**	647,0
A D Murray (indirect beneficial)	737,5	–	–		**737,5**	822,5
E Oblowitz (direct beneficial)	3,0	–	–		**3,0**	3,0
N V Simamane (direct beneficial)	2,3	–	–		**2,3**	2,3
R Stein (direct beneficial)	184,2	–	–		**184,2**	184,2
R Stein (indirect beneficial)	80,0	–	–		**80,0**	80,0
Total non-executive	3 502,8				**3 502,8**	3 586,4

11. SHARE CAPITAL continued

Directors' interest continued

	Shares '000	Share appreciation rights accepted '000	Price per share* R	Year of delivery	**2022 Total '000**	2021 Total '000
Executive						
B Ntuli (performance-based restricted forfeitable shares)	132,3	–	–		**132,3**	132,3
B Ntuli (restricted forfeitable shares)	18,9	–	–		**18,9**	18,9
	151,2	–			**151,2**	151,2
B Ntuli	–	43,9	174,3	2024	**43,9**	43,9
	–	43,9			**43,9**	43,9
A E Thunström (direct beneficial)	60,1	–	–		**60,1**	52,0
A E Thunström (performance-based restricted forfeitable shares)	257,8	–	–		**257,8**	307,6
A E Thunström (restricted forfeitable shares)	383,2	–	–		**383,2**	350,0
A E Thunström (MSR shares)	13,5	–	–		**13,5**	–
A E Thunström (Deferred shares)	33,9	–	–		**33,9**	–
	748,5	–			**748,5**	709,6
A E Thunström	–	–	–	–	**–**	31,2
A E Thunström	–	–	–	–	**–**	37,8
A E Thunström	–	–	–	–	**–**	47,0
A E Thunström	–	–	183,90	–	**–**	77,0
A E Thunström	–	85,6	174,30	2024	**85,6**	85,6
	–	85,6			**85,6**	278,6
Executive						
Total executive excluding share appreciation rights	899,7				**899,7**	860,8
Total executive share appreciation rights		129,5			**129,5**	322,5
Non-executive and executive						
Total excluding share appreciation rights	4 402,5				**4 402,5**	4 447,2
Total share appreciation rights		206,5			**206,5**	322,5

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

Changes to directors' interests after year-end

	FSRs Accepted*	**Indicative Value#**
Acceptance of FSR's in July 2022		
A E Thunström	**113 709**	**R16 714 086**
B Ntuli	**53 138**	**R7 810 755**

* *The restricted forfeitable shares (FSRs) accepted is a result of the Deferred Incentive portion of the Single Incentive which will vest equally in June 2024 and June 2025.*

Indicative value based on the Volume Weighted Average Price (VWAP) of R146,99 on 31 March 2022.

12. TREASURY SHARES

	Number of shares	
	2022	2021
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 beginning of the year	**7 603 579**	5 094 868
Employees of TFG in terms of share incentive schemes	**1 495 666**	3 509 900
Shares purchased during the year in terms of share incentive schemes	**1 495 666**	3 509 900
Employees of TFG in terms of share incentive schemes	**(55 877)**	(39 301)
Shares sold during the year	**(55 877)**	(39 301)
The Foschini Share Incentive Trust	**(45 136)**	–
Employees of TFG in terms of share incentive schemes	**(496 084)**	(961 888)
Shares delivered during the year	**(541 220)**	(961 888)
Foschini Stores Proprietary Limited	**1 080 599**	1 080 599
The Foschini Share Incentive Trust	**1 135 207**	1 180 343
Employees of TFG in terms of share incentive schemes	**6 286 342**	5 342 637
Balance at the end of the year	**8 502 148**	7 603 579

As at 31 March 2022, a subsidiary, Foschini Stores Proprietary Limited, held 1 080 599 (2021: 1 080 599) shares, representing 0,3% (2021: 0,3%) of the company's share capital. The Foschini Share Incentive Trust held 1 135 207 (2021: 1 180 343) shares, representing 0,4% (2021: 0,4%) of the company's share capital, and employees of TFG held 6 286 342 (2021: 5 342 637) shares representing 1,9% (2021: 1,6%) 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 R163,4 (2021: R96,0).

The current cost of treasury shares amounts to R1 046,3 (2021: R887,9) million.

13. DIVIDEND RESERVE

An amount equal to dividends declared subsequent to the reporting date is transferred to the dividend reserve.

A final dividend of 330,0 (2021: No final dividend) cents per ordinary share was declared on 10 June 2022 and is payable on 25 July 2022.

	2022 Rm	2021 Rm
Balance at 1 April	**–**	–
Transfer to dividend reserve from distributable earnings	**1 092,4**	–
Balance at 31 March	**1 092,4**	–

14. HEDGING DEFICIT

The hedging deficit 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.

	2022 Rm	2021 Rm
Balance at 1 April	(98,9)	184,2
Effective portion of changes in fair value of cash flow hedges	(80,9)	(402,1)
Deferred tax on movement in effective portion of cash flow hedges	22,6	119,0
Balance at 31 March	(157,2)	(98,9)
Comprised as follows:		
Forward exchange contracts – fair value	(221,8)	(140,9)
Total fair value of cash flow hedges	(221,8)	(140,9)
Deferred tax on forward exchange contracts	64,6	42,0
Total deferred tax on cash flow hedges	64,6	42,0
Balance at 31 March	(157,2)	(98,9)

The opening balance of R98,9 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.

	2022 Rm	2021 Rm
Balance at 1 April	912,7	1 194,0
Foreign currency translation differences	(254,4)	(281,3)
Balance at 31 March	658,3	912,7

16. PUT OPTION LIABILITY

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

	2022 Rm	2021 Rm
Put option liability movement		
Balance at 1 April	45,5	54,2
Decrease in the fair value of the put option liability^^	(10,8)	(4,5)
Foreign exchange movements	(2,1)	(4,2)
Balance at 31 March	32,6	45,5

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 2022, the Group had an obligation to provide post-retirement health care to 669 (2021: 688) 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 2022.

	2022 Rm	2021 Rm
Movements for the year		
Balance at 1 April	**246,7**	228,6
Settlements	**(15,1)**	(13,2)
Service cost	**2,8**	2,5
Interest cost	**30,5**	28,8
Actuarial gain	**(43,8)**	–
Balance at 31 March	**221,1**	246,7
Net expense recognised in profit or loss		
Settlements	**(15,1)**	(13,2)
Service cost	**2,8**	2,5
Interest cost	**30,5**	28,8
	18,2	18,1
Post-retirement defined benefit plan reserve		
Balance at 1 April	**(23,6)**	(23,6)
Actuarial gain	**43,8**	–
Actuarial gain remeasurements due to:		
Demographic assumptions	**20,4**	–
Financial assumptions	**23,0**	–
Experience adjustments	**0,4**	–
Deferred tax on actuarial gain	**(12,2)**	–
	8,0	(23,6)
Key assumptions used		
Gross discount rates used	**11,3%**	13,0%
Implied allowances for medical scheme contribution inflation	**8,4%**	10,1%

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.

17. POST-RETIREMENT DEFINED BENEFIT PLAN continued

Other assumptions continued

Withdrawal and retirement assumptions:

- Employees are assumed to retire at their normal retirement age of 65 (2021: 60), dependent on the employee.
- Withdrawal assumptions: 0% – 2,0% 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 13 years (2021: 12 years).

Expected contributions for 2023 is R14,0 (2022: R14,6) 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

Total actuarial liability 31 March 2022:

	Defined benefit obligation	
	Increase Rm	**Decrease Rm**
Health cost inflation (1% movement)	**248,4**	**198,3**
Expected retirement age (1 year movement)	**217,6**	**224,9**
Discount rate (1% movement)	**198,7**	**248,3**

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

	2022 Rm	2021 Rm
Non-current liabilities	**4 883,7**	3 894,6
Unsecured fluctuating loans in terms of long-term bank facilities	**4 883,7**	3 894,6
Current liabilities		
At amortised cost	**1 899,4**	2 263,1
Balance at 31 March	**6 783,1**	6 157,7

Interest-bearing debt includes banking facilities amounting to R1 899,4 (2021: R2 263,1) million, which bears variable interest at a margin of 1,23% – 1,85% (2021: 0,90% – 1,85%) above three-month Johannesburg Interbank Average Rate (JIBAR) payable within one year, R1 650,0 (2021: R1 000,0) million, which bears variable interest at a margin of 1,12% – 1,78% (2021: 1,14% – 1,75%) above three-month JIBAR payable between one and two years, and R2 200,0 (2021: R1 700,0) million, which bears variable interest at a margin of 1,40% – 1,47% (2021: 1,46% – 1,78%) above three-month JIBAR payable after two years. The effective rate (excluding TFG International) for 2022 was 5,48% Nominal Annual Compounded Monthly (NACM) (2021: 5,02% NACM). In addition to the above, a GBP53,9 (2021: GBP58,7) million loan, which bears variable interest at a margin of three-month Sterling Overnight Index Average (SONIA) plus margin: 2,50% (2021: 2,50%). There is no AUD loan for the current year (2021: Nil).

In South Africa, where most term debt funding is linked to JIBAR, TFG will be engaging with funders in due course to amend lending agreements. This will be to recognise that JIBAR will remain the reference rate until such time that the South African Reserve Bank has confirmed that this has ceased to be the case as its official replacement has been decided on. TFG will then renegotiate the terms of the replacement with the funders.

The Group has elected to apply the practical expedient as a result of the change in the UK interest rate due to the IBOR reform and has therefore not treated this as a loan modification.

The practical expedient will be applied if, and only if:

- Change is necessary due to interest rate benchmark reform
- The new basis is economically equivalent to the previous basis

To apply the practical expedient, the effective interest rate is revised on a prospective basis to account for changes to contractual cash flows. There is no modifications to carrying amount or derecognition of the financial instrument. Interest is recognised going forward using the new rate. No gain or loss is recognised as a result of the change.

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

	2022 Rm	2021 Rm
Trade payables	**3 899,3**	3 731,3
Other payables^	**2 394,7**	1 849,6
Employee-related accruals	**362,2**	316,8
Gift card liability	**155,1**	196,4
Financial instrument liability	**185,7**	106,2
Lay-by liability^^	**209,5**	182,0
	7 206,5	6 382,3

^ *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 R38,9 million.*

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

20. LEASE LIABILITIES

	2022 Rm	2021 Rm
Amounts due for settlement within 12 months	**3 366,5**	3 122,3
Amounts due for settlement after 12 months	**5 449,5**	5 064,6
	8 816,0	8 186,9
Maturity analysis		
Up to 1 year	**3 754,8**	3 505,7
2 – 5 years	**5 979,3**	5 331,9
More than 5 years	**95,8**	130,9
	9 829,9	8 968,5
Less: unearned interest	**(1 013,9)**	(781,6)
	8 816,0	8 186,9

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 reviews the enterprise risk management framework and the related policies and processes regularly.

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.

21. RISK MANAGEMENT continued

Trade receivables – retail

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

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

Credit granting

The risk arising on trade receivables – retail is managed through a stringent Group policy on the granting, continual review and monitoring of credit facilities. The Group established a credit policy under which each application for a new credit facility is analysed individually for creditworthiness. This process applies information submitted by the applicant and external bureau data (where this is available) to statistical credit scoring models, and includes an assessment of affordability before terms and conditions are offered. A credit facility is established for each customer, which represents the maximum possible exposure to any account holder. The facility is made available to the account holder over time depending on the quality of credit behaviour displayed by the customer. These credit facilities are reviewed annually subject to the requirements of the applicable legislation in the jurisdictions where credit is provided, such as the National Credit Act. The scorecards are monitored regularly and redeveloped as appropriate.

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

The Group does not typically require collateral for lending. However, certain categories of customers may be required to make a deposit with each purchase.

There is a large, diverse and widely distributed customer base. Therefore, the Group does not consider there to be any significant concentration of credit risk. There is no single customer that represents more than 5% of the total trade receivables – retail balance.

Allowance for impairment

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

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its measurement of the 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

21. RISK MANAGEMENT continued

Trade receivables – retail continued

- Calculating a stress factor for each scenario to estimate the impact on the ECL. The following stress factors were calculated for each scenario:
  - "Base case" economic scenario – additional ECL requirement of 8,2% (2021: additional ECL requirement of 5%)
  - "Upside" economic scenario – no impact on the ECL requirement (2021: reduction in ECL requirement of 10%)
  - "Downside" economic scenario – additional ECL requirement of 15,1% (2021: additional ECL requirement of 10%)

Probabilities are assigned to each macroeconomic scenario to calculate the impact on the ECL. The "base case" economic 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 likelihood of the "downside" economic scenario was considered to have increased relative to the prior year, due to the on-going impact of the Russia-Ukraine war. The conflict will continue to result in macro-economic pressures, especially on fuel and food prices. The increased likelihood of the "downside" economic scenario also results in an insignificant likelihood of an "upside" economic scenario.

The probability weighting assigned to each scenario was as follows: weightings of 55%, 5% and 40% were assigned to the "base case", "upside" and "downside" economic scenarios respectively (2021: weightings of 77%, 8% and 15% assigned to the "base case", "upside" and "downside" economic scenarios respectively).

On Monday, 4 April 2022, the end of the National State of Disaster was announced. This follows 750 days since the declaration of the National State of Disaster on 15 March 2020, which enabled the government to implement the necessary interventions in response to the impact of the COVID-19 pandemic. As at the 2022 financial year reporting date, management does not believe that any residual credit risk remain, related to the impact on credit losses due to the COVID-19 pandemic, which would not have been adequately accounted for in the ECL model.

In the prior year, the trade receivables – retail impairment provision included an impairment overlay for the potential effects of the COVID-19 pandemic on credit losses amounting to R101,4 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. The following approach was used as a basis to estimate the overlay requirement for the 2021 financial year:

- As significant uncertainty was present at the 2021 financial year reporting date, 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

21. RISK MANAGEMENT continued

Trade receivables – retail continued

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, remain 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 overindebted 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.

Credit quality

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

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

Geographical segments

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

Risk profile

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

31 March 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross trade receivables – retail	**4 670,5**	**2 441,2**	**1 559,1**	**8 670,8**
Allowance for expected credit loss	**(476,1)**	**(553,1)**	**(629,2)**	**(1 658,4)**
Net trade receivables – retail	**4 194,4**	**1 888,1**	**929,9**	**7 012,4**
Allowance for expected credit loss as a percentage of gross trade receivables – retail	**10,2%**	**22,7%**	**40,4%**	**19,1%**

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%

Trade receivables – retail partially written off during the year included in gross trade receivables – retail amounted to R373,5 million (2021: R406,9 million) and is classified as Stage 3.

Concession receivables

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

	2022 Rm	2021 Rm
Concentration by region		
United Kingdom	**143,7**	34,4
International	**51,3**	4,9
Total	**195,0**	39,3

21. RISK MANAGEMENT continued

Concession receivables continued

Reconciliation of net concession receivables:

	2022 Rm	2021 Rm
Gross concession receivables	**312,2**	186,8
Allowance for expected credit loss	**(117,2)**	(147,5)
Net concession receivables	**195,0**	39,3

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

	2022 Rm	2021 Rm
Opening balance at 1 April	**(147,5)**	(163,9)
Utilisation of provision	**8,0**	17,7
Decrease (increase) in provision	**23,0**	(14,5)
Effect of exchange rate fluctuations	**(0,7)**	13,2
Balance at 31 March	**(117,2)**	(147,5)

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

Other receivables

The Group actively manages collection of other receivables and provides adequate provision for any long outstanding balances. The Group is not exposed to significant credit risk as there is no significant other receivable by a single counterparty or any balances past due date that have not been adequately provided for.

Cash and cash equivalents

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

Exposure

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

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

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

	2022 Rm	2021 Rm
Trade receivables – retail	**7 012,4**	6 636,9
Other receivables	**979,5**	869,5
Concession receivables	**195,0**	39,3
Cash and cash equivalents	**5 745,8**	4 843,2
	13 932,7	12 388,9

21. RISK MANAGEMENT continued

Exposure continued

Reconciliation of net trade receivables – retail:

	2022 Rm	2021 Rm
Gross Trade receivables – retail	**8 670,8**	8 368,1
Allowance for expected credit loss	**(1 658,4)**	(1 731,2)
Net Trade receivables – retail	**7 012,4**	6 636,9

Movement in the trade receivables – retail allowance for impairment were as follows:

	2022 Rm	2021 Rm
Opening balance at 1 April	**(1 731,2)**	(1 986,0)
Movement in allowance for impairment	**72,8**	254,8
Balance at 31 March	**(1 658,4)**	(1 731,2)

Reconciliation of allowance for impairment:

31 March 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 April	**375,5**	**498,0**	**857,7**	**1 731,2**
Credit advanced, net of payments received	**194,8**	**66,2**	**13,3**	**274,3**
Accounts written-off	**–**	**(14,7)**	**(1 135,0)**	**(1 149,7)**
Change in credit risk parameters	**(94,2)**	**3,6**	**893,2**	**802,6**
ECL allowance as at 31 March	**476,1**	**553,1**	**629,2**	**1 658,4**

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

The stages split disclosed above are additional disclosures provided by the Group as the ECL allowance is calculated on the simplified approach under IFRS 9.

Active customers that have made a qualifying payment within the last 30 days make up 79,1% of the trade receivables – retail book (2021: 76,6%).

Trade receivables – retail with a contractual amount of R1 066,0 million (2021: R1 545,6 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 2022					
Liabilities					
Interest-bearing debt	**6 783,1**	**7 323,9**	**2 003,5**	**2 819,0**	**2 501,4**
Trade and other payables^	**6 658,6**	**6 503,5**	**6 503,5**	**–**	**–**
Derivative financial liabilities					
Put option liability	**32,6**	**32,6**	**–**	**–**	**32,6**
Forward exchange contracts used for hedging	**185,7**	**4 758,9**	**4 758,9**	**–**	**–**
	13 660,0	**18 618,9**	**13 265,9**	**2 819,0**	**2 534,0**

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2021					
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

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

Refer to note 20 for the maturity disclosure on lease liabilities.

21. RISK MANAGEMENT continued

Cash flow and liquidity risk continued

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 2022					
Forward exchange contracts					
Liability	**(185,7)**	**(4 758,9)**	**(4 758,9)**	**–**	**–**
	(185,7)	**(4 758,9)**	**(4 758,9)**	**–**	**–**

	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)	–	–

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. FEC's 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.

21. RISK MANAGEMENT continued

Currency risk continued

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 movements 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.

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 R**	**Line item in the statement of financial position**
Year ended 31 March 2022				
Forward exchange contracts GBP/ZAR	**0,1**	**–**	**21,14**	
Forward exchange contracts CNY/ZAR	**1 275,5**	**(50,8)**	**2,43**	**Trade and other payables**
Forward exchange contracts EUR/ZAR	**0,6**	**–**	**17,67**	**Trade and other payables**
Forward exchange contracts USD/AUD	**2 006,9**	**(61,8)**	**0,73**	**Trade and other payables**
Forward exchange contracts USD/ZAR	**1 475,8**	**(73,1)**	**15,61**	**Trade and other payables**

	Notional amount Rm	Carrying amount Rm	Average forward rate R	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

21. RISK MANAGEMENT continued

Currency risk continued

Reconciliation of cash flow hedge reserve:

	Gross Rm	Deferred tax Rm	Net Rm
31 March 2022			
Balance at 1 April	**(140,9)**	**42,0**	**(98,9)**
Transferred into reserve	**1 052,6**	**(296,2)**	**756,4**
Utilised	**(1 133,5)**	**318,8**	**(814,7)**
Balance at 31 March	**(221,8)**	**64,6**	**(157,2)**

	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 transferred to income statement^	42,1	(11,8)	30,3
Balance at 31 March	(140,9)	42,0	(98,9)

^ *Hedge ineffectiveness occurred in the prior year due to the impact that COVID-19 had on foreign exchange contracts and was reversed in the current year through the income statement.*

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's	Rand equivalent (at forward cover rate) R'000
31 March 2022*		
CNY	**527 760**	**1 275 463**
EUR	**32**	**556**
GBP	**7**	**138**
USD	**229 216**	**3 482 751**
		4 758 908

	Foreign currency 000's	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

* *FEC contracts at 31 March.*

21. RISK MANAGEMENT continued

Exposure to currency risk continued

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2022	2021	**2022**	2021
AUD	**10,97**	11,70	**10,93**	11,22
BWP	**1,32**	1,43	**1,27**	1,33
CNY	**2,32**	2,41	**2,30**	2,25
Euro	**17,25**	19,04	**16,16**	17,33
GBP	**20,27**	21,29	**19,19**	20,37
USD	**14,85**	16,36	**14,60**	14,78

Sensitivity analysis

The Group is primarily exposed to the Chinese Yuan, Euro, British Pound 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 2022		
CNY	**–**	**122,5**
EUR	**–**	**0,1**
GBP	**–**	**–***
USD	**–**	**356,4**

	Profit or loss Rm	Equity Rm
31 March 2021		
CNY	–	40,9
EUR	–	0,3
USD	–	235,7

* *Zero as a result of rounding.*

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

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

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.

	2022 Rm	2021 Rm
AUD	**1 248,2**	669,9
BWP	**66,5**	77,3
CHF	**3,2**	31,3
Euro	**9,1**	92,9
GBP	**70,4**	729,5
NZD	**67,8**	90,6
USD	**9,9**	19,1

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 2022		
AUD	**–**	**124,8**
BWP	**–**	**6,7**
CHF	**–**	**0,3**
Euro	**–**	**0,9**
GBP	**–**	**7,0**
NZD	**–**	**6,8**
USD	**–**	**1,0**

	Profit or loss Rm	Equity Rm
31 March 2021		
AUD	–	67,0
BWP	–	7,7
CHF	–	3,1
Euro	–	9,3
GBP	–	72,9
NZD	–	9,1
USD	–	1,9

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.

21. RISK MANAGEMENT continued

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	
	2022 %	2021 %	**2022 Rm**	2021 Rm
Financial assets				
Trade receivables – retail (6 months)	**–**	–	**803,8**	757,4
Trade receivables – retail (12 months)	**12,0 – 19,4**	11,8 – 17,7	**6 208,6**	5 879,5
Cash and cash equivalents	**7,8**	7,0	**5 745,8**	4 843,2
			12 758,2	11 480,1
Financial liabilities				
Interest-bearing debt	**1,8 – 5,5**	2,7 – 5,0	**(6 783,1)**	(6 157,7)
Lease liabilities	**4,8 – 19,3**	2,4 – 22,3	**(8 816,0)**	(8 186,9)
Put option liability	**–**	–	**(32,6)**	(45,5)
			(15 631,7)	(14 390,1)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase (decrease) of 100 basis points in interest rates at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2021. Variable rate instruments below relate to interest-bearing debt.

	Profit or loss Rm	**Equity Rm**
31 March 2022		
Variable rate instruments	**61,1**	**–**
Cash flow sensitivity (net)	**61,1**	**–**

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

21. RISK MANAGEMENT continued

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 its use of equity, as measured by 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 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.

Insurance risk

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

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

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

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

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).

	2022 Rm	2021 Rm
Level 2		
Forward exchange contracts – liability	**(185,7)**	(106,2)
Insurance cell captive receivables	**278,4**	292,5
Investment in insurance arrangement	**136,8**	123,8
Level 3		
Put option liability	**(32,6)**	(45,5)

There are no level 1 financial instruments in the Group.

There were no transfers between levels during the current year.

21. RISK MANAGEMENT continued

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 is 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, CIVIL UNREST, SUBSEQUENT EVENTS AND GOING CONCERN

22.1 Impact of COVID-19

For the purposes of the current reporting year ended 31 March 2022, 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 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 32,3% (ZAR) when compared to the same period in the previous financial year and now contributes 69,8% to Group retail turnover. Cash retail turnover, contributing 71,1% to TFG Africa retail turnover, grew by 35,9% (ZAR) when compared to the same period in the previous financial year. Credit retail turnover grew by 24,2% (ZAR) for the year ended 31 March 2022. Online retail turnover, increased by 18,0% (ZAR) and now contributes 3,1% (ZAR) to total TFG Africa retail turnover.

TFG Africa credit

Given the strong cash turnover growth and the prevailing economic conditions we remain cautiously conservative with our credit lending criteria and the retail debtors' book remains conservatively provided. Average approval rates for new accounts increased to c.25,0% as customer payments and therefore credit book performance continued to exceed expectations. For the year ended 31 March 2022 credit retail turnover grew by 24,2% (ZAR) compared to the same period in the previous financial year on the back of better than expected payments from our credit customers and continued improvements in the quality of the book. Credit sales now contribute 28,9% (March 2021: 30,7%) to total TFG Africa retail turnover.

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

22.1 Impact of COVID-19 continued

The retail net debtors' book of R7,0 billion increased by 5,7% year-on-year. Provisioning levels have been retained given the ongoing pressure on the South African consumer with the total allowance for impairment as a percentage of the debtors' book declining slightly to 19,1% (March 2021: 20,7%).

TFG London

Retail turnover in TFG London grew 57,3% (GBP) in the same period and now contributes 14,4% to Group retail turnover. The remaining lockdown restrictions in England were relaxed from 19 July 2021 and demand for TFG London products has continued to exceed expectation, an indication that consumer confidence and footfall in the UK retail market is recovering. Online retail turnover, increased by 13,8% (GBP) and now contributes 45,2% (GBP) to total TFG London retail turnover.

TFG Australia

TFG Australia's retail turnover grew by 24,0% (AUD) when compared to the same period in the previous financial year, and now contributes 15,8% to Group retail turnover. In TFG Australia, further lockdowns and restrictions impacted the business during the current year. The remaining lockdown restrictions, were specific to two significant Australian states, New South Wales and Victoria, as well as New Zealand. These restrictions were relaxed for New South Wales on 11 October 2021 as at which stores reopened, while for Victoria, stores reopened from 30 October 2021. Online retail turnover, increased by 26,9% (AUD) and now contributes 9,3% (AUD) to total TFG Australia retail turnover.

Impact of COVID-19 on trade receivables – retail

On Monday, 4 April 2022, the end of the National State of Disaster in South Africa was announced. This follows 750 days since the declaration of the National State of Disaster on 15 March 2020, which enabled the government to implement the necessary interventions in response to the impact of the COVID-19 pandemic. As at the 2022 financial year reporting date, management does not believe that any residual credit risk remains related to the impact on credit losses due to the COVID-19 pandemic, which would not have been adequately accounted for in the expected credit loss (ECL) model.

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 2022.

Impact of civil unrest in TFG Africa

TFG Africa was impacted by the week of civil unrest which took place in the KwaZulu-Natal and Gauteng provinces in South Africa during July 2021. 198 South African stores were looted and damaged to varying degrees by the civil unrest experienced. The Group reopened 174 of these stores by the end of March 2022. The majority of these stores have reopened at the date of this report. SASRIA payments of R541 million (VAT inclusive) in relation to damages have been received to date. The Group has raised an receivable of R150 million for the year ended 31 March 2022 to recover for the losses of profit due to the business interruption, which is included within sundry income. The total receivable outstanding as at the end of the current financial year amounts to R230 million.

As the insurance income relating to damages is linked directly to expenses incurred due to the civil unrest, the Group has included both the income and expenses relating to losses within other operating expenses. The Group performed an assessment to identify if the losses related to store assets should be capitalised or treated as repairs and maintenance based on the nature of the damages incurred at a store level. The inventory losses have been included under other operating expenses as the Group determined this to be an abnormal expense in terms of IAS2.38, which is directly linked to the insurance income.

Insurance claims receivable: Significant judgement is required in assessing the virtual certainty of the recoverability of insurance claims receivable resulting from the civil unrest in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Although the Group is adequately insured for loss of assets and business interruption, this assessment was supported by the progression of the discussion with the insurer and their representatives, the payments received to date, market confidence provided regarding their commitment and financial ability of the insurer to settle outstanding claims.

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

22.1 Impact of COVID-19 continued

The table below shows the classification of the relevant insurance losses and income incurred in the current financial year:

Description of (loss) income	Loss incurred (Rm)	Insurance income (Rm)	Net impact (Rm)	Classification
Inventory losses	(332,9)	332,9	–	Other operating costs
PPE losses capitalised*	(28,7)	73,6	44,9	Other operating costs
Repair and maintenance	(135,4)	135,4	–	Other operating costs
Other costs	(6,7)	6,7	–	Other operating costs
Business interruption income	–	150,0	150,0	Sundry income
Net income from insurance claim	(503,7)	698,6		

* *A profit is realised on damages of property, plant and equipment as insurance income received was at replacement cost.*

The Group is finalising the calculations and is in discussions in respect of the losses of profit incurred after year-end up until 12 July 2022 (expiry of the 12-month indemnity period under the Group's business interruption insurance cover). The estimation process is still in progress and agreements are still to be reached with the Group's insurance providers.

Impact of COVID-19 on inventory

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 periods. The Group has made provision where it is anticipated that stock will be sold under circumstances which require significant discounting. The total inventory provision amounted to R1,2 billion (March 2021: R1,1 billion).

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 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 2022 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 continues to adapt the 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. In this regard, key considerations included:

- the Group's outlook regarding trading conditions that will persist into the foreseeable future: the Group delivered a strong performance for the year ended 31 March 2022, recovering from the unprecedented trading conditions in the year ended 31 March 2021 caused by the COVID-19 pandemic. This performance was achieved despite continued disruptions during the current year, including extended lockdowns in Australia and the civil unrest and resumption of load shedding in South Africa. Group retail turnover grew by 31,6%, supported by continued market share gains, expansion of our footprint and brand portfolio and further growth in online retail turnover;
- the Group's debt service and covenants requirements: the Group has complied with all of its financial covenants for the reporting period. The Group currently has adequate available unutilised facilities in place of R5,9 billion, as well as available cash of R5,7 billion as at 31 March 2022; and
- the Group continues to manage its cash resources through various working capital initiatives and also continues to prioritise cost savings initiatives across all operations.

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, CIVIL UNREST, SUBSEQUENT EVENTS AND GOING CONCERN continued

22.3 Subsequent events

On 4 March 2022, the Company entered into a sale and purchase agreement (SPA) to obtain control and acquire 100% of the issued share capital of Tapestry Home Brands Proprietary Limited ('Tapestry') for a purchase consideration of R2,4 billion. The transaction seeks to provide the Group with exposure to new and diverse products and categories as well as gaining new customers to complement the current TFG customer base in existing categories. The transaction is in line with TFG's stated strategy of vertical integration in key product categories and the continued development of its quick response local manufacturing capability. TFG is acquiring the Sale Shares from Westbrooke Investments Proprietary Limited, funds managed by Actis, as well as the current and previous management of Tapestry. All conditions precedent to the transaction have either been fulfilled or waived, as the case may be, as set out in the SPA, it being noted that the approval from the relevant competition authorities was obtained. Accordingly, the transaction is now unconditional in accordance with the terms of the SPA and is envisaged to be implemented with an effective date of 1 August 2022. Given the recency of the approval of the purchase, application of IFRS 3: Business Combinations is still in progress, which will include the purchase price allocation to the identifiable assets and liabilities as at the acquisition date.

The Group was impacted by the recent flooding that occurred in KwaZulu-Natal during the month of April 2022. 36 stores as well as a cloth warehouse located in the province have been damaged to varying degrees. These damages are not considered to be material in the context of the Group's South African operations and all affected stores have since resumed trading. The Group has appropriate insurance cover and has notified its insurers accordingly.

No further significant events took place between the year ended 31 March 2022 and date of issue of this report.

23. COMMITMENTS AND CONTINGENT LIABILITIES

	2022 Rm	2021 Rm
Capital expenditure		
Capital commitments	**11,6**	4,2

Capital commitments are for purchases of property, plant and equipment. There are no contingent liabilities.

24. REVENUE

	Note	**2022 Rm**	2021 Rm
Retail turnover		**43 370,3**	32 950,3
Interest income	25	**1 227,0**	1 358,4
Other income	26	**1 570,1**	1 277,1
		46 167,4	35 585,8

Retail turnover consist of:	**2022 Rm**	2021 Rm
Cash sales^	**34 632,7**	25 915,6
Credit sales^	**8 737,6**	7 034,7
	43 370,3	32 950,3

^ *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.*

24. REVENUE continued

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:^^	**2022 Rm**	2021 Rm
Clothing	**35 835,7**	26 495,2
Homeware	**2 251,2**	1 745,6
Cosmetics	**959,8**	887,4
Jewellery	**1 449,7**	1 195,3
Cellphones	**2 873,9**	2 626,8
	43 370,3	32 950,3

^^ *Refer to segmental reporting for segmental merchandise category splits.*

25. INTEREST INCOME

	2022 Rm	2021 Rm
Trade receivables – retail	**1 161,9**	1 253,2
Sundry**	**65,1**	105,2
	1 227,0	1 358,4

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

26. OTHER INCOME

	2022 Rm	2021 Rm
Value-added services	**767,2**	698,7
Collection cost recovery and service fees	**581,0**	543,9
Sundry income*	**221,9**	34,5
	1 570,1	1 277,1

* *Refer to note 22 for further information relating to the increase in sundry income.*

27. TRADING EXPENSES

	2022 Rm	2021 Rm
Operating profit before acquisition costs, gain on bargain purchase, impairment of goodwill and brands and finance costs has been arrived at after taking account of:		
Trading expenses		
Net occupancy costs^	**(632,5)**	(127,3)
Occupancy costs	**(4 660,3)**	(4 170,8)
Occupancy costs lease reversal	**4 027,8**	4 043,5
Depreciation on right-of-use assets	**(3 453,5)**	(3 418,3)
Depreciation and amortisation	**(860,6)**	(857,6)
Employee costs^^	**(7 366,8)**	(5 816,7)
Other operating costs	**(5 655,2)**	(4 636,8)
	(17 968,6)	(14 856,7)

^ *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 R32,3 million (March 2021: R469,3 million). Refer to note 40 for further details relating to the COVID-19 rent concessions.*

^^ *Employee costs include COVID-19 government relief of R20,3 million (March 2021: R767,8 million).*

	2022 Rm	2021 Rm
The following disclosable amounts are included above:		
Auditors' remuneration		
Audit fees	**(26,1)**	(25,4)
Non-audit fees	**(3,6)**	(4,6)
Loss on disposal of property, plant and equipment and intangible assets	**(367,9)**	(165,8)
Impairment reversal/(Impairment) of property, plant and equipment and intangible assets	**24,1**	(183,3)
Profit on disposal of property, plant and equipment and intangible assets	**45,8**	0,6
Impairment of right-of-use assets	**(118,8)**	(239,5)
Share-based payments	**(87,1)**	(220,4)
Fair value adjustment on investment	**13,0**	(3,2)
Fair value adjustment on put option liability	**10,8**	(4,5)
Retirement fund expenses (note 31)	**(487,2)**	(418,4)
Foreign exchange transactions	**12,5**	(12,1)

28. FINANCE COSTS

	2022 Rm	2021 Rm
Finance costs on lease liabilities	**490,9**	551,8
Interest-bearing debt	**292,9**	441,7
	783,8	993,5

29. TAXATION

	2022 Rm	2021 Rm
Income tax expense		
South African current taxation		
Current year	**814,5**	369,3
Prior year under (over) provision	**94,0**	(176,1)
Dividends withholding tax	**6,0**	14,1
South African deferred taxation		
Current year	**(87,6)**	(112,4)
Prior year (over) under provision	**(60,4)**	183,2
Rate change	**20,0**	–
Assessed loss	**(30,8)**	–
Non-South African current taxation		
Current year	**329,5**	326,2
Prior year under (over) provision	**6,1**	(3,5)
Non-South African deferred taxation		
Current year	**1,1**	(307,3)
Prior year (over) under provision	**(20,7)**	23,9
Rate change	**45,0**	23,9
Assessed loss	**2,7**	
	1 119,4	149,1

	%	%
Reconciliation of the tax expense		
Effective tax rate	**27,7**	(10,7)
Learnership allowances	**0,3**	(0,3)
Insurance adjustment	**1,2**	(3,4)
Bargain purchase price	**–**	(14,2)
Goodwill impairment	**–**	34,2
UK assets impairment	**–**	5,0
Non-deductible expenditure	**(1,3)**	3,7
Non-South African tax rate	**0,2**	11,0
Prior year (over) under provision	**(0,1)**	2,7
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 2022 was based on profit (loss) for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 909,5 (2021: (R1 861,8)) million and headline earnings of R3 254,7 (2021: R600,1) million divided by the weighted average number of ordinary shares as follows:

	2022		2021	
	Gross Rm	**Net of taxation Rm**	Gross Rm	Net of taxation Rm
(Loss) profit for the year attributable to equity holders of The Foschini Group Limited		**2 909,5**		(1 861,8)
Adjusted for:				
Loss on disposal of property, plant and equipment and intangible assets	**367,9**	**268,3**	165,8	121,2
(Impairment reversal) Impairment of property, plant and equipment	**(24,1)**	**(21,2)**	183,3	144,9
Profit on disposal of property, plant and equipment and intangible assets	**(45,8)**	**(33,0)**	(0,6)	(0,4)
Impairment of right-of-use assets	**118,8**	**88,8**	239,5	185,3
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 South African tax rate	**–**	**(7,4)**		
Change in UK tax rate	**–**	**49,7**	–	–
Headline earnings		**3 254,7**		600,1

	2022 Number of shares		2021 Number of shares	
	Gross	**Weighted**	Gross	Weighted
Gross number of ordinary shares in issue	**331 027 300**	**331 027 300**	331 027 300	310 831 401
Treasury shares	**(8 502 148)**	**(8 440 527)**	(7 603 579)	(7 603 579)
Net number of ordinary shares in issue at end of the year	**322 525 152**	**322 586 773**	323 423 721	303 227 822

30. EARNINGS PER SHARE continued

Basic and headline earnings per share continued

	2022 Number of shares Gross	2021 Number of shares Gross
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 beginning of the year	**323 423 721**	231 661 946
Movements in gross number of ordinary shares in issue		
Rights issue	**–**	94 270 486
Movements in treasury shares		
Purchased	**(1 495 666)**	(3 509 900)
Sold	**55 877**	39 301
Delivered	**541 220**	961 888
Gross number of ordinary shares in issue	**331 027 300**	331 027 300
Treasury shares	**(8 502 148)**	(7 603 579)
Net number of ordinary shares in issue at end of the year	**322 525 152**	323 423 721

	2022	2021
Weighted average number of ordinary shares in issue	**322 586 773**	303 226 822
Earnings per ordinary share (cents)		
Basic earnings per ordinary share (cents)	**901,9**	(614,0)
Headline earnings per ordinary share	**1 009,0**	197,9

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 2022 is based on profit (loss) for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 909,5 (2021: loss of R1 861,8) million and headline earnings of R3 254,7 (2021: R600,1) million divided by the fully diluted weighted average number of ordinary shares as follows:

	2022	2021
Weighted average number of ordinary shares as above	**322 586 773**	303 226 822
Number of shares that would have been issued for no consideration – FS	**2 643 009**	1 097 242
Weighted average number of ordinary shares used for dilution^	**325 229 782**	304 324 064

As at 31 March 2022, 430 362 (2021: 725 123) shares are anti-dilutive and were therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	2022	2021
Earnings per ordinary share (cents)		
Diluted earnings per ordinary share	**894,6**	(611,8)
Diluted headline earnings per ordinary share	**1 000,8**	197,2

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.

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.

	2022	2021
Share instruments granted and accepted for the financial year ended 31 March		
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 – TFG 2010 Share Incentive Scheme^		
Consideration		nil
Estimated value on grant date		R122,79
17 June 2021 – TFG 2010 Share Incentive Scheme^		
Consideration	**nil**	
Estimated value on grant date	**R164,66**	
18 June 2021 – TFG 2010 Share Incentive Scheme^		
Consideration	**nil**	
Estimated value on grant date	**R165,72**	
19 June 2021 – TFG 2010 Share Incentive Scheme^		
Consideration	**nil**	
Estimated value on grant date	**R159,74**	

* *Grant price equates to the strike price.*

^ *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 R87,1 (2021: R220,4) million relating to equity-settled share-based payment transactions.

31. EMPLOYEE BENEFITS continued

Share incentive schemes continued

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

	Number of SARs	
	2022	2021
2007 Share Incentive Scheme		
SARs granted, subject to fulfilment of conditions, at 1 April	**1 180 343**	1 180 343
SARs granted during the year subject to fulfilment of conditions	**–**	–
SARs forfeited during the year	**–**	–
SARs delivered during the year#	**(45 136)**	–
SARs granted, subject to fulfilment of conditions, at 31 March	**1 135 207**	1 180 343

For SARs delivered during the current year, the weighted average share price was R149,1 on relevant dates of delivery.

	Number of FS	
	2022	2021
2010 Share Incentive Scheme		
FS granted, subject to fulfilment of conditions, at 1 April	**5 342 637**	2 833 926
FS granted during the year subject to fulfilment of conditions	**1 495 666**	3 509 900
FS forfeited during the year	**(55 877)**	(39 301)
FS delivered during the year#	**(496 084)**	(961 888)
FS granted, subject to fulfilment of conditions, at 31 March	**6 286 342**	5 342 637

For the FS delivered during the year, the share price is R184,70 (2021: R68,00) on date of delivery.

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

Grant date	Grant price*	Year of vesting	Number of SARs
10 June 2014	R111,10	N/A^	28 900
8 June 2015	R148,15	2022	168 129
2 June 2016	R142,72	2022	176 972
2 June 2017	R138,30	2022	226 057
1 June 2018^^	R183,89	2022	226 256
3 June 2019	R174,32	2023	308 893
			1 135 207

1 135 207 shares were available for conversion as at 31 March 2022.

* *Grant price equates to the strike price.*
^ *The 2015 SARs have expired, however the shares linked to the SARs have not been sold as at 31 March 2022.*
^^ *The TFG remuneration committee decided post year-end to forfeit the 2019 SARs due to performance conditions not being met for vesting.*

31. EMPLOYEE BENEFITS continued

Share incentive schemes continued

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

Grant date	Grant price	Year of vesting	Number of FS
01 June 2018	R184,24	2022	23 361
05 December 2018	R179,87	2022	5 341
03 June 2019	R177,05	2023	730 996
05 December 2019	R151,63	2023	84 677
21 August 2020 – 1 June 2018 top up**	R76,75	2022	9 344
21 August 2020 – 5 December 2018 top up**	R76,75	2022	605
21 August 2020 – 3 June 2019 top up**	R76,75	2023	300 916
21 August 2020 – 5 December 2019 top up**	R76,75	2023	33 984
19 November 2020	R105,33	2024	2 476 572
31 March 2021	R122,79	2024	199 185
30 June 2021	R159,04	2025	36 697
30 June 2021	R159,04	2025	32 743
30 June 2021	R159,04	2025	81 862
01 July 2021	R157,37	2024	1 609 151
01 July 2021	R157,37	2025	527 826
13 December 2021	R120,52	2025	86 775
01 February 2022	R129,65	2025	46 307
			6 286 342

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

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

	Number of shares	
	2022	2021
Shares held at the beginning of the year	**1 180 343**	1 180 343
Shares purchased during the year	**–**	–
Shares sold during the year	**–**	–
Shares delivered during the year	**(45 136)**	–
Shares held at the end of the year	**1 135 207**	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 valuation of the fund was performed at 31 December 2020, in which the valuator reported that the fund was in a sound financial position. The last statutory valuation was performed as at 31 December 2018. The next statutory valuation as at 31 December 2021 is currently underway and will be presented to the board of trustees at their November 2022 meeting.

31. EMPLOYEE BENEFITS continued

Retirement funds continued

	Number of members		Employer contributions	
	2022	2021	**2022 Rm**	2021 Rm
Summary per fund#:				
TFG Retirement Fund	**19 649**	19 137	**324,3**	253,1
Metropolitan Rainmaker Provident Fund (Lesotho)	**66**	57	**0,8**	0,2
Namflex Pension Fund	**493**	398	**5,3**	3,7
Sibaya Provident Fund	**178**	67	**1,7**	0,4
Alexander Forbes Retirement Fund	**247**	185	**2,3**	1,7
National Pensions Scheme Authority (NAPSA) of Zambia	**170**	166	**0,5**	0,6
Other funds**	**–**	–	**–**	24,3
	20 803	20 010	**334,9**	284,0

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

** *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.*

TFG London

All UK-based employees are automatically enrolled in the company's defined contribution pension scheme, underwritten by Scottish Widows, subject to certain limited criteria. As a condition of the company contributing to this scheme, employees are required to make additional personal contributions, but can also choose to opt out of the scheme. For certain employees, the company contributes to a separate personal pension scheme selected by the employee instead. GBP1,1 million (R21,7 million) was paid in the current year, GBP1,1 million (R22,8 million) was paid in the prior year.

TFG Australia

For employees, a government mandated 9,5% of all ordinary time earnings must be paid into a retirement fund nominated by the employee provided the employee meets certain requirements. AUD11,9 million (R130,6 million) was paid into superannuation fund in the current year, AUD9,5 million, (R111,6 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 3 133 (2021: 3 121) principal members.

These costs are charged against income as incurred and amounted to R131,8 (2021: R80,6) million, with employees contributing a further R131,3 (2021: R73,4) million to the fund.

In respect of the year ended 31 December 2021, the scheme earned risk contributions of R164,9 (2021: R157,9) million and reflected a surplus of R8,9 (2021: R23,8) million after the deduction of all expenses, and before investment income. The scheme had net assets at its year end date totalling R243,9 (2021: 201,4) million.

Other defined contribution plans

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

Post-retirement defined medical aid

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

Other

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

32. DIRECTORS' REMUNERATION

2022	Fees^ R'000	Remuneration R'000	Pension fund R'000	Dividends R'000	Other benefits* R'000	Performance bonus** R'000	Total R'000	IFRS share allocation fair value R'000
Non-executive								
M Lewis	**1 325,0**	**–**	**–**	**–**	**–**	**–**	**1 325,0**	**–**
Prof. F Abrahams	**785,5**	**–**	**–**	**–**	**–**	**–**	**785,5**	**–**
S E Abrahams	**235,6**	**–**	**–**	**–**	**–**	**–**	**235,6**	**–**
E Oblowitz	**1 137,9**	**–**	**–**	**–**	**–**	**–**	**1 137,9**	**–**
N Simamane	**731,4**	**–**	**–**	**–**	**–**	**–**	**731,4**	**–**
B L M Makgabo-Fiskerstrand	**731,4**	**–**	**–**	**–**	**–**	**–**	**731,4**	**–**
D Friedland	**748,8**	**–**	**–**	**–**	**–**	**–**	**748,8**	**–**
R Stein	**894,3**	**–**	**–**	**–**	**–**	**–**	**894,3**	**–**
G Davin	**781,3**	**–**	**–**	**–**	**–**	**–**	**781,3**	**–**
C Coleman	**681,9**	**–**	**–**	**–**	**–**	**–**	**681,9**	**–**
A Murray	**1 973,0**	**–**	**–**	**–**	**–**	**–**	**1 973,0**	**–**
Total	**10 026,1**	**–**	**–**	**–**	**–**	**–**	**10 026,1**	**–**
Executive								
A E Thunström	**–**	**8 212,4**	**1 687,5**	**438,0**	**100,1**	**10 158,0**	**20 596,0**	**17 234,1**
B Ntuli	**–**	**6 010,4**	**768,4**	**225,0**	**51,2**	**4 747,0**	**11 802,0**	**1 846,1**
Total	**–**	**14 222,8**	**2 455,9**	**663,0**	**151,3**	**14 905,0**	**32 398,0**	**19 080,2**
Total remuneration 2022	**10 026,1**	**14 222,8**	**2 455,9**	**663,0**	**151,3**	**14 905,0**	**42 424,1**	**19 080,2**

2021	Fees^ R'000	Remuneration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Performance bonus** R'000	Total R'000	IFRS share allocation fair value R'000
Non-executive								
M Lewis	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	1 925,9	–	–	–	–	–	1 925,9	–
C Coleman	750,3	–	–	–	–	–	750,3	–
Total	9 986,7	–	–	–	–	–	9 986,7	–
Executive								
A E Thunström	–	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

^ *Fees only relate to services as directors.*

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

** *Performance bonus included in 2022 remuneration to be paid in FY2023 and accrued in 2022 relate to the performance period ending 31 March 2022. This represents 40% of the Single Incentive with the remaining 60% allocated in Forfeitable Shares based on an allocation date VWAP of R119,61 to vest 50% in June 2024 and 50% in June 2025 subject to an employment condition. The IFRS2 cost relating to this allocation is included in the final column in the table above and will be disclosed as part of Total Remuneration in the year the shares vest. The full Single Incentive value is disclosed in the single total figure of remuneration as per page 146 of the Integrated Annual Report.*

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.

	2022 Rm	2021 Rm
Administration fee earned from The Foschini Group Retirement Fund	**6,6**	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

	2022 Rm	2021 Rm
Remuneration paid to key management personnel other than the executive directors is as follows:		
Short-term employee benefits		
Remuneration	**250,1**	193,0
Performance bonus	**61,3**	42,3
Travel allowance	**3,0**	28,3
Post-employment benefits		
Pension fund	**45,0**	20,6
Other long-term benefits		
Other benefits	**12,3**	7,6
Share-based payments		
Fair value of share instruments granted	**127,5**	91,1
Restraint of trade payments	**26,3**	14,1
Total remuneration	**525,5**	397,0

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

34. CASH GENERATED FROM OPERATIONS

	2022 Rm	2021 Rm
Operating profit before working capital changes		
Profit (loss) before tax	**4 028,9**	(1 712,7)
Finance costs	**783,8**	993,5
Operating (loss) profit before finance costs	**4 812,7**	(719,2)
Adjustments for:		
Interest income – sundry	**(65,1)**	(105,2)
Dividends received	**(82,4)**	(34,8)
Non-cash items	**4 825,4**	7 382,9
Depreciation and amortisation	**880,6**	874,7
Depreciation on right-of-use assets	**3 453,5**	3 418,3
Share-based payments	**87,1**	220,4
Post-retirement defined benefit medical aid movement	**18,1**	18,1
Employee-related provisions	**63,9**	(7,3)
Foreign currency transactions	**(12,5)**	12,1
Hedge ineffectiveness on cash flow hedges	**–**	42,1
Put option liability movement	**(10,8)**	(4,5)
Fair value adjustment	**(13,0)**	3,2
Loss on disposal of property, plant and equipment and intangible assets	**367,9**	165,8
(Impairment reversal) impairment of property, plant and equipment and intangible assets	**(24,1)**	183,3
Profit on disposal of property, plant and equipment and intangible assets	**(45,8)**	(0,6)
Impairment of right-of-use assets	**118,8**	239,5
Impairment of trademarks and brands	**–**	1 253,5
Impairment of goodwill	**–**	1 704,6
Profit on termination of leases	**(58,3)**	(31,3)
Gain on bargain purchase	**–**	(709,0)
	9 490,6	6 523,7
Changes in working capital		
Inventory	**(1 092,8)**	493,0
Trade and other receivables	**(963,7)**	967,7
Trade and other payables	**761,9**	1 449,8
	(1 294,6)	2 910,5
Cash generated from operations	**8 196,0**	9 434,2

35. TAXATION PAID

	2022 Rm	2021 Rm
Balance at beginning of the year	**(223,5)**	(92,8)
Current tax for the year recognised in profit or loss	**(1 250,1)**	(530,0)
Foreign exchange movements	**5,9**	2,7
Balance at end of the year	**275,6**	223,5
	(1 192,1)	(396,6)

36. DIVIDENDS PAID

	2022 Rm	2021 Rm
Dividends paid during the year	**556,0**	–
	556,0	–

37. CHANGES IN LIABILITY ARISING FROM FINANCING ACTIVITY

31 March 2022

			Non-cash items				
	Opening balance Rm	**Net cash flows^ Rm**	**Additions Rm**	**Additions through business combinations Rm**	**Disposals Rm**	**Foreign exchange movements Rm**	**Closing balance Rm**
Interest-bearing debt	**6 157,7**	**688,9**	**–**	**–**	**–**	**(63,5)**	**6 783,1**
Lease liabilities	**8 186,9**	**(3 536,9)**	**4 537,2**	**13,4**	**(298,9)**	**(85,7)**	**8 816,0**

31 March 2021

			Non-cash items				
	Opening balance Rm	Net cash flows^ Rm	Additions Rm	Additions through business combinations Rm	Disposals Rm	Foreign exchange movements Rm	Closing balance Rm
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

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

38. ACQUISITIONS AND JOINT VENTURE DURING THE YEAR

The Group determined that there were no significant judgements applied in assessing if these acquisition transactions were a business combination or an asset acquisition in terms of IFRS 3.

During the year, the Group acquired certain manufacturing assets from House of Monatic Proprietary Limited, Trade Call Investments Apparel Proprietary Limited, Radeen Fashions Proprietary Limited and Hanes South Africa Proprietary Limited for a combined consideration of R21,7 million. The acquisitions align with TFG's strategy to increase both local procurement and local jobs within the industry. These transactions were treated as asset acquisitions as they were not deemed to be business combinations.

The Group purchased the business, including certain assets and hired employees of Flat Circle, with effect from 1 October 2021 for a consideration of R18,4 million. Flat Circle is a specialist mobile software development agency, which will reinforce the development of TFG's upcoming new digital platform and architecture. This will accelerate our digital transformation efforts towards becoming the leading omni-channel retailer in South Africa. By bringing this capability in-house, this will enable TFG to redefine the customer shopping experience and reshape TFG's omni-channel capabilities. This acquisition was expensed in the current financial year as it was not deemed to be a business combination.

The Group acquired the iconic brand Granny Goose for a consideration of R13,4 million, effective 1 October 2021. Granny Goose products will be available exclusively to TFG's @home brand giving TFG a competitive advantage in the high quality, premium and duvet sector. As part of the acquisition, the Group also acquired Cotton Traders for a consideration of R45,0 million, which is the manufacturing arm of Granny Goose. The acquisitions resulted in over 235 Granny Goose and Cotton Traders employees joining the Group and represent TFG's long-standing commitment to harness innovation and home-grown talent in South Africa as well as support our overall local manufacturing strategy. This transaction was treated as a business combination.

The Group acquired Quench, with effect from 3 December 2021, for a consideration of R141,8 million. Quench is a premium multilateral digital shopping platform that has developed a new distribution channel in the marketplace. The addition of Quench to TFG's existing portfolio of brands will further position TFG as a leading omni-channel retailer in Africa. The acquisition is expected to give the Group access to fast, reliable delivery across South Africa and to proprietary software and engineering capability that brings a scientific approach to planning, least-cost routing and asset utilisation. The acquisition is a key step to enabling TFG's inclusive economy ambitions and will contribute to the continued growth in TFG's online turnover. This transaction was treated as a business combination.

39. INSURANCE ARRANGEMENT

TFG acquired an 85% stake in Hollard Business Associates Proprietary Limited (HBA) during the prior year. 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 gain adjustment of R13,0 million (2021: R3,2 million loss) and dividends received of R82,4 million (2021: R34,8 million) were recognised in other income in the current year. The investment reflected in the statement of financial position is R136,8 (2021: R123,8) million at year-end.

40. ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

The International Accounting Standards Board (IASB) issued a COVID-19-Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16), which extends the practical relief on COVID-19-related rent concessions.

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 2022; and
- there is no substantive change to other terms and conditions of the lease.

The practical expedient has been adopted 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 period in which the rent concession occurs. The impact on profit or loss amounted to R32,3 million (March 2021: R469,3 million) and is accounted for within the occupancy costs line item under trading expenses.

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 of after
Amendments to IAS 1: Presentation of Financial Statements – Classification of liabilities	**1 January 2023**
Amendments to IAS 1: Presentation of Financial Statements) and IFRS Practice Statement 2: (Making Materiality Judgements)	**1 January 2023**
Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	**1 January 2023**
Amendments to IAS 12: Income Taxes	**1 January 2023**

APPENDIX 1: SUBSIDIARY COMPANIES

As at 31 March 2022

Name of subsidiary	Country of registration	Ownership
Trading subsidiaries*		
Dress Holdco A Limited	**UK**	**100%**
Cotton Traders Proprietary Limited	**South Africa**	**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%**
Quench Delivery 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 – ORDINARY SHARES

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 25 March 2022.

Spread analysis	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	10 347	73,4	2 382 405	0,7
1 001 – 10 000 shares	2 626	18,6	7 613 161	2,3
10 001 – 100 000 shares	806	5,7	27 032 273	8,2
100 001 – 1 000 000 shares	267	1,9	81 394 260	24,6
1 000 001 shares and over	52	0,4	212 605 201	64,2
	14 098	100,0	331 027 300	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	% of shares in issue
Pension funds	113 033 081	34,1
Unit trusts	100 638 269	30,4
Mutual fund	24 968 149	7,5
Insurance companies	17 585 226	5,3
Sovereign wealth	17 182 116	5,2
Private investor	15 090 737	4,6
Trading position	9 938 509	3,0
Exchange-traded fund	3 833 977	1,2
Corporate holding	3 257 436	1,0
Medical aid scheme	1 449 992	0,5
Hedge fund	1 111 422	0,3
University	649 539	0,2
Charity	365 473	0,1
American Depository Receipts	356 792	0,1
Local Authority	316 888	0,1
Custodians	149 885	0,1
Foreign Government	139 278	–
Investment Trust	91 407	–
Other Managed Funds	34 581	–
Other	20 834 543	6,3
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 25 March 2022.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	73 482 382	22,2

FUND MANAGERS' HOLDINGS GREATER THAN 5%

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

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	54 199 532	16,4
M&G Investment Managers (Pty) Limited	37 308 652	11,3
Ninety One SA (Pty) Limited	25 040 684	7,6
Old Mutual Limited	20 528 891	6,2
Fairtree Asset Management Pty Limited	17 714 097	5,3
	154 791 856	46,8

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	13 755	97,6	245 327 031	74,1
Government Employees Pension Fund (PIC)	12	0,1	73 482 382	22,2
Directors	11	0,1	3 715 739	1,1
Trust	1	–	1 135 207	0,4
Subsidiary	1	–	1 080 599	0,3
Employees of TFG	318	2,2	6 286 342	1,9
Total	14 098	100,0	331 027 300	100,0

GEOGRAPHICAL SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding	% of shares in issue
South Africa	268 974 476	81,2
United States of America and Canada	35 809 601	10,8
United Kingdom	24 336 793	7,4
Rest of Europe	2 286 580	0,7
Rest of world*	(380 150)	(0,1)
Total*	331 027 300	100,0

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of shares in issue
South Africa	242 785 197	73,3
United States of America and Canada	39 650 169	12,0
United Kingdom	7 160 476	2,2
Rest of Europe	16 631 085	5,0
Rest of world*	24 800 373	7,5
Total	331 027 300	100,0

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

ANALYSIS OF SHAREHOLDINGS – PREFERENCE SHARES

Shareholding spread

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	17	80,8	28 351	14,2
Linda Lombard	1	4,8	56 934	28,5
Old Sillery (Pty) Ltd	1	4,8	47 100	23,5
Michael Goulding	1	4,8	35 280	17,6
Angus Macdonald	1	4,8	32 335	16,2
	21	100,0	200 000	100,0

BENEFICIAL SHAREHOLDING GREATER THAN 5%

Beneficial interest – direct and indirect, as per share register as at 25 March 2022.

Category	Number of shares held	% of shares in issue
Linda Lombard	56 934	28,5
Old Sillery (Pty) Ltd	47 100	23,5
Michael Goulding	35 280	17,6
Angus Macdonald	32 335	16,2
Antonio de Magahaes	14 200	7,1
	185 849	92,9

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 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
COSO	Committee of Sponsoring Organisations
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
EBITDA	Earnings 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 charges divided by finance costs
Gross square metres	Comprises the total leased store area including stock rooms
Headline earnings	Net income attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items
Headline earnings – adjusted	Headline earnings adjusted for the impact of once-off acquisition costs incurred
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
LSM	Refer to the SAARF Universal Living Standards Measure which is a unique means of segmenting the South African market by dividing the population into 10 LSM groups, 1 (lowest) to 10 (highest)
Market capitalisation	The market price per share at year-end multiplied by the number of ordinary shares in issue at year-end

Net bad debt and provision movement	VAT-exclusive bad debts including provision movement, net of recoveries
Net bad debt write-off – retail	VAT-inclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off as a % of credit transactions	Net bad debt write-off expressed as a percentage of credit transactions
Net bad debt write-off as a % of debtors' book	Net bad debt write-off expressed as a percentage of gross receivables
Net borrowings	Interest-bearing debt and non-controlling interest loans reduced by preference share investment (where relevant) and cash
Operating margin	Operating profit before finance charges expressed as a percentage of retail turnover
Omnichannel	Describes the integrated multi-channel retailing (e-commerce, online sales, mobile app sales)
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
Recourse debt	Recourse debt is amounts owing to TFG companies in Africa (excluding our international subsidiaries), where the lenders have the ability to claim for damages from the borrower's parent, sponsor or guarantor
Recourse debt-to-equity ratio	Recourse debt reduced by preference share investment (where relevant) and cash, expressed as a percentage of total equity
Return on capital employed (ROCE)	Earnings before interest and tax (EBIT)/capital employed
Same store	Stores 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 excluding goodwill and intangible assets, divided by the net number of ordinary shares in issue at year-end
Trading expenses	Trading expenses are costs incurred in the normal course of business and includes, among others, depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs
VWAP	Volume weighted average price

COMPANY INFORMATION AND SHAREHOLDERS' CALENDAR

COMPANY INFORMATION

The Foschini Group Limited

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

Registered Office

Stanley Lewis Centre
340 Voortrekker Road
Parow East 7500
South Africa

Head Office

Stanley Lewis Centre
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Parow East 7500
South Africa
Telephone +27(0) 21 938 1911

Company Secretary

D van Rooyen, BAcc (Hons), CA(SA)
Stanley Lewis Centre
340 Voortrekker Road
Parow East 7500
South Africa
PO Box 6020, Parow East 7501
South Africa

Sponsor

RAND MERCHANT BANK
(a division of First Rand Bank Limited)
1 Merchant Place
Cnr Fredman Drive & Rivonia Road
Sandton
2196

Auditors

Deloitte & Touche

Attorneys

Edward Nathan Sonnenbergs Inc.

Principal Banker

FirstRand Bank Limited

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa
Telephone +27(0) 11 370 5000

Website

www.tfglimited.co.za

SHAREHOLDERS' CALENDAR

Financial year-end	31 March 2022
Integrated annual report publication date	29 July 2022
Annual general meeting (85th)	8 September 2022
Interim profit announcement (FY 2023)	10 November 2022

Queries regarding the report can be directed to D van Rooyen (Company Secretary) – email company_secretary@tfg.co.za.

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GRANNY GOOSE

G-STAR RAW

hi

HOBBS
LONDON

Jet

Johnny BIGG

MARKHAM

my TFG world

Phase Eight

RJ RELAY JEANS

RFO
RENEGADE FASHION OUTLET

ROCKWEAR
ACTIVEWEAR SINCE 1991

SNEAKER FACTORY

sportscene

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1896

TAROCASH

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