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**AUDITED CONSOLIDATED  
ANNUAL FINANCIAL STATEMENTS**

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2018

# COMPANY INFORMATION

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

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

These statements were authorised by the Supervisory Board of Directors on 29 June 2018 and published on 13 July 2018.

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



# 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  
340 Voortrekker Road  
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

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

## 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  
Johannesburg, 2196  
South Africa  
PO Box 61051, Marshalltown 2107  
Telephone +27(0) 11 370 5000

## United States ADR Depository

The Bank of New York Mellon  
620 Avenue of the Americas  
New York, NY 10011

## Website

[www.tfglimited.co.za](http://www.tfglimited.co.za)

# Shareholders' calendar

Financial year-end	31 March 2018
Integrated report publication date	13 July 2018
Annual general meeting (81st)	3 September 2018
Interim profit announcement (2019)	8 November 2018

## Upcoming distribution payments

Ordinary	
- final 2018	July 2018
- interim 2019	January 2019
Preference	
- interim 2019	September 2018
- final 2019	March 2019

## Queries regarding this report to be addressed to:

D van Rooyen (Company Secretary)  
Email: [company\\_secretary@tfg.co.za](mailto:company_secretary@tfg.co.za)

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

For the year ended 31 March 2018

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The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of The Foschini Group Limited, comprising the statement of financial position at 31 March 2018, and the income statement and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the consolidated segmental analysis and the notes to the financial statements which 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 Listings Requirements.

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

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

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

## **APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

The consolidated annual financial statements of The Foschini Group Limited, as identified in the first paragraph, were approved by the Board of Directors on 29 June 2018 and signed by:

**M Lewis**  
*Chairman*

Authorised director

**A D Murray**  
*Chief Executive Officer*

Authorised director

# Directors' report

For the year ended 31 March 2018

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## REVIEW OF ACTIVITIES

### Nature of business

The Foschini Group Limited (TFG) is a diverse group with a portfolio of 28 leading fashion retail brands – @home, @homelivingspace, American Swiss, Archive, Charles & Keith, Colette, Connor, Donna, Duesouth, Exact, Fabiani, The FIX, Foschini, G-Star RAW, hi, Hobbs, Johnny Bigg, Markham, Mat & May, Phase Eight, Rockwear, SODA Bloc, Sportscene, Sterns, Tarocash, Totalsports, Whistles and yd. Our range of 28 retail brands offers clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, homeware and furniture across value to upper market.

TFG London refers to the consolidated performance of Dress Holdco A Limited and all its subsidiaries. Dress Holdco A Limited is the ultimate UK holding company of Phase Eight, Whistles and newly acquired Hobbs (note 40) brands. TFG London operates through retail outlets throughout the United Kingdom and internationally, as well as online.

TFG Australia refers to the consolidated performance of TFG Retailers Proprietary Limited and all its subsidiaries. TFG Retailers Proprietary Limited is the ultimate Australian holding company of the Retail Apparel Group (RAG) and certain G-Star RAW franchise stores. The Group acquired Retail Apparel Group (RAG) (note 40) and certain G-Star RAW franchise stores (note 40) during the current year. RAG operates through retail outlets throughout Australia and New Zealand, as well as online. G-Star RAW operates through certain retail outlets throughout Australia.

## GENERAL REVIEW

The financial results are reflected in the annual financial statements on pages 18 to 86. The subsidiary companies, analysis of shareholdings and definitions are contained in the appendices on pages 87 to 91.

## AUTHORISED AND ISSUED SHARE CAPITAL

The Group's share buy-back programme commenced at the end of May 2001. At 31 March 2018, 1,1 (2017: 1,1) million shares are owned by a subsidiary of the company, 3,1 (2017: 2,9) million shares are held by employees of TFG in terms of share incentive schemes and 1,3 (2017: 1,6) 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 10 and 11.

On 4 August 2017, the Group made an application to the JSE for a listing of 17 241 380 ordinary shares at an issue price of R145,00 per ordinary share for a total consideration of R2,5 billion. The shares were allotted and issued as a result of an accelerated bookbuild offering that was launched and concluded after close of market on 31 July 2017. On 4 August 2017, the total shares in issue increased from 219 515 434 shares to 236 756 814 shares.

## DIVIDENDS

### Interim ordinary

The directors declared a cash dividend of 325,0 (2017: 320,0) cents per ordinary share, which was paid on Monday, 8 January 2018 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 5 January 2018.

### Final ordinary

The directors declared a final cash dividend of 420,0 (2017: 400,0) cents per ordinary share, payable on Monday, 23 July 2018, to ordinary shareholders recorded in the books of the company at the close of business on Friday, 20 July 2018.

## PREFERENCE

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

26 September 2017 – R13 000 (26 September 2016 – R13 000)  
19 March 2018 – R13 000 (20 March 2017 – R13 000)

## DIRECTORS

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

### Independent non-executive directors

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

### Non-executive directors

R Stein

### Executive directors

A D Murray (CEO)  
A E Thunström (CFO) (CEO Designate)

### Changes to directors in the current financial year

There were no changes in directors during the current year.

As previously indicated on 7 June 2016 and as was announced on SENS on 12 March 2018, Mr A D Murray will retire as CEO of the Group on 3 September 2018 after 33 years' service, 11 of which were as CEO. Mr A D Murray will retire from the Group at the end of September 2018. Given his wealth of knowledge and experience in the international retail sector in general and TFG in particular, the Supervisory Board has decided to appoint Mr A D Murray as a consultant to the end of September 2019 and as a non-executive director from 1 October 2019.

As indicated, Mr A E Thunström, currently the CFO of the Group, became the CEO Designate on 12 March 2018 and will assume the position of CEO on 3 September 2018. Mr A E Thunström will then be appointed to the Social & Ethics Committee and will be an invitee to the Remuneration and Nomination Committees. The process to recruit a CFO is currently underway.

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

B L M Makgabo-Fiskerstrand  
E Oblowitz  
G H Davin

For details of directors' interests in the company's issued shares, refer to note 10. Details of directors' remuneration are set out in note 32.

## Directors' report (continued)

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### **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, No. 71 of 2008, as amended. Further details are contained within the Audit Committee report.

### **SUBSIDIARIES**

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

### **SPECIAL RESOLUTIONS**

On 6 September 2017, shareholders approved the remuneration to be paid to non-executive directors for the period 1 October 2017 to 30 September 2018.

On 6 September 2017, shareholders renewed the approval, as a general authority, of the acquisition by the company or any of its subsidiaries of the issued ordinary shares of the company, valid until the next annual general meeting. At the next annual general meeting to be held on 3 September 2018, shareholders will be asked to renew this general authority, as set out in the notice of annual general meeting.

On 6 September 2017, shareholders also approved that the company may provide direct or indirect financial assistance to a related or interrelated company or corporation provided that such financial assistance may only be provided within two years from the date of the adoption of the special resolution and subject further to Sections 44 and 45 of the Companies Act No. 71 of 2008 and the JSE Listings Requirements.

### **SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES**

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

### **STAFF SHARE INCENTIVE AND SHARE OPTION SCHEMES**

Details are reflected in note 31.

### **SUBSEQUENT EVENTS**

Details are reflected in note 22.

### **GOING CONCERN**

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

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

# Company secretary's certificate

For the year ended 31 March 2018

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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 (as amended), and that all such returns appear to be true, correct and up to date.

**D van Rooyen**  
*Company Secretary*

29 June 2018



# Audit committee report

For the year ended 31 March 2018

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The Audit Committee is pleased to present its report for the financial year ended 31 March 2018 to the shareholders of TFG. This report is in compliance with the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended, (the Act), and the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™).

- Meeting attendance for the committee is set out on page 92 of the integrated annual report. All members of the committee continue to meet the independence requirements of the Companies Act and King IV™.
- Each member's qualifications and experience are set out in the profiles on pages 80 to 83 of the integrated annual report.
- Details of fees paid to committee members appear in note 32 of the 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 Act. This charter guides the committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the Supervisory Board. The committee fulfilled its responsibilities in accordance with its charter during the 2018 financial year.

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

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

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

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

The committee held four formal meetings during the 2018 financial year. To further strengthen the Group's governance structures, a joint Audit and Risk Committee was constituted for both TFG London and TFG Australia. This committee met once this financial year.

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

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

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

## MEMBERS AND APPOINTMENT DATES

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

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Head of Enterprise Risk Management, the Company Secretary and the external audit partner and staff attended meetings of the committee by regular invitation. Additional attendees, including Mr R Stein, a non-executive director, and members of executive management, are invited to attend meetings on an *ad hoc* basis. The Chairman of the Group has an open invitation to attend meetings of the Audit Committee.

## ROLES AND RESPONSIBILITIES

### Statutory duties as prescribed in the Act

#### 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 Act and any other legislation;
- to approve the audit fee and fees in respect of any non-audit services; and
- to determine the nature and extent of any non-audit services the auditors may provide to the Group and to pre-approve proposed agreements for non-audit services.

#### Financial results

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

### Duties assigned and delegated by the Supervisory Board

#### General

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

#### External auditors

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

## Audit committee report (continued)

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### **Internal control and internal audit**

- to review the effectiveness of the Group's systems of internal control, including internal financial controls, reporting procedures and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal controls are submitted to the Supervisory Board annually by all divisional managing directors and general managers (these being representations that provide assurance on the adequacy and effectiveness of the Group's systems of internal control);
- to monitor and supervise the effective functioning and performance of the internal audit function;
- to review and approve the annual internal audit plan and the internal audit charter;
- to ensure that the scope of the internal audit function has no limitations imposed by executive management and that there is no impairment on its independence; and
- to review that appropriate internal controls and an internal audit plan are prepared to cover the TFG International operations.

### **Finance function**

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

### **Financial results**

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

### **COMMITTEE EVALUATION**

A formal Supervisory Board evaluation (which includes an evaluation of all subcommittees) was followed in the 2017 financial year and will be undertaken again in the 2019 financial year. In the 2018 financial year the Supervisory Board, with the assistance of the Nomination Committee, scheduled an opportunity for consideration, reflection and discussion of its performance and that of its committees, its Chair and its members as a whole. All action items were attended to. This evaluation formally assessed the performance of Audit Committee members during the past year, as well as their independence in terms of the independence requirements of King IV™ and the Act.

### **ELECTION OF COMMITTEE MEMBERS**

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

- S E Abrahams (Chairman)
- D Friedland
- B L M Makgabo-Fiskerstrand
- E Oblowitz
- N V Simamane
- F Abrahams

### **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 Act, by:

- confirming the nomination of Deloitte & Touche as the Group's registered auditor for the year ending 31 March 2019 and being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to Deloitte & Touche (and previously KPMG);
- ensuring that the appointment of Deloitte & Touche (and previously KPMG) complies with the provisions of the Act;

- determining the nature and extent of any non-audit services, which the external auditors provide to the company or a related company;
- pre-approving proposed agreements with Deloitte & Touche (and previously KPMG) for the provision of any non-audit services;
- preparing this report for inclusion in the annual financial statements and the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints, if any;
- making submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and reporting; and
- performing other oversight functions as determined by the Supervisory Board.

### **INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT**

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

In addition, during the 2018 financial year, the committee was not made aware of any:

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

Internal audit continues to develop and refine its approach to analytically examine and interrogate the store data in an attempt to highlight weaknesses. This work has involved the development of IT software to enable intelligent scrutiny of stores' data. Although this is still work in progress, the Audit Committee, the Risk Committee and senior management believe this initiative is essential to achieve better coverage of critical issues, particularly given the sizeable growth in new stores that has occurred both in Southern Africa and via our recent international acquisitions.

The committee believes that Mr H Nell, the Head of Internal Audit, possesses the appropriate expertise and experience to meet his responsibilities in that position and that the internal audit function is operating and performing effectively.

### **COMBINED ASSURANCE**

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

For further information, refer to the Risk Committee report on page 106 of the integrated annual report.

### **RISK MANAGEMENT**

The Chairman of this committee has an open invitation to Risk Committee meetings to ensure that relevant information is regularly shared. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, and technology and information management risks as they relate to financial reporting.

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

Further details on the risk management approach and process are included in the Risk Committee report, which appears on page 106 of the integrated annual report.

## Audit committee report (continued)

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### **TFG INTERNATIONAL OPERATIONS**

The Group continues to focus on fully integrating the TFG International operations into the overall risk management and governance framework of the Group. As reported last year, good progress was made in respect of the Phase Eight and Whistles operations in the United Kingdom, and the various workshops and processes have now been expanded to include the recently acquired Hobbs operations in the United Kingdom and the G-Star RAW Australia and RAG operations in Australia.

Internal audit continues to draw up an audit plan to cover the major risks identified and audits were conducted during the year to cover those risks. No major concerns surfaced from their audit work, although it must be appreciated that it is still work in progress to achieve full integration into the Group's risk management and governance framework.

The focus for the 2018 year end was directed at verifying the carrying values of inventory and trade debtors as well as considering the acquisition accounting for the Hobbs, G-Star RAW Australia and RAG acquisitions. Both internal and external audit provided the Audit Committee with positive reports on these significant focus areas.

In addition, to further strengthen the governance structures in respect of the TFG International operations, a joint Audit and Risk Committee was constituted for both TFG London and TFG Australia. These committees will meet twice a year and will provide feedback to the Audit and Risk Committees as well as to the Supervisory Board. The Chairmen of both these committees will also review the results of the TFG International operations and provide feedback to the Audit and Risk Committees as well as to the Supervisory Board.

### **THE FINANCIAL AND BUSINESS ENVIRONMENT**

Happily most of the political turmoil referred to in the 2017 Integrated Annual Report has subsided and the Audit Committee believes there is room for positive sentiment in the South African political stage.

President Cyril Ramaphosa has already demonstrated his determination to improve governance and competency through the appointment of widely accepted Ministers to the portfolios of Finance and State-owned Enterprises, being individuals with international reputation. The assignment for the Ramaphosa Government is far reaching and demanding. It is essential that government expenditure is valid and curtailed and that initiatives to increase GDP growth and alleviate poverty and unemployment are given the highest priority. Hopefully we will be able to persuade the rating agencies to give the Government, as newly constituted, an opportunity to resuscitate the economy.

The year from a TFG international expansion perspective has been both exciting and challenging. The Hobbs acquisition in London and RAG in Australia together with the integration of the acquired G-Star RAW Australian franchise has meant that the senior executives have been stretched to bed down these acquisitions.

Regrettably the United Kingdom political situation, with Brexit's unresolved issues, is of concern as uncertainty of the ultimate outcome of Brexit makes business planning complicated with differing strategies to be considered for diverse scenarios.

In South Africa the regulations relating to the impediment of credit granting has been alleviated as the onerous conditions relating to proof of income have been successfully challenged. It remains to be seen what, if any, additional requirements will be introduced by the National Credit Regulator. As the position stands at present the granting of credit to new customers has been normalised and clothing retailers can once again provide credit to those customers meeting their lending criteria.

We continue to see an improvement in the status of the TFG debtors' book and, as always, the review of the carrying value of year end receivables receives the close scrutiny of the Audit Committee as well as external audit.

Group management has continued with the strategy of balancing funding requirements among short-term, medium-term and longer-term facilities.

The Group continues to place importance on IT risk management as well as the governance over technology and information management and consistently reviews the measures to curb the threat of cybercrime and IT fraud in general. The governance over technology and information management is considered to be best in class and complies with the recommendations contained in King IV™.

The Group continues to suffer from financial loss arising from crime-related incidents. The growth in these losses however has slowed in the current year. The forensic initiatives to address crime have been encouraging.

### **EXTERNAL AUDITORS**

Following the well publicised governance issues and concerns raised during the course of last year, relating to KPMG South Africa, the Audit Committee met and after careful consideration took the decision to change auditors with immediate effect to Deloitte & Touche on a worldwide basis.

The Audit Committee records its appreciation to KPMG Inc. and particularly the partners and staff of the Cape Town office (and its predecessors) for their service and dedication to TFG over many decades.

The date of the change in the Group's auditors was 9 October 2017 which the Committee felt would provide sufficient time for an effective transition to the 2018 year end. Numerous meetings were held with Deloitte & Touche to ensure a seamless take-over of auditor responsibilities and that a complete and comprehensive audit was achievable.

Deloitte & Touche is afforded unrestricted access to the Group's records and management, and presents any significant issues arising from the annual audit to the committee. In addition, Mr M van Wyk, the designated audit partner, where necessary, raises matters of concern directly with the Chairman of the committee.

The committee gave due consideration to the independence of the external auditors and is satisfied that Deloitte & Touche is independent of the Group and executive and senior management and therefore able to express an independent opinion on the Group's annual financial statements. The Committee specifically considered the nature and extent of non-audit services. Non-audit services of R0,4 million (KPMG) and R1,5 million (Deloitte & Touche) were provided in the current year.

The committee has nominated, for approval at the AGM, Deloitte & Touche as the external auditor and Mr M van Wyk as designated audit partner for the 2019 financial year, having satisfied itself (as required by the JSE Listings Requirements):

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

### **FINANCIAL STATEMENTS**

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

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

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

## Audit committee report (continued)

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### FINANCIAL CAPTIONS WITH THE ACTIONS TAKEN TO ADDRESS THE RISKS LISTED

#### 1) Recovery of Trade Receivables

During the year we receive detailed presentations from the Group Director responsible for Credit on the progress being made in controlling the collection of receivables, which reports detail trends in recoveries, bad debt write-offs and other matrices 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 receives reports from the external auditors on their work. Robust discussions take place on their findings.

#### 2) Inventory

The Audit Committee members receive monthly reports from the CEO, which reports include comments made by each divisional head on:

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

Internal audit performs selected reviews to provide assurance regarding the adequacy and effectiveness of the ongoing cyclical inventory counts and reports on their findings to the Audit Committee. In addition, the detailed internal audit reports relating to inventory counts are reviewed throughout the year by the Risk Committee.

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

### INTEGRATED ANNUAL REPORT

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

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

The committee has also been receiving regular reports from TFG Finance and Advisory on the readiness to introduce the substantial changes in accounting that will result from the introduction of IFRS 9 (which is at an advanced stage of completion), 15 and 16 over the next few years. It is confidently anticipated that we will be ready to meet the timetables for the introduction of all these revised accounting standards.

### EXPERTISE OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

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

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

### APPROVAL

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

#### S E Abrahams

*Chairman: Audit Committee*

29 June 2018

# Independent auditor's report

For the years ended 31 March

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## **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 18 to 87, which comprise the statement of financial position as at 31 March 2018, and the income statement and statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, 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 and Separate 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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



## Independent auditor's report (continued)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p><b>Impairment of trade receivables</b></p> <p>The Group has a significant level of trade receivables to the value of R7 573,8 million that are due to be recovered by instalments as a result of credit granted to customers.</p> <p>The Group uses a Markov based provision model together with a series of overlays and post model adjustments to calculate their IAS 39: <i>Financial Instruments: Recognition and Measurement</i> provision estimate. This model utilises a Recency Delinquency (RD) modelling approach to grouping exposure.</p> <p>Changes in the assumptions and estimates used in the provisioning model to value the impairment of trade receivables could have a significant impact on the performance and financial position of the Group.</p> <p>The valuation and impairment of trade receivables is considered a key audit matter in the consolidated financial statements due to the magnitude, complexity and subjectivity of directors' estimates and assumptions.</p> <p>(Refer to the Key management assumptions note, note 6, Trade Receivables – retail and note 21 Risk Management for disclosure)</p>	<p>We obtained an understanding of the Group's credit granting and collection strategies through workshops with management to understand the nature of the trade receivables and the model utilised. We evaluated the relevant controls relating to the credit origination processes, the credit monitoring processes, credit remediation and collection processes.</p> <p>Our IT specialists performed specific automated tests around various rules sets within the credit database to ensure the accuracy and completeness of the data. In addition, they tested data management processes, systems and methodologies as well as the various system interfaces between the credit system and sub-systems.</p> <p>With the assistance of our credit specialist team we performed detailed work around the impairment provision of trade receivables.</p> <p>With the assistance of our credit specialist team, we:</p> <ul style="list-style-type: none"><li>• Evaluated the current business practice and data outputs in terms of the Group's collection strategy, write-off and rehabilitation against policy as well as industry norms;</li><li>• Assessed the reasonableness of the impairment model methodology used, as well as the post model adjustment, to determine the directors' impairment;</li><li>• Evaluated new credit agreement origination, collections, impairment modelling, and data management processes as well as systems and methodologies;</li><li>• Built an independent impairment model using our dCredit™ tool based on the Group's credit data;</li><li>• Assessed the directors' provision against our independent provision. The credit book was stratified between accounts that exhibited objective evidence of a loss event and those that had not. Our approach included both the independent modelling of the probability of default (PD) and loss given default as per generally accepted practice in the industry as well as a pure net present value calculation in compliance with IAS 39. Our roll rate and PD parameters were segmented by country and modelled based on contractual delinquency;</li><li>• Compared the outcomes of our modelling exercise above with that of the directors and assessed the impact of any differences; and</li><li>• Considered the adequacy of impairment disclosure in the consolidated financial statements.</li></ul> <p>Based on our testing we found that the directors' provision to be reasonable and the disclosure in the consolidated financial statements acceptable.</p>

## KEY AUDIT MATTER

### 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 R6 773,6 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 cost. This is an industry specific accounting method used to derive a weighted average product cost, approximating the net realisable value of the inventory. Included in the year end inventory balance, is inventory to the value of R6 773,6 which has been valued using the RIM.

The RIM of valuation is complex, contains significant assumptions relating to the average margin and level at which it is applied, which can vary between retail entities and the method is impacted by the timing of markdowns, which could impact the gross margin. Judgement by the directors is also required in the application thereof as far as it relates to gross margin percentages and markdowns.

The valuation of the South African merchandise inventory 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.

(Refer to the inventory accounting policy note, Key management assumptions note and estimates, note 5, Inventory.)

## HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We obtained an understanding of the Group's processes around the valuation of inventory according to the RIM.

Our IT specialists performed specific automated procedures in respect of the controls around the inventory valuation process. The accuracy and completeness of the purchase data in the system was assessed through the testing of relevant automated and manual controls in the procurement process.

With the assistance of our data analytics specialists, we:

- Evaluated the appropriateness of the application of the RIM, as described in IAS 2: *Inventory* ("IAS 2");
- Performed detail analytical procedures by analysing the gross margin of each product per style to identify if the margin on the product is within the standard deviation to the average margin applied to the style in the RIM calculation and assessed the impact on inventory on hand at year end;
- Tested the underlying purchases and process around the setting of the RIM prices;
- Assessed markdowns pre- and post- year end to ensure that there was no unfair bias in the valuation;
- Considered whether the provision for obsolete inventory, built into the RIM valuation method of inventory, adequately covered the risk of overstatement of inventory;
- Based on the above procedures evaluated the extent to which the RIM valuation approximated cost as required by IAS 2; and
- Considered the adequacy of the disclosure in the consolidated financial statements.

Based on our testing we found that the assumptions used in the application of the RIM is reasonable and the disclosure in the consolidated financial statements acceptable.

## Independent auditor's report (continued)

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### **Other matter**

The consolidated financial statements of The Foschini Group Limited for the year ended 31 March 2017 was audited by another auditor who expressed an unmodified opinion on those financial statements on 29 June 2017.

### **Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Integrated Annual Report, 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 express an audit opinion or any form of assurance conclusion thereon.

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

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

### **Responsibilities of the Directors for the Consolidated Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the 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 one year.

### **Deloitte & Touche**

Registered Auditor  
Per: Michael van Wyk  
Partner

29 June 2018

1st Floor, The Square, Cape Quarter, 27 Somerset Road, Green Point, 8005

# Consolidated statement of financial position

As at 31 March

## The Foschini Group Limited and its subsidiaries

	Note	2018 Rm	2017 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	2 861,9	2 469,0
Goodwill and intangible assets	3	7 667,2	4 675,9
Deferred taxation asset	4	620,6	483,6
		<b>11 149,7</b>	7 628,5
<b>Current assets</b>			
Inventory	5	6 773,6	5 511,2
Trade receivables – retail	6	7 573,8	7 000,7
Other receivables and prepayments	7	821,8	771,0
Concession receivables	8	296,8	246,1
Cash and cash equivalents	9	1 206,1	878,5
		<b>16 672,1</b>	14 407,5
<b>Total assets</b>		<b>27 821,8</b>	22 036,0
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of The Foschini Group Limited</b>			
Share capital	10	3,3	3,1
Share premium		4 098,2	1 625,4
Treasury shares	11	(660,3)	(634,2)
Dividend reserve	12	994,4	878,1
Hedging surplus (deficit)	13	10,0	(8,6)
Foreign currency translation reserve	14	(814,1)	(258,4)
Put option reserve	15	(86,0)	(82,8)
Post-retirement defined benefit plan reserve	16	(34,2)	(58,8)
Retained earnings		9 756,5	9 051,5
		<b>13 267,8</b>	10 515,3
Non-controlling interest		4,5	4,2
<b>Total equity</b>		<b>13 272,3</b>	10 519,5
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing debt	17	4 825,7	4 442,2
Put option liability	15	72,7	74,7
Cash-settled share incentive scheme	18	-	6,8
Operating lease liability	19	335,1	255,7
Deferred taxation liability	4	829,4	337,9
Post-retirement defined benefit plan	16	215,8	233,1
		<b>6 278,7</b>	5 350,4
<b>Current liabilities</b>			
Interest-bearing debt	17	4 524,9	3 307,0
Trade and other payables	20	3 608,2	2 751,3
Operating lease liability	19	30,7	15,2
Taxation payable		107,0	92,6
		<b>8 270,8</b>	6 166,1
<b>Total liabilities</b>		<b>14 549,5</b>	11 516,5
<b>Total equity and liabilities</b>		<b>27 821,8</b>	22 036,0

# Consolidated income statement

For the years ended 31 March

## The Foschini Group Limited and its subsidiaries

	Note	2018 Rm	2017 Rm
<b>Revenue</b>	24	<b>31 536,5</b>	26 413,6
Retail turnover		<b>28 593,0</b>	23 548,7
Cost of turnover		<b>(13 591,9)</b>	(11 845,2)
<b>Gross profit</b>		<b>15 001,1</b>	11 703,5
Interest income	25	<b>1 755,8</b>	1 736,9
Other income	26	<b>1 187,7</b>	1 128,0
Trading expenses	27	<b>(13 779,0)</b>	(10 757,2)
<b>Operating profit before acquisition costs and finance costs</b>		<b>4 165,6</b>	3 811,2
Acquisition costs		<b>(79,4)</b>	-
Finance costs	28	<b>(696,6)</b>	(607,4)
<b>Profit before tax</b>		<b>3 389,6</b>	3 203,8
Income tax expense	29	<b>(953,5)</b>	(851,3)
<b>Profit for the year</b>		<b>2 436,1</b>	2 352,5
<b>Attributable to:</b>			
Equity holders of The Foschini Group Limited		<b>2 434,8</b>	2 351,4
Non-controlling interest		<b>1,3</b>	1,1
<b>Profit for the year</b>		<b>2 436,1</b>	2 352,5
<b>Earnings per ordinary share (cents)</b>	30		
<b>Total</b>			
Basic		<b>1 082,6</b>	1 108,0
Diluted (basic)		<b>1 072,3</b>	1 098,6

# Consolidated statement of comprehensive income

For the years ended 31 March

## The Foschini Group Limited and its subsidiaries

	2018 Rm	2017 Rm
<b>Profit for the year</b>	<b>2 436,1</b>	2 352,5
<b>Other comprehensive income:</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Actuarial gain on post-retirement defined benefit plan	34,2	-
Deferred tax on items that will never be reclassified to profit or loss	(9,6)	-
<b>Items that are or may be reclassified to profit or loss</b>		
Movement in effective portion of changes in fair value of cash flow hedges	27,2	24,2
Foreign currency translation reserve movements	(555,7)	(793,1)
Deferred tax on items that are or may be reclassified to profit or loss	(8,6)	(6,8)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(512,5)</b>	(775,7)
<b>Total comprehensive income for the year</b>	<b>1 923,6</b>	1 576,8
<b>Attributable to:</b>		
Equity holders of The Foschini Group Limited	1 922,3	1 575,7
Non-controlling interest	1,3	1,1
<b>Total comprehensive income for the year</b>	<b>1 923,6</b>	1 576,8

# Consolidated statement of changes in equity

For the years ended 31 March

## The Foschini Group Limited and its subsidiaries

	Share capital Rm	Share premium Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	Attributable to equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
<b>Equity at 31 March 2016</b>	<b>3,0</b>	<b>1 078,5</b>	<b>(613,2)</b>	<b>1 236,0</b>	<b>8 192,4</b>	<b>9 896,7</b>	<b>4,0</b>	<b>9 900,7</b>
<b>Total comprehensive income for the year</b>				(775,7)	2 351,4	<b>1 575,7</b>	1,1	<b>1 576,8</b>
Profit for the year					2 351,4	<b>2 351,4</b>	1,1	<b>2 352,5</b>
<i>Other comprehensive income</i>								
Movement in effective portion of changes in fair value of cash flow hedges (note 13)				24,2		<b>24,2</b>		<b>24,2</b>
Foreign currency translation reserve movements (note 14)				(793,1)		<b>(793,1)</b>		<b>(793,1)</b>
Deferred tax on movement in other comprehensive income (note 4)				(6,8)		<b>(6,8)</b>		<b>(6,8)</b>
<b>Contributions by and distributions to owners</b>								
Share-based payments reserve movements					131,4	<b>131,4</b>		<b>131,4</b>
Transfer from dividend reserve (note 12)				(829,1)	829,1	-		-
Dividends paid (note 36)					(1 508,1)	<b>(1 508,1)</b>	(0,9)	<b>(1 509,0)</b>
Transfer to dividend reserve (note 12)				878,1	(878,1)	-		-
Scrip distribution: share capital issued and share premium raised (note 10)	0,1	546,9	(4,1)			<b>542,9</b>		<b>542,9</b>
Proceeds from sale of shares in terms of share incentive schemes					151,3	<b>151,3</b>		<b>151,3</b>
Shares purchased in terms of share incentive schemes			(234,8)			<b>(234,8)</b>		<b>(234,8)</b>
Delivery of shares by share incentive schemes			217,9		(217,9)	-		-
Increase in the fair value of the put option liability (note 15)				(39,8)		<b>(39,8)</b>		<b>(39,8)</b>
<b>Equity at 31 March 2017</b>	<b>3,1</b>	<b>1 625,4</b>	<b>(634,2)</b>	<b>469,5</b>	<b>9 051,5</b>	<b>10 515,3</b>	<b>4,2</b>	<b>10 519,5</b>



# Consolidated statement of changes in equity (continued)

For the years ended 31 March

## The Foschini Group Limited and its subsidiaries

	Share capital Rm	Share premium Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	Attributable to equity holders of The Foschini Group Limited Rm	Non-controlling interest Rm	Total equity Rm
<b>Equity at 31 March 2017</b>	<b>3,1</b>	<b>1 625,4</b>	<b>(634,2)</b>	<b>469,5</b>	<b>9 051,5</b>	<b>10 515,3</b>	<b>4,2</b>	<b>10 519,5</b>
<b>Total comprehensive income for the year</b>				<b>(512,5)</b>	<b>2 434,8</b>	<b>1 922,3</b>	<b>1,3</b>	<b>1 923,6</b>
Profit for the year					<b>2 434,8</b>	<b>2 434,8</b>	<b>1,3</b>	<b>2 436,1</b>
<i>Other comprehensive income</i>								
Actuarial gain on post-retirement defined benefit plan (note 16)				<b>34,2</b>		<b>34,2</b>		<b>34,2</b>
Movement in effective portion of changes in fair value of cash flow hedges (note 13)				<b>27,2</b>		<b>27,2</b>		<b>27,2</b>
Foreign currency translation reserve movements (note 14)				<b>(555,7)</b>		<b>(555,7)</b>		<b>(555,7)</b>
Deferred tax on movement in other comprehensive income (note 4)				<b>(18,2)</b>		<b>(18,2)</b>		<b>(18,2)</b>
<b>Contributions by and distributions to owners</b>								
Share-based payments reserve movements					<b>155,0</b>	<b>155,0</b>		<b>155,0</b>
Transfer from dividend reserve (note 12)				<b>(878,1)</b>	<b>878,1</b>	<b>-</b>		<b>-</b>
Dividends paid (note 36)					<b>(1 626,2)</b>	<b>(1 626,2)</b>	<b>(1,0)</b>	<b>(1 627,2)</b>
Transfer to dividend reserve (note 12)				<b>994,4</b>	<b>(994,4)</b>	<b>-</b>		<b>-</b>
Share capital issued and share premium raised (note 10)	<b>0,2</b>	<b>2 472,8</b>				<b>2 473,0</b>		<b>2 473,0</b>
Proceeds from sale of shares in terms of share incentive schemes					<b>91,7</b>	<b>91,7</b>		<b>91,7</b>
Shares purchased in terms of share incentive schemes				<b>(231,6)</b>		<b>(231,6)</b>		<b>(231,6)</b>
Delivery of shares by share incentive schemes				<b>205,5</b>	<b>(205,5)</b>	<b>-</b>		<b>-</b>
Increase in the fair value of the put option liability (note 15)				<b>(3,2)</b>	<b>(28,5)</b>	<b>(31,7)</b>		<b>(31,7)</b>
<b>Equity at 31 March 2018</b>	<b>3,3</b>	<b>4 098,2</b>	<b>(660,3)</b>	<b>70,1</b>	<b>9 756,5</b>	<b>13 267,8</b>	<b>4,5</b>	<b>13 272,3</b>

	2018	2017
<b>Dividend per ordinary share (cents)</b>		
Interim	<b>325,0</b>	320,0
Final	<b>420,0</b>	400,0
Total	<b>745,0</b>	720,0

# Consolidated cash flow statement

For the years ended 31 March

## The Foschini Group Limited and its subsidiaries

	Note	2018 Rm	2017 Rm
<b>Cash flows from operating activities</b>			
Operating profit before working capital changes	34	5 068,8	4 488,6
Increase in working capital	34	(976,3)	(1 156,5)
Cash generated from operations	34	4 092,5	3 332,1
Interest income		48,0	33,1
Finance costs		(696,6)	(607,4)
Taxation paid	35	(960,2)	(777,5)
Dividends paid	36	(1 627,2)	(966,1)
<b>Net cash inflows from operating activities</b>		<b>856,5</b>	<b>1 014,2</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(896,6)	(883,5)
Acquisition of assets through business combinations	40	(2 898,9)	(33,8)
Acquisition of management buy-out	40	(41,3)	-
Proceeds from sale of property, plant and equipment		40,4	32,0
Repayment of participation in export partnerships		-	14,4
<b>Net cash outflows from investing activities</b>		<b>(3 796,4)</b>	<b>(870,9)</b>
<b>Cash flows from financing activities</b>			
Shares purchased in terms of share incentive schemes		(231,6)	(234,8)
Proceeds on issue of share capital		2 473,0	-
Proceeds from sale of shares in terms of share incentive schemes		91,7	151,3
Increase in interest-bearing debt		1 067,9	36,8
<b>Net cash inflows (outflows) from financing activities</b>		<b>3 401,0</b>	<b>(46,7)</b>
<b>Net increase in cash during the year</b>		<b>461,1</b>	<b>96,6</b>
Cash at the beginning of the year		878,5	888,8
Effect of exchange rate fluctuations on cash held		(133,5)	(106,9)
<b>Cash at the end of the year</b>	9	<b>1 206,1</b>	<b>878,5</b>

# Consolidated segmental analysis

For the years ended 31 March

## The Foschini Group Limited and its subsidiaries

	Retail trading divisions Rm	Value-added services Rm	Credit Rm	Central and shared services Rm	TFG London Rm	TFG Australia Rm	Total Rm
<b>2018</b>							
External revenue	20 111,7	806,6	364,2	16,7	5 348,9	3 132,6	29 780,7
External interest income	-	-	1 707,8	47,3	-	0,7	1 755,8
Total revenue*	20 111,7	806,6	2 072,0	64,0	5 348,9	3 133,3	31 536,5
External finance costs				(617,1)	(66,5)	(13,0)	(696,6)
Depreciation and amortisation				(510,2)	(132,2)	(103,1)	(745,5)
Group profit before tax							3 389,6
Segmental profit (loss) before tax	3 967,6	459,7	656,1	(1 933,8)	202,1	253,1	3 604,8
Reconciling items to Group profit before tax							
Foreign exchange transactions							(13,2)
Share-based payments							(155,0)
Operating lease liability adjustment							(47,0)
Capital expenditure							896,6

	Retail trading divisions Rm	Value-added services Rm	Credit Rm	Central and shared services Rm	TFG London Rm	TFG Australia Rm	Total Rm
<b>2017</b>							
External revenue	18 912,8	783,3	331,5	13,2	4 635,9	-	24 676,7
External interest income	-	-	1 703,8	33,1	-	-	1 736,9
Total revenue*	18 912,8	783,3	2 035,3	46,3	4 635,9	-	26 413,6
External finance costs				(526,8)	(80,6)	-	(607,4)
Depreciation and amortisation				(437,6)	(102,7)	-	(540,3)
Group profit before tax							3 203,8
Segmental profit (loss) before tax	3 802,1	444,0	571,9	(1 802,2)	345,3	-	3 361,1
Reconciling items to Group profit before tax							
Foreign exchange transactions							(4,0)
Share-based payments							(131,4)
Operating lease liability adjustment							(21,9)
Capital expenditure							883,5

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

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

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

The previously named International division, comprising of the Phase Eight and Whistles brands, has been renamed to the TFG London segment.

During the current year, the Group acquired the Retail Apparel Group (RAG) and certain G-Star RAW Australia franchise stores, which forms part of the new TFG Australia reportable segment as defined by the Operating Board, being the chief operating decision-maker.

During the current year, the Group also acquired Hobbs Fashion Holdings Limited (Hobbs), which forms part of the TFG London reportable segment as defined by the Operating Board, being the chief operating decision-maker.

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

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

- **Retail trading divisions** comprising of the @home division, Exact, The FIX division, the Foschini division, the Jewellery division, the Markham division and the Sport division, retailing clothing, jewellery, cosmetics, cellphones and homeware and furniture.
- **Value-added services** manage the Group's financial service products such as publishing and associated magazines, insurance products and the one2one product.
- **Credit** manages the Group's trade receivables and related functions with regard to the granting of credit.
- **Central and shared services** provide services to the trading divisions including, but not limited to, finance and advisory, internal audit, information technology, logistics, human resources, facilities management and real estate.
- **TFG London division** comprising the Phase Eight, Whistles and newly acquired Hobbs (note 40) divisions, which operate internationally in the retail sector under the Phase Eight, Whistles and Hobbs brands. The retail brand operates across Europe, Asia, Australasia and North America.
- **TFG Australia division** comprising the Retail Apparel Group (RAG) (note 40) and G-Star RAW Australia (note 40) brands. RAG operates through retail outlets throughout Australia and New Zealand, as well as online. G-Star RAW operates through certain retail outlets throughout Australia.

# Consolidated segmental analysis (continued)

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## The Foschini Group Limited and its subsidiaries

### **GEOGRAPHICAL INFORMATION**

Given the increasing international footprint of TFG, we will use the naming conventions defined below to assist our stakeholders in understanding the Group's activities:

- "TFG" or the "Group" - refers to the consolidated performance of TFG Limited and all its subsidiaries.
- "TFG Africa" - refers to all operations on the African continent.
- "TFG London" - refers to the consolidated performance of Dress Holdco A Limited and all its subsidiaries including the Phase Eight, Whistles' and Hobbs brands.
- "TFG Australia" - refers to the consolidated performance of TFG Retailers Proprietary Limited and all its subsidiaries including the Retail Apparel Group (RAG) and G-Star Australia brands.
- "TFG International" - refers to all operations outside the African continent and includes both TFG London and TFG Australia.

The retail trading divisions, value-added services and credit reportable segments earn revenue from TFG Africa. TFG London operates through retail outlets throughout the United Kingdom and internationally, as well as online. TFG Australia operates through retail outlets throughout Australia and New Zealand, as well as online.

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

The geographical information is presented in the table below:

	<b>Retail trading divisions</b>	<b>Value-added services</b>	<b>Credit</b>	<b>Central and shared services</b>	<b>TFG London</b>	<b>TFG Australia</b>	<b>Total</b>
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
<b>2018</b>							
<b>Segment revenue</b>							
South Africa	18 751,2	798,6	1 995,0	59,5	-	-	21 604,3
Rest of Africa	1 181,5	8,0	77,0	4,5	-	-	1 271,0
United Kingdom and Ireland	-	-	-	-	2 839,3	-	2 839,3
Australia	-	-	-	-	39,9	2 966,7	3 006,6
Rest of the World	-	-	-	-	835,1	78,7	913,8
E-commerce	179,0	-	-	-	1 634,6	87,9	1 901,5
<b>Total segment revenue</b>	<b>20 111,7</b>	<b>806,6</b>	<b>2 072,0</b>	<b>64,0</b>	<b>5 348,9</b>	<b>3 133,3</b>	<b>31 536,5</b>
<b>Segment non-current assets</b>							
South Africa							2 860,8
Rest of Africa							96,0
United Kingdom and Ireland							4 445,3
Australia							3 006,5
Rest of the World							120,5
<b>Total segment non-current assets</b>							<b>10 529,1</b>
<b>2017</b>							
<b>Segment revenue</b>							
South Africa	17 630,5	775,1	1 969,6	43,7	-	-	20 418,9
Rest of Africa	1 157,0	8,2	65,7	2,6	-	-	1 233,5
United Kingdom and Ireland	-	-	-	-	2 642,3	-	2 642,3
Australia	-	-	-	-	46,1	-	46,1
Rest of the World	-	-	-	-	761,8	-	761,8
E-commerce	125,3	-	-	-	1 185,7	-	1 311,0
<b>Total segment revenue</b>	<b>18 912,8</b>	<b>783,3</b>	<b>2 035,3</b>	<b>46,3</b>	<b>4 635,9</b>	<b>-</b>	<b>26 413,6</b>
<b>Segment non-current assets</b>							
South Africa							2 734,5
Rest of Africa							106,4
United Kingdom and Ireland							4 192,8
Australia							6,3
Rest of the World							104,9
<b>Total segment non-current assets</b>							<b>7 144,9</b>

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

# Notes to the financial statements

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES

#### Reporting entity

The Foschini Group Limited (the “company”) is a company domiciled in South Africa. The address of the company’s registered office is Stanley Lewis Centre, 340 Voortrekker Road, Parow East, 7500, South Africa. The consolidated financial statements (together referred to as the “financial statements”) for the year ended 31 March 2018 comprise the company and its subsidiaries (together referred to as the “Group”).

#### Nature of business

The Foschini Group Limited (TFG) is a diverse group with a portfolio of 28 leading fashion retail brands – @home, @homelivingspace, American Swiss, Archive, Charles & Keith, Colette, Connor, Donna, Duesouth, Exact, Fabiani, The FIX, Foschini, G-Star RAW, hi, Hobbs, Johnny Bigg, Markham, Mat & May, Phase Eight, Rockwear, SODA Bloc, SportsScene, Sterns, Tarocash, Totalsports, Whistles and yd. Our range of 28 retail brands offers clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, homeware and furniture across value to upper market.

TFG London refers to the consolidated performance of Dress Holdco A Limited and all its subsidiaries. Dress Holdco A Limited is the ultimate UK holding company of Phase Eight, Whistles and newly acquired Hobbs (note 40) brands. TFG London operates through retail outlets throughout the United Kingdom and internationally, as well as online.

TFG Australia refers to the consolidated performance of TFG Retailers Proprietary Limited and all its subsidiaries. TFG Retailers Proprietary Limited is the ultimate Australian holding company of the Retail Apparel Group (RAG) and certain G-Star RAW franchise stores. The Group acquired Retail Apparel Group (RAG) (note 40) and certain G-Star RAW franchise stores (note 40) during the current year. RAG operates through retail outlets throughout Australia and New Zealand, as well as online. G-Star RAW operates through certain retail outlets throughout Australia.

#### 1.1 Basis of preparation

##### **Statement of compliance**

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

The financial statements were authorised for issue by the directors on 29 June 2018.

##### **Basis of measurement**

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

##### **Functional and presentation currency**

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

#### 1.2 Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management 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:

#### ***Trade receivables impairment***

Trade receivables are disclosed net of any accumulated impairment losses. The calculation of the impairment amount is performed using the internationally recognised Markov model. The Markov model is a statistical model utilised to quantify the probability of default by analysing the observed patterns of delinquency and default over an appropriate period of time to determine the inherent rate of bad debt in a debtors' book. The probability of default is applied to the accounts receivable balance at statement of financial position date. Accounts that are known to have applied for debt review are fully impaired. The Supervisory Board of Directors believes that the application of the Markov model results in trade receivable balances being measured reliably (refer to note 6).

#### ***Inventory valuation***

Inventory is valued at the lower of cost and net realisable value. The Group uses a combination of Retail Inventory Method (RIM) within TFG Africa and the standard cost method in TFG International. The RIM method contains certain assumptions which is also impacted by markdowns. The allowances for markdown and obsolescence of inventory take into account historic information related to sales trends and represent the expected markdown between the original cost and the estimated net realisable value. The net realisable value assigned to this inventory is the net selling price in the ordinary course of business less the estimated costs of completion (where applicable) less the estimated costs to make the sale (refer to note 5).

#### ***Fair value estimation***

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

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

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values due to their short-term nature. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments (refer to note 21).

#### ***Taxation***

The Group is subject to income tax in more than one jurisdiction. Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (refer to note 29).

#### ***Other***

Further estimates and judgements are made relating to residual values, useful lives and depreciation and amortisation methods (refer to notes 2 and 3); goodwill impairment tests (refer to note 3); estimating the fair value of share incentives granted (refer to note 31); and pension fund and employee obligations (refer to note 31).



# Notes to the financial statements (continued)

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES continued

#### 1.3 Basis of consolidation

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

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

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

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

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

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

#### **Business combinations**

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

NCIs arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is an accounting policy choice, but is selected for each individual business combination and disclosed in the note for business combinations. All other components of NCIs are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### **1.4 Cost of turnover**

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

#### **1.5 Dividends**

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

#### **1.6 Earnings per share**

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

Headline EPS is calculated per the requirements of SAICA Circular 2/2015, 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, annual and sick leave represent the amount the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits are calculated at undiscounted amounts based on current wage and salary rates and expensed when incurred.

##### ***Post-employment benefits***

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

##### ***Defined contribution plans***

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

# Notes to the financial statements (continued)

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES continued

#### 1.7 Employee benefits continued

##### **Defined benefit plans**

###### *Post-retirement medical aid benefits*

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

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

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

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

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

##### **Share-based payment transactions**

###### *Equity-settled share-based options*

The Group grants equity-settled share instruments to certain employees under an employee share plan. The grant date of fair value of options, share appreciation rights (SARs) and forfeitable shares granted to employees is recognised as an expense, with a corresponding increase in equity in a separate reserve over the 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.

###### *Cash-settled share-based options*

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

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

## **1.8 Expenses**

### ***Finance costs***

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

### ***Operating lease payments***

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

## **1.9 Financial instruments**

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

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

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

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

### ***Non-derivative financial instruments***

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

### ***Cash and cash equivalents***

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

### ***Loans and receivables***

Trade receivables – retail and concession receivables are classified as loans and receivables and are carried at amortised cost using the effective interest method, less any accumulated impairment losses.

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

# Notes to the financial statements (continued)

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES *continued*

#### 1.9 Financial instruments *continued*

##### ***Financial liabilities measured at amortised cost***

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

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

##### ***Gains and losses on subsequent measurement***

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

##### ***Put option to acquire the Phase Eight Group equity***

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

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

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

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

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

##### ***Call option to acquire the Phase Eight group equity***

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

##### ***Derivative financial instruments***

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

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

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

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

### ***Fair value determination***

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

### ***Offset***

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

## **1.10 Share capital**

### ***Ordinary shares***

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

### ***Preference share capital***

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

### ***Treasury shares***

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

### ***Foreign operations***

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

# Notes to the financial statements (continued)

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES continued

#### 1.11 Foreign currencies continued

##### **Foreign operations** continued

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

#### 1.12 Goodwill

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

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

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

#### 1.13 Hedge accounting

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

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

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

#### 1.14 Impairment of assets

##### **Non-derivative financial assets**

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

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

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

All impairment losses are recognised in profit or loss.

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

### **Non-financial assets**

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

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

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

#### **1.15 Intangible assets (excluding goodwill)**

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

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

The useful life of an intangible asset that is considered to be indefinite is assessed annually or whenever there is an indication that the intangible asset may be impaired. Currently, the Instinct, Fabiani, G-Star RAW, Phase Eight, Prestige, Damsel in a Dress and newly acquired Hobbs (note 40) and RAG (note 40) 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.



# Notes to the financial statements (continued)

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES continued

#### 1.15 Intangible assets (excluding goodwill) continued

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

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

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

#### 1.16 Inventories

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

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

#### 1.17 Property, plant and equipment

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

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

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

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

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

Shopfittings	14% - 20%
Passenger vehicles	20% - 33,3%
Commercial vehicles	20%
Computer equipment	8,33% - 33%
Office equipment	4% - 33%
Furniture and fixtures	16,67%
Buildings	3,33%
Leasehold improvements	Shorter of useful life or lease period

Land is not depreciated.

The above depreciation rates are consistent with the comparative period.

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

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

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

### **1.18 Revenue and other income**

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

#### ***Retail turnover***

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

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

#### ***Interest income***

Interest is recognised using the effective interest method.

#### ***Publishing income, collection cost recovery and mobile one2one airtime income***

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

#### ***Insurance and sundry income***

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

### **1.19 Segmental reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group has identified that the Chief Executive Officer in conjunction with the Operating Board fulfils the role of the CODM. The Operating Board, as distinct from our Supervisory Board, consists only of executive directors. All operating segments' operating results are reviewed regularly by the CODM to make decisions about the allocation of resources to the operating segment and to assess its performance.

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

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

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

# Notes to the financial statements (continued)

For the year ended 31 March

## The Foschini Group Limited and its subsidiaries

### 1. ACCOUNTING POLICIES continued

#### 1.20 Taxation

Income tax expense comprises current and deferred taxation.

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

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

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

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

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

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

#### 1.21 Reinsurance contracts

##### ***Reinsurance contracts issued in cell captive arrangements***

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

##### ***Reinsurance premium revenue***

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

**Claims**

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

**Underwriting fees**

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

**Amount receivable from insurer**

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

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

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

**Investment income**

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

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

## 2. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost/ deemed cost Rm	Accumulated depreciation Rm	Carrying value at the end of the year Rm	Cost/ deemed cost Rm	Accumulated depreciation Rm	Carrying value at the end of the year Rm
Land and buildings	358,1	(99,0)	259,1	354,6	(88,3)	266,3
Shopfittings and furniture and fixtures	5 865,0	(3 758,2)	2 106,8	4 891,5	(3 148,7)	1 742,8
Motor vehicles	119,9	(38,2)	81,7	114,6	(36,1)	78,5
Office equipment	156,8	(73,2)	83,6	137,7	(57,8)	79,9
Computer equipment	954,3	(628,0)	326,3	754,3	(457,9)	296,4
Leasehold improvements	6,5	(2,1)	4,4	6,5	(1,4)	5,1
<b>Total</b>	<b>7 460,6</b>	<b>(4 598,7)</b>	<b>2 861,9</b>	<b>6 259,2</b>	<b>(3 790,2)</b>	<b>2 469,0</b>

### Reconciliation of property, plant and equipment - 2018 (Rm)

	Opening balance	Additions	Additions through business combina- tions	Disposals	Foreign exchange move- ments	Depre- ciation	Total
Land and buildings	266,3	3,5	-	-	-	(10,7)	259,1
Shopfittings and furniture and fixtures	1 742,8	665,0	406,7	(82,6)	(64,8)	(560,3)	2 106,8
Motor vehicles	78,5	25,6	-	(10,5)	(0,2)	(11,7)	81,7
Office equipment	79,9	19,1	-	-	-	(15,4)	83,6
Computer equipment	296,4	50,1	50,3	(0,1)	-	(70,4)	326,3
Leasehold improvements	5,1	-	-	-	-	(0,7)	4,4
<b>Total</b>	<b>2 469,0</b>	<b>763,3</b>	<b>457,0</b>	<b>(93,2)</b>	<b>(65,0)</b>	<b>(669,2)</b>	<b>2 861,9</b>

### Reconciliation of property, plant and equipment - 2017 (Rm)

	Opening balance	Additions	Disposals	Foreign exchange move- ments	Depre- ciation	Total
Land and buildings	258,9	23,2	(5,6)	-	(10,2)	266,3
Shopfittings and furniture and fixtures	1 684,1	520,6	(11,6)	(92,1)	(358,2)	1 742,8
Motor vehicles	79,4	22,3	(11,5)	(0,1)	(11,6)	78,5
Office equipment	18,5	73,2	(0,1)	-	(11,7)	79,9
Computer equipment	289,1	108,8	(0,3)	(11,0)	(90,2)	296,4
Leasehold improvements	5,7	-	-	-	(0,6)	5,1
<b>Total</b>	<b>2 335,7</b>	<b>748,1</b>	<b>(29,1)</b>	<b>(103,2)</b>	<b>(482,5)</b>	<b>2 469,0</b>

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

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

### 3. GOODWILL AND INTANGIBLE ASSETS

	2018			2017		
	Cost Rm	Accumulated amortisation Rm	Carrying value Rm	Cost Rm	Accumulated amortisation Rm	Carrying value Rm
Intangible asset on acquisition of trademarks	3 302,6	(9,3)	3 293,3	1 588,9	(4,3)	1 584,6
Goodwill	3 766,6	-	3 766,6	2 559,8	-	2 559,8
Computer software	960,0	(352,7)	607,3	804,6	(273,1)	531,5
<b>Total</b>	<b>8 029,2</b>	<b>(362,0)</b>	<b>7 667,2</b>	<b>4 953,3</b>	<b>(277,4)</b>	<b>4 675,9</b>

#### Reconciliation of goodwill and intangible assets - 2018 (Rm)

	Opening balance	Additions	Additions through business combina- tions	Disposals	Amortisa- tion	Foreign exchange move- ments	Total
	Intangible asset on acquisition of trademarks	1 584,6	-	1 949,7	-	(5,0)	(236,0)
Goodwill	2 559,8	-	1 395,8	-	-	(189,0)	3 766,6
Computer software	531,5	133,3	16,3	(0,1)	(71,3)	(2,4)	607,3
<b>Total</b>	<b>4 675,9</b>	<b>133,3</b>	<b>3 361,8</b>	<b>(0,1)</b>	<b>(76,3)</b>	<b>(427,4)</b>	<b>7 667,2</b>

#### Reconciliation of goodwill and intangible assets - 2017 (Rm)

	Opening balance	Additions	Additions through business combina- tions	Amortisa- tion	Foreign exchange move- ments	Total
	Intangible asset on acquisition of trademarks	1 956,0	-	16,9	(2,6)	(385,7)
Goodwill	3 170,5	-	2,9	-	(613,6)	2 559,8
Computer software	451,3	135,4	-	(55,2)	-	531,5
<b>Total</b>	<b>5 577,8</b>	<b>135,4</b>	<b>19,8</b>	<b>(57,8)</b>	<b>(999,3)</b>	<b>4 675,9</b>

## Notes to the financial statements (continued)

For the year ended 31 March

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### The Foschini Group Limited and its subsidiaries

#### 3. GOODWILL AND INTANGIBLE ASSETS continued

##### Assessment of indefinite brands:

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

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

##### Brands with an indefinite useful life

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

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

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

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

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

The RAG intangible asset represents registered rights to the exclusive use of the RAG (note 40) 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.

The Hobbs intangible asset represents registered rights to the exclusive use of the Hobbs (note 40) 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.

##### Brands with a definite useful life

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

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

The G-Star RAW franchise stores Australia intangible asset represents registered rights to the exclusive use of the G-Star RAW franchise stores (note 40) brand name in Australia. The useful life of the G-Star RAW Australia brand is considered to be definite. The intangible asset will be amortised over the remaining useful life of the franchise agreement. This useful life is assessed annually or whenever there is an indication of impairment.

## Impairment testing of indefinite life intangible assets and goodwill

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

	<b>2018</b>	<b>2017</b>
	<b>Rm</b>	<b>Rm</b>
Totalsports	9,3	9,3
Prestige Clothing	24,2	24,2
Damsel in a Dress	2,8	2,9
Phase Eight	2 487,8	2 523,4
G-Star RAW Australia	57,2	-
Retail Apparel Group	1 132,4	-
Hobbs	52,9	-
	<b>3 766,6</b>	2 559,8

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

### Key assumptions used in recoverable value calculation

The assumptions below have been applied to calculate the recoverable amount of the Phase Eight, Hobbs, G-Star RAW Australia, Retail Apparel Group, Damsel in a Dress, Totalsports and Prestige Clothing cash-generating units based on a value in use or fair value less costs of disposal:

**Retail turnover growth rates:** Retail turnover growth rates are based on the approved forecast sales growth for the forecast period of five years. The retail turnover growth rates are between 2% and 12%.

**Gross margins:** Gross margins are based on the approved forecast gross margin for the forecast period and are between 45% and 70%.

**Discount rates:** Discount rates between 5% and 13% represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

**Long-term growth rates:** These rates are based on the longer-term inflation expectations across the current operating retail industry between 2% and 2,5%.

No significant changes in the prior year assumptions were used when calculating the value in use. No impairment loss was recognised as the recoverable amount exceeded the carrying amount of all CGUs.



## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

	2018 Rm	2017 Rm
<b>4. DEFERRED TAXATION</b>		
Balance at 1 April	145,7	91,8
Brand acquisition	(363,6)	(2,9)
Amounts recognised directly in other comprehensive income		
Foreign currency movements	42,5	67,8
Financial instrument reserves	(8,6)	(6,8)
Post-retirement defined benefit plan reserve	(9,6)	-
Current year movement in temporary differences recognised in profit or loss		
Prior year over provision	(0,3)	(14,8)
Operating leases	23,6	60,1
Working capital allowances	31,2	(59,3)
Capital allowances	(56,2)	(31,8)
Trademarks	(0,1)	-
Restraint of trade	0,9	2,7
Export partnerships	-	18,7
Rate change	-	16,2
Assessed loss	(14,3)	4,0
<b>At 31 March</b>	<b>(208,8)</b>	145,7
Arising as a result of:		
Deferred taxation assets		
Financial instrument reserves	-	3,0
Operating leases	83,6	60,6
Working capital allowances	351,0	322,7
Capital allowances	126,4	13,7
Trademarks	-	0,1
Forfeitable shares	39,2	39,2
Assessed loss	7,2	21,5
Post-retirement defined benefit plan reserve	13,2	22,8
<b>Deferred taxation asset</b>	<b>620,6</b>	483,6
Arising as a result of:		
Deferred taxation liability		
Financial instrument reserves	(5,6)	-
Capital allowances	(49,3)	(60,1)
Restraint of trade	(21,1)	(22,0)
Working capital allowances	-	(2,7)
Operating leases	-	(0,6)
Intangible assets	(753,4)	(252,5)
<b>Deferred taxation liability</b>	<b>(829,4)</b>	(337,9)
<b>Net deferred taxation</b>	<b>(208,8)</b>	145,7

	<b>2018</b>	<b>2017</b>
	<b>Rm</b>	<b>Rm</b>
<b>5. INVENTORY</b>		
Merchandise	<b>6 637,4</b>	5 366,5
Raw materials	<b>126,0</b>	108,1
Shopfitting stock	<b>6,8</b>	19,7
Consumables	<b>3,4</b>	16,9
Inventory at year end	<b>6 773,6</b>	5 511,2
Inventory write-downs included above	<b>260,2</b>	233,0
<b>6. TRADE RECEIVABLES - RETAIL</b>		
6-month revolving credit	<b>1 060,8</b>	1 090,0
12-month extended credit	<b>6 513,0</b>	5 910,7
	<b>7 573,8</b>	7 000,7
<p>The effective rate of interest earned on the above receivables during the year under review is 20,9% (2017: 21,7%). The Group's management of and exposure to credit and market risk is disclosed in note 21.</p>		
<b>7. OTHER RECEIVABLES AND PREPAYMENTS</b>		
<b>Loans and receivables</b>		
Miscellaneous debtors and other receivables	<b>432,5</b>	468,7
<b>Other receivables</b>		
Financial instrument asset	<b>0,1</b>	-
Prepaid expenses	<b>124,1</b>	118,8
Insurance receivable (note 39)	<b>265,1</b>	183,5
	<b>821,8</b>	771,0
<p>The Group's management of and exposure to credit and market risk is disclosed in note 21.</p>		
<b>8. CONCESSION RECEIVABLES</b>		
Concession receivables	<b>296,8</b>	246,1
<p>The Group's management of and exposure to credit and market risk is disclosed in note 21.</p>		
<b>9. CASH AND CASH EQUIVALENTS</b>		
Bank balances	<b>1 206,1</b>	878,5

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

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

	2018 Rm	2017 Rm
<b>10. SHARE CAPITAL</b>		
<b>Authorised</b>		
200 000 (2017: 200 000) 6,5% cumulative preference shares of R2 each	0,4	0,4
600 000 000 (2017: 600 000 000) ordinary shares of 1,25 cents each	7,5	7,5
	<b>7,9</b>	<b>7,9</b>
<b>Issued</b>		
<i>Ordinary share capital</i>		
Ordinary shares of 1,25 cents each		
Total in issue	3,0	2,8
Shares held by subsidiary	_*	_*
Shares held in terms of the share incentive schemes	(0,1)	(0,1)
Total in issue at the end of the year - company	3,0	2,8
Total in issue at the end of the year - Group	2,9	2,7
<i>Preference share capital</i>		
200 000 (2017: 200 000) 6,5% cumulative preference shares of R2 each	0,4	0,4
Total in issue at the end of the year - company	3,4	3,2
Total net issued share capital - Group	3,3	3,1

\* Zero as a result of rounding.

	Number of shares	
	2018	2017
<b>Reconciliation of number of shares issued:</b>		
Total in issue	236 756 814	219 515 434
Shares held by subsidiary	(1 080 599)	(1 080 599)
Shares held in terms of share incentive schemes	(4 399 200)	(4 438 600)
Total in issue at the end of the year - company	236 756 814	219 515 434
Total in issue at the end of the year - Group	231 277 015	213 996 235

On 4 August 2017, the Group made an application to the JSE for a listing of 17 241 380 ordinary shares at an issue price of R145,00 per ordinary share for a total consideration of R2,5 billion. The shares were allotted and issued as a result of an accelerated bookbuild offering that was launched and concluded after close of market on 31 July 2017. On 4 August 2017, the total shares in issue increased from 219 515 434 shares to 236 756 814 shares. Total transaction costs relating to the share issue amounted to R27,0 million.

#### 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: 325,0 cents per share paid on 8 January 2018.

Final: 420,0 cents per share payable on 23 July 2018.

### Unissued ordinary shares

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

### Directors' interest

At 31 March 2018, 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	<b>2018 Total '000</b>	<b>2017 Total '000</b>
<b>Non-executive</b>						
M Lewis (indirect non-beneficial)	1 591,7	-	-		<b>1 591,7</b>	8 251,7
F Abrahams	-	-	-		-	-
S E Abrahams	-	-	-		-	-
G H Davin	-	-	-		-	-
D Friedland (indirect beneficial)	20,4	-	-		<b>20,4</b>	29,4
B L M Makgabo-Fiskerstrand	-	-	-		-	-
E Oblowitz (direct beneficial)	2,2	-	-		<b>2,2</b>	2,2
N V Simamane (direct beneficial)	1,6	-	-		<b>1,6</b>	1,6
R Stein (direct beneficial)	266,6	-	-		<b>266,6</b>	501,5
R Stein (indirect beneficial)	70,1	-	-		<b>70,1</b>	31,7
	<b>1 952,6</b>	-			<b>1 952,6</b>	8 818,1

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 10. SHARE CAPITAL continued

	Shares '000	Share appreciation rights accepted '000	Price per share R	Year of delivery	2018 Total '000	2017 Total '000
<b>Executive</b>						
A D Murray (direct beneficial)	508,2	-	-		508,2	1 207,1
A D Murray (indirect beneficial)	722,5	-	-		722,5	722,5
A D Murray (performance-based restricted forfeitable shares)	149,0	-	-		149,0	126,0
A D Murray (restricted forfeitable shares)	142,9	-	-		142,9	142,9
	1 522,6	-			1 522,6	2 198,5
A D Murray	-	-	136,22	2018	-	62,8
A D Murray	-	-	96,86	2018	-	133,4
A D Murray	-	89,4	111,10	2019	89,4	89,4
A D Murray	-	76,4	148,15	2019	76,4	76,4
A D Murray	-	119,0	142,72	2020	119,0	119,0
A D Murray	-	132,8	138,30	2021	132,8	-
	-	417,6			417,6	481,0
A E Thunström (direct beneficial)	-	-	-		-	-
A E Thunström (indirect beneficial)	-	-	-		-	-
A E Thunström (performance-based restricted forfeitable shares)	64,3	-	-		64,3	42,6
	64,3	-			64,3	42,6
A E Thunström	-	31,2	148,15	2019	31,2	31,2
A E Thunström	-	37,8	142,72	2020	37,8	37,8
A E Thunström	-	47,0	138,30	2021	47,0	-
	-	116,0			116,0	69,0
<b>Executive</b>						
Total executive excluding share appreciation rights	1 586,9				1 586,9	2 241,1
Total executive share appreciation rights		533,6			533,6	550,0
<b>Non-executive and executive</b>						
Total excluding share appreciation rights	3 539,5				3 539,5	11 059,2
Total share appreciation rights		533,6			533,6	550,0

The following changes have taken place since 31 March 2018:

1. On 31 May 2018, the executive directors sold ordinary shares previously granted on 8 June 2015 with performance-based restrictions in terms of the Group's 2010 share incentive scheme:

	Shares accepted '000*	Estimated value Rm <sup>#</sup>
A D Murray	32,8	6,0
A E Thunström	13,4	2,5

\* Subject to performance criteria.

<sup>#</sup> Estimated value based on closing share price of R184,24 on 31 May 2018.

2. On 31 May 2018, an executive director sold ordinary shares previously granted on 29 January 2015 with performance-based restrictions in terms of the Group's 2010 share incentive scheme:

	Shares accepted '000*	Estimated value Rm <sup>#</sup>
A E Thunström	11,8	2,2

\* Subject to performance criteria.

<sup>#</sup> Estimated value based on closing share price of R184,24 on 31 May 2018.

3. On 1 June 2018, an executive director accepted the following share appreciation rights (SARs).

	SARs accepted '000*	Price per SAR R
A E Thunström	77,0	183,89

\* Subject to performance criteria.

4. On 1 June 2018, an executive director accepted the following ordinary shares in terms of the Group's 2010 Share Incentive Scheme for nil consideration. The shares vest on the third anniversary of the grant date provided the recipient remains in the Group's employ and the requisite performance conditions are satisfied.

	Shares accepted '000*	Estimated value Rm <sup>##</sup>
A E Thunström	35,6	6,6

\* Subject to performance criteria.

<sup>##</sup> Estimated value based on closing share price of R186,31 on 1 June 2018.

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 11. TREASURY SHARES

In terms of a special resolution passed at the annual general meeting of the company on 6 September 2017, shareholders renewed the approval, as a general authority, of the acquisition by the company or any of its subsidiaries of the issued ordinary shares of the company not exceeding 5% in aggregate in any one financial year. The general authority is subject to the JSE Listings Requirements and the Companies Act, No. 71 of 2008, and is valid only until the company's next annual general meeting.

	Number of shares	
	2018	2017
Foschini Stores Proprietary Limited	1 080 599	1 049 824
The Foschini Share Incentive Trust	1 568 600	2 501 500
Employees of TFG in terms of share incentive schemes	2 870 000	2 542 650
<b>Balance at the beginning of the year</b>	<b>5 519 199</b>	<b>6 093 974</b>
The Foschini Share Incentive Trust	446 500	368 800
Employees of TFG in terms of share incentive schemes	1 215 000	1 207 300
<b>Shares purchased during the year in terms of share incentive schemes</b>	<b>1 661 500</b>	<b>1 576 100</b>
The Foschini Share Incentive Trust	(457 704)	(846 330)
Employees of TFG in terms of share incentive schemes	(70 200)	(141 200)
<b>Shares sold during the year</b>	<b>(527 904)</b>	<b>(987 530)</b>
The Foschini Share Incentive Trust	(258 796)	(455 370)
Employees of TFG in terms of share incentive schemes	(914 200)	(738 750)
<b>Shares delivered during the year</b>	<b>(1 172 996)</b>	<b>(1 194 120)</b>
Foschini Stores Proprietary Limited	-	30 775
<b>Issue of scrip distribution during the year</b>	<b>-</b>	<b>30 775</b>
Foschini Stores Proprietary Limited	1 080 599	1 080 599
The Foschini Share Incentive Trust	1 298 600	1 568 600
Employees of TFG in terms of share incentive schemes	3 100 600	2 870 000
<b>Balance at the end of the year</b>	<b>5 479 799</b>	<b>5 519 199</b>

As at 31 March 2018, a subsidiary, Foschini Stores Proprietary Limited, held 1 080 599 (2017: 1 080 599) shares, representing 0,5% (2017: 0,5%) of the company's share capital. The Foschini Share Incentive Trust held 1 298 600 (2017: 1 568 600) shares, representing 0,5% (2017: 0,7%) of the company's share capital, and employees of TFG held 3 100 600 (2017: 2 870 000) shares representing 1,3% (2017: 1,3%) of the company's share capital. The Foschini Share Incentive Trust and employees of TFG hold shares in terms of share incentive schemes.

## 12. DIVIDEND RESERVE

A liability for cash dividends is recognised in the period when the dividend is declared. An amount equal to dividends declared subsequent to the reporting date is transferred to the dividend reserve.

A final distribution of 420,0 (2017: 400,0) cents per ordinary share was declared on 24 May 2018 and is payable on 23 July 2018.

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

	2018 Rm	2017 Rm
Balance at 1 April	878,1	829,1
Transfer from dividend reserve to distributable earnings	(878,1)	(829,1)
Transfer to dividend reserve from distributable earnings	994,4	878,1
<b>Balance at 31 March</b>	<b>994,4</b>	<b>878,1</b>

## 13. HEDGING SURPLUS (DEFICIT)

The hedging surplus (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.

	2018 Rm	2017 Rm
Balance at 1 April	(8,6)	(26,0)
Effective portion of changes in fair value of cash flow hedges	27,2	24,2
Deferred tax on movement in effective portion of cash flow hedges	(8,6)	(6,8)
<b>Balance at 31 March</b>	<b>10,0</b>	<b>(8,6)</b>
<b>Comprised as follows:</b>		
Forward exchange contracts - fair value	15,7	(11,5)
<b>Total fair value of cash flow hedges</b>	<b>15,7</b>	<b>(11,5)</b>
Deferred tax on forward exchange contracts	(5,7)	2,9
<b>Total deferred tax on cash flow hedges</b>	<b>(5,7)</b>	<b>2,9</b>
<b>Balance at 31 March</b>	<b>10,0</b>	<b>(8,6)</b>

The opening balance of R8,6 million was realised during the year and recycled to profit or loss. The forward exchange contracts are used to hedge the estimated foreign currency exposure to forecast purchases over the next six months.

## 14. 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.

	2018 Rm	2017 Rm
Balance at 1 April	(258,4)	534,7
Foreign currency translation differences	(555,7)	(793,1)
<b>Balance at 31 March</b>	<b>(814,1)</b>	<b>(258,4)</b>



## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 15. PUT OPTION RESERVE AND LIABILITY

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

In the current year, the Group accelerated the put/call arrangement to acquire the remaining shares owned by management in TFG Brands (London) Limited. The Group acquired the remaining c.15% shareholding owned by management on 15 December 2017 for GBP1,9 million (R34,3 million). After the transaction, the Group owns 100% of the share capital in TFG Brands (London) Limited.

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

	2018 Rm	2017 Rm
<b>Put option liability movement</b>		
Balance at 1 April	74,7	48,1
Increase in the fair value of the put option liability	31,7	39,8
Settlement of put/call for management owned shares	(34,3)	-
Foreign exchange movements	0,6	(13,2)
<b>Balance at 31 March</b>	<b>72,7</b>	74,7
<b>Put option reserve movement</b>		
Balance at 1 April	82,8	43,0
Increase in the fair value of the put option liability	31,7	39,8
Transfer to retained earnings	(28,5)	-
<b>Balance at 31 March</b>	<b>86,0</b>	82,8

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

## 16. POST-RETIREMENT DEFINED BENEFIT PLAN

### Defined benefit plan

At March 2018, the Group had an obligation to provide post-retirement health care to 770 (2017: 777) 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.

	2018 Rm	2017 Rm
<b>Movements for the year</b>		
Balance at 1 April	233,1	217,3
Settlements	(11,0)	(10,1)
Service cost	3,8	3,4
Interest cost	24,1	22,5
Actuarial gain	(34,2)	-
<b>Balance at 31 March</b>	<b>215,8</b>	<b>233,1</b>
<b>Net expense recognised in profit or loss</b>		
Settlements	(11,0)	(10,1)
Service cost	3,8	3,4
Interest cost	24,1	22,5
	<b>16,9</b>	<b>15,8</b>
<b>Post-retirement defined benefit plan reserve included in other comprehensive income</b>		
Balance at 1 April	58,8	58,8
Actuarial gain	(34,2)	-
Actuarial gain remeasurements due to:		
Demographic assumptions	8,0	-
Financial assumptions	(20,2)	-
Experience adjustments	(22,0)	-
Deferred tax on actuarial gain	9,6	-
	<b>34,2</b>	<b>58,8</b>
<b>Key assumptions used</b>		
Gross discount rates used	10,5%	10,6%
Implied allowances for medical scheme contribution inflation	9,3%	10,2%

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### Other assumptions

##### **Mortality assumptions:**

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

"SA85-90 (Lite)" and "PA90" are standard actuarial mortality tables used as the basis for the assumptions regarding the life expectancy of employees and pensioners in the valuation.

##### **Withdrawal and retirement assumptions:**

- Employees are assumed to retire at their normal retirement date of 60 (2017: 60 or 65), dependent on the employee.
- Withdrawal assumptions: 0% - 20,3% depending on age of employee.

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

#### Sensitivity analysis

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

Total actuarial liability 31 March 2018:

	Defined benefit obligation	
	Increase Rm	Decrease Rm
Health cost inflation (1% movement)	243,2	192,8
Expected retirement age (1 year movement)	210,9	220,8
Discount rate (1% movement)	192,8	243,6

### 17. INTEREST-BEARING DEBT

	2018 Rm	2017 Rm
<b>Non-current liabilities</b>	<b>4 825,7</b>	4 442,2
Unsecured fluctuating loans in terms of long-term bank facilities	4 825,7	3 935,3
Unsecured fluctuating loans in terms of long-term management loans	-	506,9
<b>Current liabilities</b>		
At amortised cost	4 524,9	3 307,0
Balance at 31 March	<b>9 350,6</b>	7 749,2

Interest-bearing debt includes banking facilities amounting to R4 407,0 (2017: R3 189,0) million, which bears variable interest at a margin of 0,48% – 1,75% (2017: 0,56% – 1,50%) above three-month JIBAR payable within one year, R1 250,0 (2017: R2 070,0) million, which bears variable interest at a margin of 1,37% – 1,90% (2017: 1,25% – 1,75%) above three-month JIBAR payable between one and two years, and R2 277,0 (2017: R821,0) million, which bears variable interest at a margin of 0,26% – 1,75% (2017: 1,65% – 1,95%) above three-month JIBAR payable after two years. The effective rate (excluding TFG International) for 2018 was 8,47% Nominal Annual Compounded Monthly (NACM) (2017: 8,58% NACM). In addition to the above, a GBP69,1 (2017: GBP69,0) million loan, which bears variable interest at a margin of three-month London Interbank Offered Rate (LIBOR) plus margin: 3,75% – 5,25%. Management loans include GBPnil (2017: GBP21,0) million loan, which bears interest at 5%. An AUD29,8 (2017: AUDnil) million loan, which bears a fixed interest rate of 3,26%.

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

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

## 18. CASH-SETTLED SHARE INCENTIVE SCHEME

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

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

In the current year, the Group accelerated the put/call arrangement to acquire the remaining cash-settled share incentive scheme shares owned by management in TFG Brands (London) Limited. The Group acquired the remaining shareholding owned by management on 15 December 2017 for GBP0,5 million (R7,0 million). After the transaction, the Group owns 100% of the share capital in TFG Brands (London) Limited.

	2018 Rm	2017 Rm
<b>Liability arising from the cash-settled share incentive scheme</b>		
Balance at 1 April	6,8	8,5
Current employee costs recognised in profit or loss	0,1	-
Foreign exchange movements	0,1	(1,7)
Settlement of put/call for management owned shares	(7,0)	-
<b>Balance at 31 March</b>	<b>-</b>	<b>6,8</b>

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

	2018 Rm	2017 Rm
<b>19. OPERATING LEASE LIABILITY</b>		
<b>Accrual for straight-lining of operating leases:</b>		
Non-current liabilities	335,1	255,7
Current liabilities	30,7	15,2
<b>Balance at 31 March</b>	<b>365,8</b>	<b>270,9</b>

The Group leases the majority of its trading premises under operating leases.

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

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

Less than 1 year	2 432,1	2 086,4
More than 1 year and less than 5 years	5 300,7	5 078,9
More than 5 years	292,9	584,8

### 20. TRADE AND OTHER PAYABLES

#### Financial liabilities

Trade payables	1 986,0	1 964,2
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#### Other liabilities

Other payables and accruals	1 295,8	579,3
Employee-related accruals	212,9	137,3
Gift card liability	62,3	59,9
Financial instrument liability	51,2	10,6

	<b>3 608,2</b>	<b>2 751,3</b>
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The Group's management of and exposure to market and cash flow and liquidity risk is disclosed in note 21.

### 21. RISK MANAGEMENT

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

### **Risk management framework**

The Supervisory Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Supervisory Board has established the Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly on its activities to the Supervisory Board of Directors.

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

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

### **Credit risk**

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

### **Trade receivables**

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

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

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 21. RISK MANAGEMENT continued

##### Trade receivables continued

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The allowance is calculated using the internationally recognised Markov model. The Markov model is a statistical model utilised to quantify the probability of default by analysing the observed patterns of delinquency and default over an appropriate period of time to determine the inherent rate of bad debt in a debtors' book. The probability of default is applied to the accounts' receivable balance at statement of financial position date. Accounts that are known to have applied for the debt review are fully impaired. The impairment allowance is adjusted for management's judgement as to whether the actual incurred losses are likely to be greater or less than suggested by the Markov model. The Supervisory Board of Directors believes that the application of these techniques results in trade receivables balances being measured reliably. The Group does not consider there to be any significant credit risk in respect of which any further impairment of accounts receivable is required.

##### Other receivables and prepayments

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

##### Concession receivables

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

##### Cash and cash equivalents and investments

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

##### 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:

	2018 Rm	2017 Rm
<b>Loans and receivables</b>		
Trade receivables – retail	7 573,8	7 000,7
Other receivables	697,7	652,2
Concession receivables	296,8	246,1
Cash and cash equivalents	1 206,1	878,5
	<b>9 774,4</b>	8 777,5

### Impairment losses: trade receivables – retail

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

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

	Carrying amount	
	2018 Rm	2017 Rm
<b>The ageing of past due unimpaired trade receivables at 31 March was:</b>		
Recency 1	728,4	724,5
Recency 2	249,7	215,8
Recency 3	138,6	105,3
Recency 4	78,9	51,3
Recency 5	35,0	20,8
	<b>1 230,6</b>	1 117,7
<b>Reconciliation of net trade receivables</b>		
Gross trade receivables	8 675,0	8 039,7
Allowance for impairment	(1 101,2)	(1 039,0)
<b>Net trade receivables</b>	<b>7 573,8</b>	7 000,7
<b>The movement in the allowance for impairment in respect of trade receivables during the year was as follows:</b>		
Balance at 1 April	1 039,0	1 099,2
Movement in allowance for impairment	62,2	(60,2)
<b>Balance at 31 March</b>	<b>1 101,2</b>	1 039,0

Customers that are not past due and have a good track record with the Group make up 79,5% of the trade receivables book (2017: 78,9%).

### Cash flow and liquidity risk

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

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



## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 21. RISK MANAGEMENT continued

##### Cash flow and liquidity risk continued

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
<b>31 March 2018</b>					
<b>Non-derivative financial liabilities</b>					
Interest-bearing debt	9 350,6	10 086,8	4 917,0	1 568,3	3 601,5
Trade and other payables	3 344,1	3 281,8	3 281,8	-	-
<b>Derivative financial liabilities</b>					
Put option liability	72,7	72,7	-	-	72,7
Forward exchange contracts used for hedging	51,2	1 001,5	1 001,5	-	-
	<b>12 818,6</b>	<b>14 442,8</b>	<b>9 200,3</b>	<b>1 568,3</b>	<b>3 674,2</b>
<b>31 March 2017</b>					
<b>Non-derivative financial liabilities</b>					
Interest-bearing debt	7 749,2	8 493,3	3 632,9	2 412,8	2 447,6
Trade and other payables	2 603,4	2 543,5	2 543,5	-	-
<b>Derivative financial liabilities</b>					
Put option liability	74,7	294,9	-	-	294,9
Forward exchange contracts used for hedging	10,6	1 014,9	1 014,9	-	-
	<b>10 437,9</b>	<b>12 346,6</b>	<b>7 191,3</b>	<b>2 412,8</b>	<b>2 742,5</b>

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
<b>31 March 2018</b>					
<b>Forward exchange contracts</b>					
Asset	0,1	(886,7)	(886,7)	-	-
Liability	(51,2)	(1 001,5)	(1 001,5)	-	-
	<b>(51,1)</b>	<b>(1 888,2)</b>	<b>(1 888,2)</b>	<b>-</b>	<b>-</b>
<b>31 March 2017</b>					
<b>Forward exchange contracts</b>					
Liability	(10,6)	(1 014,9)	(1 014,9)	-	-
	<b>(10,6)</b>	<b>(1 014,9)</b>	<b>(1 014,9)</b>	<b>-</b>	<b>-</b>

### Market risk

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

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

### Currency risk

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

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

### Exposure to currency risk

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

	Foreign currency '000	Rand equivalent (at forward cover rate) R'000
<b>31 March 2018*</b>		
CNY	193 976	389 596
Euro	67	1 057
GBP	7	121
USD	122 965	1 497 428
		<b>1 888 202</b>
<b>31 March 2017*</b>		
CNY	240 064	480 564
Euro	57	869
GBP	195	3 338
USD	39 091	530 109
		1 014 880

\* FEC contracts at 31 March.

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 21. RISK MANAGEMENT continued

##### Exposure to currency risk continued

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2018	2017	2018	2017
AUD	10,04	10,56	9,08	10,24
CNY	1,96	2,09	1,88	1,95
Euro	15,19	15,42	14,56	14,30
GBP	17,20	18,41	16,59	16,84
USD	12,98	14,04	11,83	13,42

##### Sensitivity analysis

The Group is primarily exposed to the US Dollar, Euro, British Pound, Australian Dollar and Chinese Yuan currencies. The following analysis indicates the Group's sensitivity at year end to the indicated movements in these currencies on financial instruments, assuming that all other variables, in particular interest rates, remain constant. The rates of sensitivity are the rates used when reporting the currency risk to the 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
<b>31 March 2018</b>		
CNY	-	37,0
Euro	-	0,1
GBP	-	-*
USD	-	158,4
<b>31 March 2017</b>		
CNY	-	47,1
Euro	-	0,1
GBP	-	0,3
USD	-	46,5

\* Zero as a result of rounding to millions.

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

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

## Translational foreign exchange risk

### *Net investments in foreign subsidiaries*

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

The Group has unhedged interests in foreign subsidiaries of:

	2018 Rm	2017 Rm
The Group has unhedged interests in foreign subsidiaries of:		
AUD	5 379,8	-
GBP	4 065,5	3 113,5

This risk is not hedged. The Group's exposure to its subsidiaries outside the United Kingdom is not considered material.

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

	Profit or loss Rm	Equity Rm
<b>31 March 2018</b>		
AUD	-	538,0
GBP	-	406,5
<b>31 March 2017</b>		
GBP	-	311,4

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

## Foreign cash

The Group has exposure to foreign currency translation risk through cash balances included in the net assets of foreign subsidiaries, in currencies other than the South African Rand. This risk is not hedged. The table below includes only the material foreign currency cash balances held in the Group other than the South African Rand.

	2018 Rm	2017 Rm
AUD	159,5	7,2
CHF	23,3	20,3
Euro	86,1	40,1
GBP	174,2	180,4
MXN	1,8	21,9
NZD	18,6	-
USD	33,9	15,7

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 21. RISK MANAGEMENT continued

##### Foreign cash continued

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
<b>31 March 2018</b>		
AUD	-	15,9
CHF	-	2,3
Euro	-	8,6
GBP	-	17,4
MXN	-	0,2
NZD	-	1,9
USD	-	3,4
<b>31 March 2017</b>		
AUD	-	0,7
CHF	-	2,0
Euro	-	4,0
GBP	-	18,0
MXN	-	2,2
USD	-	1,6

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

##### Interest rate risk

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

There is no interest rate risk on trade payables.

##### Profile

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

	Interest rate at 31 March		Carrying amount	
	2018 %	2017 %	2018 Rm	2017 Rm
<b>Variable rate instruments</b>				
Trade receivables - retail (6 months)	-	-	806,9	791,7
Trade receivables - retail (12 months)	15,0 - 24,3	21,0 - 25,4	6 766,9	6 209,0
Cash and cash equivalents	10,0	10,5	1 206,1	878,5
			<b>8 779,9</b>	7 879,2
<b>Financial liabilities</b>				
Interest-bearing debt	3,3 - 8,5	3,7 - 8,6	(9 350,6)	(7 749,2)
Put option liability	-	-	(72,7)	(74,7)
			<b>(9 423,3)</b>	(7 823,9)

### 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 2017.

	Profit or loss Rm	Equity Rm
<b>31 March 2018</b>		
Variable rate instruments	94,6	-
<b>Cash flow sensitivity (net)</b>	<b>94,6</b>	<b>-</b>
<b>31 March 2017</b>		
Variable rate instruments	79,3	-
<b>Cash flow sensitivity (net)</b>	<b>79,3</b>	<b>-</b>

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

The Supervisory Board seeks to maintain a balance between the higher returns that might be attained with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's medium-term target is to achieve a return on equity of 23% - 25% in our retail business. In 2018, the return was 20,5% (2017: 23,0%) in our retail business.

It is our intention to bring our debt to equity ratio (currently 61,4% on a consolidated basis with recourse gearing of 54,6%) closer to our medium-term target of 40%. This will ensure that the Group is well positioned to take advantage of future growth opportunities.

### Insurance risk

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

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

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.

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 21. RISK MANAGEMENT *continued*

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

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

Level 1 - Quoted prices (unadjusted) in an active market for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2018 Rm	2017 Rm
<b>Level 2</b>		
Forward exchange contracts - asset	0,1	-
Forward exchange contracts - liability	(51,2)	(10,6)
<b>Level 3</b>		
Put option liability	(72,7)	(74,7)

There are no level 1 financial instruments in the Group.

There were no transfers between levels during the current year.

##### Measurement of fair values:

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

##### Foreign exchange contracts

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

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

##### Put option liability

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

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

The exercise price is based on a formula designed to approximate the fair value of the shares. The acquisition of the management shares will be performed on the basis of a 9,36 times EBITDA adjusted for net debt applied to the audited financial results of Phase Eight at the applicable time (refer to note 15 for a reconciliation of the put option liability).

The put/call liability will increase in line with the EBITDA increase times the multiple less net debt.

#### 22. SUBSEQUENT EVENTS

The directors have declared a gross final ordinary dividend of 420,0 cents per ordinary share from income reserves, for the period ended 31 March 2018. No further significant events took place between the year ended 31 March 2018 and date of approval of the financial statements.

	Note	2018 Rm	2017 Rm
<b>23. COMMITMENTS AND CONTINGENT LIABILITIES</b>			
<b>Capital expenditure</b>			
Capital commitments		19,7	3,2
There are no contingent liabilities.			
<b>24. REVENUE</b>			
Retail turnover		28 593,0	23 548,7
Interest income	25	1 755,8	1 736,9
Other income	26	1 187,7	1 128,0
		<b>31 536,5</b>	<b>26 413,6</b>
<b>25. INTEREST INCOME</b>			
Trade receivables - retail		1 707,8	1 703,8
Sundry		48,0	33,1
		<b>1 755,8</b>	<b>1 736,9</b>
<b>26. OTHER INCOME</b>			
Publishing income		412,7	400,8
Collection cost recovery		364,2	331,5
Insurance income		313,4	289,0
Mobile one2one airtime income		80,5	93,5
Sundry income		16,9	13,2
		<b>1 187,7</b>	<b>1 128,0</b>
<b>27. TRADING EXPENSES</b>			
Operating profit before acquisition costs and finance costs has been arrived at after taking account of:			
<b>Trading expenses</b>			
Depreciation and amortisation		(745,5)	(540,3)
Employee costs		(4 948,0)	(3 669,8)
Occupancy costs		(3 411,5)	(2 431,8)
Net bad debt		(837,5)	(896,1)
Other operating costs		(3 836,5)	(3 219,2)
		<b>(13 779,0)</b>	<b>(10 757,2)</b>
<b>The following disclosable amounts are included above:</b>			
Auditors remuneration			
Audit fees		(13,0)	(6,3)
Non-audit fees		(1,5)	(0,1)
Profit and loss on sale of assets and liabilities		(52,9)	2,9
Retirement fund expenses (note 31)		(280,0)	(210,4)
Staff discount (note 31)		(98,4)	(34,5)
<b>28. FINANCE COSTS</b>			
Finance costs on financial liabilities measured at amortised cost		(696,6)	(607,4)



## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

	2018 Rm	2017 Rm
<b>29. TAXATION</b>		
<b>Income tax expense</b>		
South African current taxation		
Current year	742,0	752,8
Prior year over provision	(5,8)	(24,8)
Dividends withholding tax	3,2	1,2
South African deferred taxation		
Current year	24,7	5,5
Prior year under provision	0,3	15,0
Assessed loss	4,3	-
Non-South African current taxation		
Current year	198,9	123,8
Prior year over provision	-	(5,9)
Non-South African deferred taxation		
Current year	(10,6)	4,1
Prior year over provision	-	(0,2)
Rate change	-	(16,2)
Assessed loss	(3,5)	(4,0)
	<b>953,5</b>	<b>851,3</b>
	%	%
<i>Reconciliation of the tax expense</i>		
Effective tax rate	28,1	26,7
Exempt income	0,3	0,6
Non-deductible expenditure	(0,7)	(0,5)
Non-South African tax rate	0,1	0,6
Prior year over provision	0,2	0,5
Assessed loss	-	0,1
South African statutory rate	<b>28,0</b>	<b>28,0</b>

### 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 2018 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 434,8 (2017: R2 351,4) million and headline earnings of R2 476,7 (2017: R2 332,8) million divided by the weighted average number of ordinary shares as follows:

	2018		2017	
	Gross Rm	Net of taxation Rm	Gross Rm	Net of taxation Rm
Profit attributable to equity holders of The Foschini Group Limited		<b>2 434,8</b>		2 351,4
Adjusted for:				
Profit on disposal of property, plant and equipment	<b>(1,5)</b>	<b>(1,1)</b>	(15,1)	(11,7)
Loss on disposal of property, plant and equipment	<b>54,4</b>	<b>43,0</b>	12,2	9,3
Change in UK tax rate	-	-	-	(16,2)
Headline earnings		<b>2 476,7</b>		2 332,8
Acquisition costs	<b>79,4</b>	<b>79,4</b>	-	-
Headline earnings excluding acquisition costs*		<b>2 556,1</b>		2 332,8

\* Headline earnings excluding acquisition costs is calculated to remove the impact of the acquisition costs of RAG, G-Star RAW and Hobbs acquisitions as well as the management buy-out.

This pro forma financial information has been prepared for illustrative purposes only to provide information on the headline earnings excluding acquisition costs per share. Because of its nature, the pro forma financial information may not be a fair reflection of the Group's results of operation, financial position, changes in equity or cash flows. There are no events subsequent to the reporting date which require adjustment to the pro forma information. The directors are responsible for compiling the pro forma financial information in accordance with the JSE Limited Listings Requirements and in compliance with the SAICA Guide on Pro Forma Financial Information. The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies in place for the year ended 31 March 2018. The pro forma information should be read in conjunction with the unmodified Deloitte & Touche independent reporting accountants' report thereon, which is available for inspection at the company's registered offices, at no charge, during normal business hours.

	2018		2017	
	Number of shares		Number of shares	
	Gross	Weighted	Gross	Weighted
Gross number of ordinary shares in issue	<b>219 515 434</b>	<b>219 515 434</b>	215 350 885	215 350 885
Treasury shares	<b>(5 519 199)</b>	<b>(5 519 199)</b>	(6 093 974)	(6 093 974)
Net number of ordinary shares in issue at beginning of year	<b>213 996 235</b>	<b>213 996 235</b>	209 256 911	209 256 911
Shares purchased in terms of share incentive schemes	<b>(1 661 500)</b>	<b>(1 362 113)</b>	(1 576 100)	(1 279 854)
Shares sold	<b>527 904</b>	<b>831 664</b>	987 530	498 097
Shares delivered	<b>1 172 996</b>	<b>102 811</b>	1 194 120	854 211
Scrip distribution	-	-	4 133 774	2 899 305
Additional share issue	<b>17 241 380</b>	<b>11 336 798</b>	-	-
Net number of ordinary shares in issue at end of the year	<b>231 277 015</b>	<b>224 905 395</b>	213 996 235	212 228 670

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 30. EARNINGS PER SHARE continued Basic and headline earnings per share continued

	2018	2017
Weighted average number of ordinary shares in issue	224 905 395	212 228 670
Earnings per ordinary share		
Total (including acquisition costs) (cents)	1 082,6	1 108,0
Total (excluding acquisition costs) (cents)	1 117,9	1 108,0
Headline earnings per ordinary share		
Total (including acquisition costs) (cents)	1 101,2	1 099,2
Total (excluding acquisition costs) (cents)	1 136,5	1 099,2

#### 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 2018 is based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R2 434,8 (2017: R2 351,4) million and headline earnings of R2 476,7 (2017: R2 332,8) million divided by the fully diluted weighted average number of ordinary shares as follows:

	2018	2017
Weighted average number of ordinary shares as above	224 905 395	212 228 670
Number of shares that would have been issued for no consideration	2 172 199	1 817 622
Weighted average number of ordinary shares used for dilution	227 077 594	214 046 292
Diluted earnings per ordinary share		
Total (including acquisition costs) (cents)	1 072,3	1 098,6
Total (excluding acquisition costs) (cents)	1 107,2	1 098,6
Diluted headline earnings per ordinary share		
Total (including acquisition costs) (cents)	1 090,7	1 089,9
Total (excluding acquisition costs) (cents)	1 125,7	1 089,9

#### 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 five years if the performance criteria have not been achieved. Restricted shares are issued with the specific objective of improving the retention of key senior talent, while still utilising an instrument that aligns the interests of recipients with that of shareholders.

Share instruments granted and accepted for the financial year ended 31 March	2018	2017
<b>2 June 2016 - 2007 Share Incentive Scheme</b>		
Grant price		R142,72
Expected volatility		32,20%
Expected dividend yield		4,43%
Risk-free interest rate		9,25%
<b>2 June 2016 - 2010 Share Incentive Scheme</b>		
Consideration		nil
Estimated value on grant date		R147,00
Expected volatility		0%
Expected dividend yield		0%
Risk-free interest rate		0%
<b>2 June 2017 - 2007 Share Incentive Scheme</b>		
Grant price	<b>R138,30</b>	
Expected volatility	<b>34,54%</b>	
Expected dividend yield	<b>4,09%</b>	
Risk-free interest rate	<b>7,25%</b>	
<b>2 June 2017 - 2010 Share Incentive Scheme</b>		
Consideration	<b>nil</b>	
Estimated value on grant date	<b>R139,49</b>	
Expected volatility	<b>0%</b>	
Expected dividend yield	<b>0%</b>	
Risk-free interest rate	<b>0%</b>	

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

The Group recognised total expenses of R155,0 (2017: R131,4) million relating to equity-settled share-based payment transactions.

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 31. EMPLOYEE BENEFITS continued

##### Forfeitable shares (2010 Share Incentive Scheme) continued

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

2007 Share Incentive Scheme	Number of SARs	
	2018	2017
SARs granted, subject to fulfilment of conditions, at 1 April	1 568 600	2 501 500
SARs granted during the year subject to fulfilment of conditions	446 500	368 800
SARs forfeited during the year	(1 200)	(5 700)
SARs delivered during the year	(715 300)	(1 296 000)
<b>SARs granted, subject to fulfilment of conditions, at 31 March</b>	<b>1 298 600</b>	1 568 600

SARs delivered during the year equates to 456 657 (2017: 455 370) ordinary shares.

2010 Share Incentive Scheme	Number of FS	
	2018	2017
FS granted, subject to fulfilment of conditions, at 1 April	2 870 000	2 542 650
FS granted during the year subject to fulfilment of conditions	1 215 000	1 207 300
FS forfeited during the year	(70 200)	(141 200)
FS delivered during the year	(914 200)	(738 750)
<b>FS granted, subject to fulfilment of conditions, at 31 March</b>	<b>3 100 600</b>	2 870 000

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

Grant date	Grant price	Year of conversion	Number of SARs
13 June 2013	R96,86	2019	30 200
10 June 2014	R111,10	2019	153 200
8 June 2015	R148,15	2019	299 900
2 June 2016	R142,72	2020	368 800
2 June 2017	R138,30	2021	446 500
			1 298 600

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

Grant date	Grant price	Year of conversion	Number of FS
29 January 2015	R165,90	2019	11 800
8 June 2015	R149,59	2019	763 000
2 June 2016	R147,00	2020	1 123 200
2 June 2017	R139,49	2021	1 202 600
			3 100 600

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

	Number of shares	
	2018	2017
Shares held at the beginning of the year	1 568 600	2 501 500
Shares purchased during the year	446 500	368 800
Shares sold during the year	(1 200)	(846 330)
Shares delivered during the year	(715 300)	(455 370)
<b>Shares held at the end of the year</b>	<b>1 298 600</b>	<b>1 568 600</b>

## Retirement funds

### TFG Retirement Fund: Defined contribution plan

TFG Retirement Fund, which is governed by the provisions of the Pension Funds Act, No. 24 of 1956, is a defined contribution plan. It provides comprehensive retirement and other benefits for members and their dependants. The employer and the members (including those flexitimer employees who have opted to join the fund in accordance with the provisions of the Labour Relations Act) make equivalent contributions of at least 7,5% of pensionable salary in respect of retirement benefits. In addition, the employer covers death, disability and funeral benefits, reinsurance, administration and management costs for all permanent and flexitimer (2018: 5 235; 2017: 4 577) employees.

An actuarial valuation of the fund was performed at 31 December 2015, in which the valuator reported that the fund was in a sound financial position.

	Number of members		Employer contributions	
	2018	2017	2018 Rm	2017 Rm
<b>Summary per fund*</b>				
TFG Retirement Fund	12 408	12 623	201,1	200,6
Investment Solutions Provident Fund	273	243	4,2	4,1
Namflex Pension Fund	383	387	3,3	3,5
Sibaya Provident Fund	24	27	0,3	0,3
Alexander Forbes Retirement Fund	91	79	0,8	0,8
National Pensions Scheme Authority (NAPSA) of Zambia	206	214	0,6	0,7
Social Security and National Insurance Trust (SSNIT)	31	33	0,4	0,4
National Social Security Fund (NSSF)	23	9	–*	–*
	<b>13 439</b>	<b>13 615</b>	<b>210,7</b>	<b>210,4</b>

\* Zero as a result of rounding.

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

## 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. GBPO,5 million (R8,8 million) was paid in the current year.

## TFG Australia

For the majority of 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. AUD6,0 million (R60,5 million) was paid into superannuation fund in the current year.

## Notes to the financial statements (continued)

For the year ended 31 March

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### The Foschini Group Limited and its subsidiaries

#### 31. EMPLOYEE BENEFITS continued

##### Medical aid

##### ***TFG Medical Aid Scheme: Defined contribution plan***

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

Total membership currently stands at 2 938 (2017: 2 844) principal members.

These costs are charged against income as incurred and amounted to R64,2 (2017: R57,9) million, with employees contributing a further R64,2 (2017: R57,9) million to the fund.

In respect of the year ended 31 December 2017, the scheme earned contributions of R132,6 million and reflected a net surplus of R11,3 million after the deduction of all expenses. The fund had net assets totalling R160,2 million.

The budgeted projected surplus in respect of the year ending 31 December 2018 is R14,1 million.

##### ***Other defined contribution plans***

Permanent employees are able to take up voluntary medical aid scheme membership in country.

##### ***Post-retirement defined medical aid***

Qualifying retired employees are entitled to medical aid benefits, which have been fully provided for (note 16).

##### ***Other***

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

## 32. DIRECTORS' REMUNERATION

	Fees R'000	Remune- ration R'000	Pension fund R'000	Travel allow- ance R'000	Other benefits* R'000	Perfor- mance bonus# R'000	Total R'000	IFRS share allo- cation fair value R'000
<b>2018</b>								
<b>Non-executive</b>								
M Lewis	927,0	-	-	-	-	-	927,0	-
F Abrahams	601,0	-	-	-	-	-	601,0	-
S E Abrahams	678,8	-	-	-	-	-	678,8	-
G H Davin	556,3	-	-	-	-	-	556,3	-
D Friedland	570,0	-	-	-	-	-	570,0	-
B L M Makgabo-Fiskerstrand	554,8	-	-	-	-	-	554,8	-
E Oblowitz	720,3	-	-	-	-	-	720,3	-
N V Simamane	554,8	-	-	-	-	-	554,8	-
R Stein	534,0	-	-	-	-	-	534,0	-
<b>Total</b>	<b>5 697,0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 697,0</b>	<b>-</b>
<b>Executive</b>								
A D Murray	-	8 865,9	1 196,9	483,2	53,6	11 923,1	22 522,7	17 471,2
A E Thunström	-	4 026,6	543,6	370,4	58,9	3 436,1	8 435,6	3 638,6
<b>Total</b>	<b>-</b>	<b>12 892,5</b>	<b>1 740,5</b>	<b>853,6</b>	<b>112,5</b>	<b>15 359,2</b>	<b>30 958,3</b>	<b>21 109,8</b>
<b>Total remuneration 2018</b>	<b>5 697,0</b>	<b>12 892,5</b>	<b>1 740,5</b>	<b>853,6</b>	<b>112,5</b>	<b>15 359,2</b>	<b>36 655,3</b>	<b>21 109,8</b>

	Fees R'000	Remune- ration R'000	Pension fund R'000	Travel allow- ance R'000	Other benefits* R'000	Perfor- mance bonus R'000	Total R'000	IFRS share allo- cation fair value R'000
<b>2017</b>								
<b>Non-executive</b>								
M Lewis	875,0	-	-	-	-	-	875,0	-
F Abrahams	492,0	-	-	-	-	-	492,0	-
S E Abrahams	560,0	-	-	-	-	-	560,0	-
G H Davin	520,0	-	-	-	-	-	520,0	-
D Friedland	502,5	-	-	-	-	-	502,5	-
B L M Makgabo-Fiskerstrand	456,0	-	-	-	-	-	456,0	-
E Oblowitz	597,5	-	-	-	-	-	597,5	-
N V Simamane	456,0	-	-	-	-	-	456,0	-
R Stein	470,0	-	-	-	-	-	470,0	-
<b>Total</b>	<b>4 929,0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 929,0</b>	<b>-</b>
<b>Executive</b>								
A D Murray	-	8 362,9	1 129,0	455,9	52,7	4 500,0	14 500,5	13 734,2
A E Thunström	-	3 368,4	454,7	349,5	57,9	1 163,8	5 394,3	2 586,0
<b>Total</b>	<b>-</b>	<b>11 731,3</b>	<b>1 583,7</b>	<b>805,4</b>	<b>110,6</b>	<b>5 663,8</b>	<b>19 894,8</b>	<b>16 320,2</b>
<b>Total remuneration 2017</b>	<b>4 929,0</b>	<b>11 731,3</b>	<b>1 583,7</b>	<b>805,4</b>	<b>110,6</b>	<b>5 663,8</b>	<b>24 823,8</b>	<b>16 320,2</b>

# Performance bonus included in 2018 remuneration to be paid in 2019 and accrued in 2018.

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



## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 33. RELATED PARTIES

##### Shareholders

An analysis of the principal shareholders of the company is provided in appendix 1. For details of directors' interests, refer to note 10.

##### 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.

	2018 Rm	2017 Rm
Administration fee earned from The Foschini Group Retirement Fund	5,0	4,6

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*

	2018 Rm	2017 Rm
<b>Remuneration paid to key management personnel other than the executive directors is as follows:</b>		
Short-term employee benefits		
Remuneration	181,1	164,7
Performance bonus	64,3	23,6
Travel allowance	29,1	24,3
Post-employment benefits		
Pension fund	22,8	21,5
Other long-term benefits		
Other benefits	6,9	6,4
Share-based payments		
Fair value of share instruments granted	110,8	108,4
Restraint of trade payments	6,3	2,8
<b>Total remuneration</b>	<b>421,3</b>	<b>351,7</b>

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

	2018 Rm	2017 Rm
<b>34. CASH GENERATED FROM OPERATIONS</b>		
<b>Operating profit before working capital changes</b>		
Profit before tax	3 389,6	3 203,8
Finance costs	696,6	607,4
<b>Operating profit before finance costs</b>	<b>4 086,2</b>	<b>3 811,2</b>
<i>Adjustments for:</i>		
Interest income – sundry	(48,0)	(33,1)
Non-cash items	<b>1 030,6</b>	710,5
Depreciation and amortisation	745,5	540,3
Operating lease liability adjustment	47,0	21,9
Share-based payments	155,0	131,4
Post-retirement defined benefit medical aid movement	16,9	15,8
Foreign currency translation reserve movements	13,2	4,0
Cash-settled share incentive scheme	0,1	-
Loss on disposal of property, plant and equipment	54,4	12,2
Profit on disposal of property, plant and equipment	(1,5)	(15,1)
	<b>5 068,8</b>	4 488,6
<b>Changes in working capital</b>		
Inventory	(338,1)	(548,5)
Trade and other receivables	(530,4)	(475,7)
Trade and other payables	(107,8)	(132,3)
	<b>(976,3)</b>	<b>(1 156,5)</b>
<b>Cash generated from operations</b>	<b>4 092,5</b>	<b>3 332,1</b>
<b>35. TAXATION PAID</b>		
Balance at beginning of the year	(92,6)	(23,7)
Current tax for the year recognised in profit or loss	(938,3)	(847,1)
Additions through business combinations	(43,4)	-
Foreign exchange movements	7,1	0,7
Balance at end of the year	107,0	92,6
	<b>(960,2)</b>	<b>(777,5)</b>
<b>36. DIVIDENDS PAID</b>		
Dividends paid during the year	(1 626,2)	(1 508,1)
Dividends paid by subsidiary to non-controlling interest	(1,0)	(0,9)
Scrip distribution: share capital issued and share premium raised	-	542,9
	<b>(1 627,2)</b>	<b>(966,1)</b>

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 37. CHANGES IN LIABILITY ARISING FROM FINANCING ACTIVITY

31 March 2018

	Opening balance	Cash flows	Non cash items		Closing balance
			Foreign exchange movements	Additions through business combinations	
Increase in interest-bearing debt	7 749,2	1 067,9	(54,7)	588,2	9 350,6

#### 38. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

##### 38.1 TFG Foundation

The TFG Foundation is an unconsolidated structured entity of the Group. The trust earns dividends and interest from investments held in the trust. The funds earned are disbursed to a number of non-profit organisations (NPOs)/non-governmental organisation (NGOs) across South Africa. The TFG Foundation disbursed funds totalling R7,4 (2017: R9,3) million across 81 (2017: 43) organisations nationally this past year. The Group is not required to provide any financial assistance. There is no loan or receivable outstanding between the trust and the Group at year end.

##### 38.2 Insurance Cell Captives

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

Contractually, the Group will be required to recapitalise the cell in the event that the cell does not meet the minimum solvency and liquidity requirements. The maximum potential future loss associated with the cell captives is potentially unlimited by the nature of the agreement in the event the cell does not meet its solvency requirements. This may take the form of a capital contribution, subordinated loans, a guarantee or suretyship. The cell captives have retained earnings of R264,5 (2017: R184,1) million.

	2018 Rm	2017 Rm
Total assets of cell captive	305,8	223,2
Total liabilities of cell captive	(40,7)	(39,7)

#### 39. INSURANCE RECEIVABLE

Balance at 1 April	183,5	145,5
Increase in working capital of cell captive receivable	121,6	116,7
Dividends received	(40,0)	(78,7)
	265,1	183,5

#### 40. ACQUISITIONS DURING THE YEAR

##### G-Star RAW franchise stores

With effect from 3 April 2017, the Group acquired 14 G-Star RAW franchise stores in Australia for AUD13,9 million (R141,8 million). An intangible asset and goodwill of AUD0,6 million (R6,0 million) and AUD6,3 million (R64,4 million) was recognised at acquisition respectively.

##### Retail Apparel Group (RAG)

The Group has acquired 100% of the share capital and voting rights of the Retail Apparel Group Pty Ltd (RAG) effective from 24 July 2017. RAG is a leading speciality menswear retailer in the Australian market. The purchase price has been capped at the lower of 7 times RAG's audited normalised EBITDA, for the year ending June 2017, and AUD302,5 million, which was adjusted for normalised working capital and net debt at acquisition. The Group has obtained 100% control of RAG and is exposed to variable returns from its involvement with RAG.

The acquisition of RAG was at an enterprise value of AUD293,9 million (R3 000,2 million) with an equity value of AUD263,2 million (R2 685,5 million) after taking into account net debt and related adjustments.

Certain fair values are provisional and subject to further review for a period of up to one year from the acquisition date. The at-acquisition AUD values have been translated at the closing exchange rate at 24 July 2017 of AUD1:R10,21. These results include eight months of RAG trading.

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

The provisional at-acquisition values are presented below:

	Rm	AUDm
<b>Non-current assets</b>	<b>2 217,8</b>	<b>217,4</b>
Property, plant and equipment	251,7	24,7
Intangible assets	1 781,8	174,6
Deferred taxation asset	184,3	18,1
<b>Current assets</b>	<b>751,7</b>	<b>73,6</b>
Inventory	619,5	60,7
Other receivables and prepayments	17,2	1,6
Cash and cash equivalents	115,0	11,3
<b>Non-current liabilities</b>	<b>1 001,2</b>	<b>98,1</b>
Interest-bearing debt	416,4	40,8
Operating lease liability	55,2	5,4
Deferred taxation liability	529,6	51,9
<b>Current liabilities</b>	<b>555,0</b>	<b>54,4</b>
Trade and other payables	519,2	50,9
Taxation payable	35,8	3,5
<b>Total identifiable net assets at fair value</b>	<b>1 413,3</b>	<b>138,5</b>
Goodwill arising from acquisition	1 272,2	124,7
<b>Purchase consideration</b>	<b>2 685,5</b>	<b>263,2</b>
Cash and cash equivalents acquired	(115,0)	(11,3)
<b>Cash outflow on acquisition</b>	<b>2 570,5</b>	<b>251,9</b>

Goodwill of AUD124,7 million (R1,3 billion) and the RAG brands of AUD173,0 million (R1,8 billion) has been recognised as intangible assets at acquisition. Goodwill represents the value paid in excess of the provisional fair value of the net assets. This consists largely of the value assigned to the unique operating business model and future growth prospects. Retail turnover and profit and loss for the eight-month trading post acquisition amounted to R2 936,8 million and R223,9 million respectively. Acquisition costs related to the acquisition of R53,4 million have been expensed in the current year.

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 40. ACQUISITIONS DURING THE YEAR continued

##### Hobbs Fashion Holdings Limited (Hobbs)

The Group acquired 100% of the share capital and voting rights of Hobbs Fashion Holdings Limited (Hobbs) effective from 25 November 2017. Hobbs is an affordable luxury women's clothing, footwear and accessories brand in the UK market and a growing presence internationally as well. The total implied purchase price was GBP24,3 million. The Group has obtained 100% control of Hobbs and is exposed to variable returns from its involvement with Hobbs.

The acquisition of Hobbs was at an enterprise value of GBP24,3 million (R449,9 million) with an equity value of GBP15,0 million (R278,1 million) after taking into account net debt and related adjustments.

Certain fair values are provisional and subject to further review for a period of up to one year from the acquisition date. The at-acquisition GBP values have been translated at the closing exchange rate at 25 November 2017 of GBP1:R18,55. These results include four months of Hobbs trading.

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

The provisional at-acquisition values are presented below:

	Rm	GBPm
<b>Non-current assets</b>	<b>365,8</b>	<b>19,7</b>
Property, plant and equipment	173,8	9,4
Intangible assets	178,2	9,6
Deferred taxation asset	13,8	0,7
<b>Current assets</b>	<b>647,2</b>	<b>34,9</b>
Inventory	402,5	21,7
Other receivables and prepayments	77,0	4,2
Concession receivables	76,2	4,1
Cash and cash equivalents	91,5	4,9
<b>Non-current liabilities</b>	<b>202,1</b>	<b>10,9</b>
Interest-bearing debt	171,8	9,3
Deferred taxation liability	30,3	1,6
<b>Current liabilities</b>	<b>592,0</b>	<b>31,9</b>
Trade and other payables	584,4	31,5
Taxation payable	7,6	0,4
<b>Total identifiable net assets at fair value</b>	<b>218,9</b>	<b>11,8</b>
Goodwill arising from acquisition	59,2	3,2
<b>Purchase consideration</b>	<b>278,1</b>	<b>15,0</b>
Cash and cash equivalents acquired	(91,5)	(4,9)
<b>Cash outflow on acquisition</b>	<b>186,6</b>	<b>10,1</b>

Goodwill of GBP3,2 million (R59,2 million) and the Hobbs brand of GBP9,6 million (R178,2 million) has been recognised as intangible assets at acquisition. Goodwill represents the value paid in excess of the provisional fair value of the net assets. This consists largely of the value assigned to the unique operating business model and future growth prospects. Retail turnover and profit and loss for the four-month trading post acquisition amounted to R833,5 million and R33,7 million respectively. Acquisition costs related to the acquisition of R9,0 million have been expensed in the current year.

### **Acquisition of the remaining c.15% shareholding owned by TFG Brands (London) Limited management**

In the current year, the Group accelerated the put/call arrangement to acquire the remaining shares owned by management in TFG Brands (London) Limited. The Group acquired the remaining c.15% shareholding owned by management on 15 December 2017 for GBP2,4 million (R41,3 million) (note 15 and 18). After the transaction, the Group owns 100% of the share capital in TFG Brands (London) Limited. Total acquisition costs amounted to R17,0 million.

#### **41. ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR**

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

During the year, the Group adopted the relevant accounting standards that are in issue and which have become effective. The adoption of these standards had no material impact on the results.

#### **42. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS**

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

##### **IFRS 9 Financial Instruments**

IFRS 9: Financial Instruments will be adopted by the Group for the first time for its financial reporting year ending 31 March 2019. IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. The Group has been in the process of assessing the overall impact the new standard will have on these consolidated annual financial statements.

No significant changes are expected in the classification of financial assets or liabilities when compared to our classification under IAS 39.

IFRS 9 introduces key changes from IAS 39 with regards to impairment losses, the most important of which are summarised below:

- the concept of expected losses as opposed to IAS39 which required impairment only where an objective evidence of a loss or deterioration in value is objectively evident (incurred basis);
- IFRS9 introduces an element of forward looking expectation through anticipated economic assessment based on estimates whilst also allowing for future potential impacts; and
- Limited recognition of revenue following stage 3 risk classification based on expected future cash flows.

The expected credit loss (ECL) models under IFRS 9 will effectively result in a fundamental change to impairments on expected loss provisioning, as opposed to incurred loss provisioning, based on objective evidence of impairment or deterioration in the value of store account balances. The implication of the above is that impairment losses are accounted for based on a significant change in credit risk or default, but will be evident from initial recognition of the financial instrument.

## Notes to the financial statements (continued)

For the year ended 31 March

### The Foschini Group Limited and its subsidiaries

#### 42. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS *continued* IFRS 9 Financial Instruments *continued*

The requirements relating to the classification and measurement of financial instruments, as well as the measurement of impairment losses, will be recognised by adjusting our consolidated statement of financial position on 1 April 2018. The Group has therefore elected not to restate its comparative financial statements. Subject to the finalisation of the model development process and based on current estimates, the adoption of IFRS 9 is expected to result in a reduction of retained earnings as at 1 April 2018.

##### ***Expected credit loss impairment model***

The evaluation and assessment of a significant increase in credit risk for store account customers will be based on their contractual delinquency state. Assessments for a significant increase in credit risk since initial recognition and credit-impairment are performed at each reporting period. Assets can move in both directions through the stages of the impairment model.

A contractual state indicating missed payments resulting in an arrears position in excess of 30 days will denote a significant increase in credit risk and should be synonymous with a classification to stage 2. This is consistent with the rebuttable presumption contained in IFRS 9. Various other factors such as credit score and customer behaviour scores were investigated to identify potential additional indicators but none proved sufficiently predictive.

IFRS 9 does not define default. The Group has adopted the rebuttable presumption that default is evident where a store account customer is arrears for more than 90 days based on contractual payment requirements.

The Group has adopted the simplified approach which recognises lifetime expected credit losses regardless of stage classification. This should limit the volatility of impairment provision changes given migration of store accounts between stage 1 and stage 2.

##### ***Forward-looking information***

IFRS 9 introduces the concept of expected loss versus incurred loss based on objective evidence of an impairment or deterioration in value. This view necessitates a consideration of forward looking information that can be sourced without undue cost or effort and which is deemed to be reasonable and supportable. This forward looking view includes:

- Information based on expected future macro-economic conditions;
- Potential impacts based on industry specific challenges, including but not limited to potential legislative changes; and
- Key management judgement.

The Group developed a potential macro-economic model index in conjunction with a reputable economics consultancy. Back testing revealed a lack of correlation between the index and the probability of write off. As a result an alternative approach will be followed to assess forward-looking information via a formerly mandated governance committee. This would entail:

- Use of third party economic reports;
- Upside and downside scenarios based on alternative macroeconomic conditions which will be compared to our base scenario and will be probability weighted based on our best estimate of their relative likelihood; and
- A governance process to approve the probability weighting and scenarios used.

The Group will continue to monitor and refine the approach adopted to assess forward-looking information in the 2019 financial year. The introduction of the concept items listed above is expected to increase the level of volatility in the impairment provision number.

### **Governance**

The Group has developed a comprehensive documented framework and individual model documentation to guide how the models function, how the results should be interpreted and how the models interact to provide an outcome. The documentation also describes the core assumptions and approach followed in order to calculate the provision.

The Group has employed the services of professional services firms for the full period covering the initiation, assessment, development, documentation and finalisation of the IFRS 9 policy and methodology. Periodic updates were provided to the Board Audit Committee based on developments and expected impacts.

The formal governance structures within the Group include the Financial Services Credit Committee (FSCC). This committee is responsible for approving all credit risk related policy and process and will inform Credit risk appetite within the guidelines specified through the Operating Board mandate. The FSCC is mandated to review all credit risk related aspects. As such, the policies, procedures and impact of the IFRS9 implementation are approved at a FSCC level. Given the importance and impact on the Group financial position, it is also necessary for any proposal from the FSCC to be ratified by the Operating board.

### **IFRS 15 Revenue from Contracts with Customers**

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

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

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

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

This new standard will most likely have an impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.



## Notes to the financial statements (continued)

For the year ended 31 March

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### The Foschini Group Limited and its subsidiaries

#### 42. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS continued **IFRS 16 Leases**

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

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

The application of IFRS 16 will result in changes to both the statement of financial position and income statement line items, including but not limited to, property, plant and equipment, operating lease assets, operating lease liabilities, occupancy costs, operational costs and finance costs. More specifically, items such as depreciation and operating lease payments will be impacted. Key statement of financial position metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted. The Group is in the process of assessing the overall impact the new standard will have on these consolidated annual financial statements.

# Appendix 1: Subsidiary companies

As at 31 March

<i>Name of subsidiary</i>	Country of registration	Issued share capital R	Ownership
<i>Trading subsidiaries*</i>			
Dress Holdco A Limited	UK	3 189 467 613	100%
Fashion Retailers Proprietary Limited	Namibia	250 006	100%
Fashion Retailers (Zambia) Limited	Zambia	26 693 480	100%
Foschini (Lesotho) Proprietary Limited	Lesotho	1 000	100%
Foschini Retail Group Proprietary Limited	South Africa	259 240 502	100%
Foschini (Swaziland) Proprietary Limited	Eswatini/Swaziland	50 002	100%
Pienaar Sithole and Associates Proprietary Limited**	South Africa	100	51%
Prestige Clothing Proprietary Limited	South Africa	10	100%
TFG Apparel Supply Company Proprietary Limited	South Africa	1	100%
TFG Retailers Proprietary Limited	Australia	11	100%
The Foschini Group Ghana Limited	Ghana	10 746 800	100%
The Foschini Group Kenya Limited	Kenya	19 555 319	100%

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

\*\* *Minorities have an insignificant shareholding in entity which is majority owned by the Group.*

## Appendix 2: Shareholdings of The Foschini Group Limited

### ANALYSIS OF SHAREHOLDINGS

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 29 March 2018.

<b>Spread analysis</b>	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	9 294	76,1	2 446 772	1,0
1 001 – 10 000 shares	2 004	16,4	5 679 152	2,4
10 001 – 100 000 shares	664	5,4	22 631 124	9,6
100 001 – 1 000 000 shares	203	1,7	58 687 547	24,8
1 000 001 shares and over	46	0,4	147 312 219	62,2
	12 211	100,0	236 756 814	100,0

### DISTRIBUTION OF SHAREHOLDINGS

<b>Category</b>	Number of shares held	% of shares in issue
Unit trusts	82 362 534	34,8
Pension funds	70 830 862	29,9
Sovereign wealth	19 915 428	8,4
Other managed funds	17 695 930	7,5
Insurance companies	10 500 691	4,4
Private investors	8 134 044	3,4
Trading position	7 445 311	3,1
Exchange-traded funds	6 983 517	2,9
Employees	4 433 283	1,9
Custodians	2 027 994	0,9
Corporate holdings	1 102 399	0,5
Hedge funds	1 068 108	0,5
Other	4 256 713	1,8
	236 756 814	100,0

### BENEFICIAL SHAREHOLDINGS GREATER THAN 5%

Beneficial interests – direct and indirect, as per share register and information supplied by nominee companies as at 29 March 2018.

	Number of shares held	% of shares in issue
Government Employees Pension Fund (PIC)	33 938 226	14,3

## 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.

	Number of shares held	% of shares in issue
Government Employees Pension Fund (PIC)	26 585 461	11,2
Investec Asset Management	12 621 747	5,3
<b>Total</b>	<b>39 207 208</b>	<b>16,5</b>

## SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	11 868	97,2	228 093 732	96,4
Directors	6	-	3 183 283	1,3
Trust	1	-	1 298 600	0,5
Subsidiary	1	-	1 080 599	0,5
Employees of TFG	335	2,8	3 100 600	1,3
<b>Total</b>	<b>12 211</b>	<b>100,0</b>	<b>236 756 814</b>	<b>100,0</b>

## GEOGRAPHICAL SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding	% of shares in issue
South Africa	121 470 444	51,3
United States of America and Canada	40 421 055	17,1
United Kingdom	39 797 368	16,8
Rest of Europe	12 055 404	5,1
Rest of world*	23 012 543	9,7
<b>Total</b>	<b>236 756 814</b>	<b>100,0</b>

## GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of shares in issue
South Africa	116 842 965	49,3
United States of America and Canada	42 671 505	18,0
United Kingdom	20 522 452	8,7
Rest of Europe	31 472 288	13,3
Rest of world*	25 247 604	10,7
<b>Total</b>	<b>236 756 814</b>	<b>100,0</b>

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

## Appendix 3: Definitions

<b>Concession arrangement</b>	In addition to their own stand-alone stores, TFG London has concession arrangements with key department store partners from whom they occupy an agreed floor space area (referred to as "mat") dedicated to their product
<b>COSO</b>	Committee of Sponsoring Organisations
<b>Current ratio</b>	Current assets divided by current liabilities
<b>Debt to equity ratio</b>	Net borrowings expressed as a percentage of total equity
<b>Dividend cover</b>	Basic earnings per share divided by dividend declared
<b>Doubtful debt provision as a % of debtors' book</b>	Provision for doubtful debts expressed as a percentage of gross receivables
<b>EBITDA</b>	Earnings before finance costs, tax, depreciation and amortisation
<b>EBITDA margin</b>	EBITDA expressed as a percentage of retail turnover
<b>EBITDA finance charge cover</b>	EBITDA divided by finance costs
<b>Finance charge cover</b>	Operating profit before finance costs divided by finance costs
<b>Free cash flow</b>	Earnings before finance costs and tax plus depreciation and amortisation net of changes in net working capital and capital expenditure
<b>Gross square metre</b>	The total leased store area including stock rooms
<b>Headline earnings</b>	Net income attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items
<b>Headline earnings – adjusted</b>	Headline earnings adjusted for the impact of acquisition costs incurred
<b>Headline earnings per ordinary share</b>	Headline earnings divided by the weighted average number of shares in issue for the year
<b>Market capitalisation</b>	The market price per share at year-end multiplied by the number of ordinary shares in issue at year-end
<b>Net bad debt as a % of debtors' book</b>	VAT-exclusive bad debts, net of recoveries and including provision movement as percentage of gross receivables
<b>Net bad debt write-off</b>	VAT-inclusive bad debts, net of recoveries and excluding movement in provision
<b>Net bad debt write-off as a % of credit transactions</b>	Net bad debt write-off expressed as a percentage of credit transactions
<b>Net bad debt write-off as a % of debtors' book</b>	Net bad debt write-off expressed as a percentage of gross receivables
<b>Net borrowings</b>	Interest-bearing debt and non-controlling interest loans reduced by preference share investment (where relevant) and cash
<b>Non-recourse debt</b>	Debt where lenders cannot seek compensation from TFG parent companies, their sponsors or guarantors, and is typically debt raised by our international companies.

<b>Omnichannel</b>	Describes multi-channel retailing (e-commerce, online sales, mobile app sales)
<b>Operating margin</b>	Operating profit before finance costs expressed as a percentage of retail turnover
<b>Operating profit</b>	Profit earned from normal business operations
<b>Overdue values as a % to debtors' book</b>	Overdue portion of debtors at statement month-end as a percentage of gross receivables
<b>Outlets</b>	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
<b>Recourse debt</b>	Amounts owed by TFG companies in Africa (excluding our international subsidiaries) where the lenders have the ability to claim for damages from the borrower's parent, sponsor or guarantor
<b>Recourse debt to equity ratio</b>	Recourse debt reduced by preference share investment (where relevant) and cash, expressed as a percentage of total equity
<b>Return on capital employed (ROCE)</b>	Earnings before finance costs and tax (EBIT)/average capital employed
<b>Same store</b>	Stores that traded out of the same trading area for the full current and previous financial years
<b>Tangible net asset value per ordinary share</b>	Total net asset value, after non-controlling interest, excluding goodwill and intangible assets, divided by the net number of ordinary shares in issue at year end
<b>Trading expenses</b>	Costs incurred in the normal course of business including among others, depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs





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G

@home @homelivingspace AmericanSwiss Archive Charles & Keith Colette Connor Donna  
Duesouth Exact Fabiani The Fix Foschini G-Star Raw hi Hobbs Johnny Bigg Markham  
Mat & May Phase Eight Rockwear Soda Bloc Sportscene Sterns Tarocash Totalsports Whistles yd.