ANNUAL FINANCIAL STATEMENTS 2012

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

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The audited annual financial statements were prepared by the TFG Finance and Administration department of The Foschini Group Limited acting under supervision of Ronnie Stein CA(SA), CFO of The Foschini Group Limited.

These statements were authorised for issue by the board of directors on 29 June 2012.

DIRECTORS' RESPONSIBILITY FOR AND APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

The board of directors ("the board") is responsible for the content and integrity of the separate and consolidated annual financial statements and related information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the financial year, in conformity with International Financial Reporting Standards, the AC 500 Standards as issued by the Accounting Practices Board or its successor and the JSE Listings Requirements. The group's external auditors are engaged to express an independent opinion on the separate and consolidated annual financial statements.

The accounting policies, unless otherwise stated, are consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal control and review its operation primarily through the audit and risk committees and various other management systems.

A strong control environment is maintained by applying a risk-based system of internal accounting and administrative controls and by ensuring adequate segregation of duties. In addition, TFG Internal Audit conducts specific risk-based audits and co-ordinate audit coverage with the external auditors.

The directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the separate and consolidated annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have every reason to believe that the group and company will continue as a going concern for the foreseeable future, and the annual financial statements have been prepared on the basis of this assumption.

The annual financial statements and consolidated annual financial statements set out on pages 12 to 69 were approved by the board on 29 June 2012 and are signed on its behalf by:

D M Nurek
Chairman
Authorised director

A D Murray
Chief Executive Officer
Authorised director

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

To the members of The Foschini Group Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements and the consolidated annual financial statements of The Foschini Group Limited, which comprise the statements of financial position at 31 March 2012, and the income statements, the statements of comprehensive income, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 69.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of The Foschini Group Limited at 31 March 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 March 2012, we have read the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

Registered Auditor

Per: Henry du Plessis Chartered Accountant (SA) Director
Registered Auditor
8th Floor MSC House
1 Mediterranean Street
Cape Town
8001
29 June 2012

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

NATURE OF BUSINESS

The Foschini Group Limited is an investment holding company whose subsidiaries, through their retail operating divisions – @home, branded as @home and @homelivingspace; Exact; the Foschini division, branded as Foschini, Donna-Claire, Fashion Express, Charles & Keith and Luella; the Jewellery division, branded as American Swiss, Matrix and Sterns; the Markham division, branded as Markham and Fabiani; the Sports division, branded as Sportscene, Totalsports and Duesouth; Retail Technology Division; TFG Design Centre; Prestige Clothing; TFG Merchandise Procurement; and TFG Financial services – retail clothing, jewellery, accessories, cosmetics, sporting and outdoor apparel and equipment, and homeware and furniture to the broad, middle-income group throughout southern Africa.

The RCS Group is an operationally independent consumer finance business that provides a broad range of financial services under its own brand in South Africa, Namibia and Botswana.

The group operates in the retail and financial services segments, almost entirely within the South African Common Monetary Area.

Retail turnover emanating from Botswana and Zambia accounts for 0,8% of the group's turnover.

GENERAL REVIEW

The financial results are reflected in the annual financial statements on pages 12 to 69.

AUTHORISED AND ISSUED SHARE CAPITAL

The group's share buy-back programme commenced at the end of May 2001. At 31 March 2012, 24,0 million shares are held by a subsidiary, and a further 10,1 million in terms of share incentive schemes. These shares, representing 14,2% of the company's issued share capital are treated as treasury shares and have been eliminated on consolidation. Further details of the authorised and issued share capital are reflected in note 14.

DIVIDENDS PAID

Interim ordinary

The directors declared an interim ordinary dividend of 190,0 cents per ordinary share, which was paid on 9 January 2012 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 6 January 2012.

Final ordinary

The directors declared a final ordinary dividend of 265,0 cents per ordinary share, payable on Monday, 9 July 2012 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 6 July 2012.

Preference

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

26 September 2011 – R13 000 (27 September 2010 – R13 000)

26 March 2012 – R13 000 (28 March 2011 – R13 000).

DIRECTORS' REPORT CONTINUED
FOR THE YEAR ENDED 31 MARCH 2012

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

Independent non-executive directors
D M Nurek (Chairman)

Prof. F Abrahams

S E Abrahams

W V Cuba

E Oblowitz

N V Simamane

Non-executive director
M Lewis

Executive directors
A D Murray (CEO)

R Stein (CFO)

P S Meiring (Group Director – TFG Financial Services)

The following changes took place during the current year and up to the date of this report:

D M Polak	Resigned 10 February 2012
K N Dhlomo	Resigned 14 May 2012

The above changes in directors had no effect on the functions of any of the remaining directors.

The following directors retire by rotation in terms of the articles of association but, being eligible, offer themselves for re-election as directors:

D M Nurek (Chairman)
W V Cuba
M Lewis
P S Meiring

For details of directors' interests in the company's issued shares, refer to note 14. Details of directors' remuneration are set out in note 40.

AUDIT COMMITTEE

The directors confirm that the audit committee has addressed the specific responsibilities required in terms of section 94(7) of the Companies Act No. 71 of 2008. Further detail is contained within the Audit Committee Report.

SUBSIDIARIES

The names of, and certain financial information relating to, the company's key subsidiaries appear on page 66.

SPECIAL RESOLUTIONS

On 5 September 2011 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 2012 shareholders will be asked to renew this general authority, as set out in the Notice of Annual General Meeting.

On 5 September 2011 shareholders approved the remuneration to be paid to non-executive directors for the year ended 31 March 2012, and further approved that fees paid to directors from 1 April 2012 until the following AGM on 3 September 2012 be authorised by the remuneration committee subject to the proviso that the annual increase may not be more than 2% in excess of CPI.

On 5 September 2011 shareholders also approved that the company may provide direct or indirect financial assistance to a related or interrelated company or corporation (including to directors and prescribed officers of such entities) 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.

No other special resolutions were passed during the year under review.

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

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

STAFF SHARE INCENTIVE AND OPTION SCHEMES

Details are reflected in note 39.

SUBSEQUENT EVENT

Details are reflected in note 29.

COMPANY SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED 31 MARCH 2012

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

D Sheard
Company Secretary

29 June 2012

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MARCH 2012

The audit committee is pleased to present its report for the financial year ended 31 March 2012 to the shareholders of The Foschini Group Limited (TFG).

This report is in compliance with the requirements of the Companies Act of South Africa No. 71 of 2008 and the King Code of Governance for South Africa 2009 (King III).

AUDIT COMMITTEE MANDATE

The committee is governed by a formal audit committee charter that has been updated to incorporate the requirements of the Companies Act No. 71 of 2008 which came into operation on 1 May 2011. This charter guides the committee in terms of its objectives, authority and responsibilities.

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

ROLE OF THE COMMITTEE

The role of the audit committee is, inter alia:

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and co-ordinated and that the combined assurance received is appropriate to address all significant risks;
- to assist the board in carrying out its risk management and IT responsibilities; and
- to receive and deal appropriately with any complaints.

External auditors

- to evaluate the independence, effectiveness, and performance of the external auditors and obtain assurance from the auditors that adequate accounting records are being maintained and appropriate accounting principles are in place which have been consistently applied;
- to evaluate the appointment of the external auditors on an annual basis;
- to approve the audit fee and fees in respect of any non-audit services;
- to consider and respond to any questions from the main board and shareholders regarding the resignation or dismissal of the external auditor, 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 management and that there is no impairment on its independence.

Internal control and internal audit

- to review the effectiveness of the group's systems of internal control, including internal financial control and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal control are submitted to the 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 auditors;
- to review and approve the annual internal audit plan and the internal audit charter; and
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment on its independence.

Finance function

- to consider the appropriateness of the expertise and experience of the financial director; and
- to satisfy itself of the expertise, resources and experience of the finance function.

AUDIT COMMITTEE REPORT CONTINUED
FOR THE YEAR ENDED 31 MARCH 2012

Financial results

- to consider any accounting treatments, significant unusual transactions, or accounting judgements that could be contentious;
- to review the integrated report, as well as annual financial statements, interim reports, preliminary reports or other financial information prior to submission and approval by the board; and
- to provide as part of the integrated report, a report by the audit committee.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

The committee comprises four independent non-executive directors and the chairman of the committee is not the chairman of the board.

Meeting attendance

Name of member	Qualifications	23 May 2011	31 October 2011	20 February 2012
S E Abrahams	FCA, CA(SA)	✔	✔	✔
W V Cuba	BSc (Survey), BSc (Info. Systems), MBA	✔	✔	✔
E Oblowitz	BComm, CA(SA), CPA (Isr)	✔	✔	✔
N V Simamane	BSc (Biochem) (Hons)	✔	✔	✔

The committee held three meetings during the 2012 financial year. The committee considered the draft interim and annual financial reports prepared by management and recommended their adoption to the board subject to certain amendments. The chairman provided written reports to the main board summarising the committee's findings and recommendations.

Details of fees paid to committee members appear in note 40.

The chief executive officer, the chief financial officer, the head of TFG Internal Audit, the company secretary and the external auditor partners and staff attend meetings at the regular invitation of the committee. In addition, other members of executive management are invited to attend various meetings on an ad-hoc invitational basis. The chairman of the group has an open invitation to attend meetings of the audit committee.

COMMITTEE EVALUATION

As part of the annual board evaluation (which includes an evaluation of all committees), the performance of audit committee members was assessed and found to be satisfactory. In addition, members were assessed in terms of the independence requirements of King III and the Companies Act. It is noted that all members of the committee continue to meet the independence requirements.

RE-ELECTION OF COMMITTEE MEMBERS

The following members have made themselves available for re-election to the committee. Such re-election has been recommended by the nominations committee and will be proposed to shareholders at the upcoming annual general meeting:

S E Abrahams
W V Cuba
E Oblowitz
N V Simamane

In addition, the board, in conjunction with the committee, recommends to shareholders that Mr S E Abrahams be re-elected as chairman of the committee.

COMMITTEE FUNCTIONING

The committee typically meets three times a year with the main focus of each respective meeting being as follows:

- consideration of control risks and risk management (typically in February each year);
- approval of annual results (typically in May each year); and
- approval of interim results (typically in November each year).

Independently of management, members of the committee meet separately with the head of internal audit and the external auditors respectively.

Meeting dates and agenda topics are agreed well in advance each year. Each meeting is preceded by the distribution to each attendee of an audit committee pack comprising:

- detailed agenda
- minutes of previous meeting
- report by the external auditors
- written reports by management including:
  - compliance;
  - TFG Internal Audit;
  - loss statistics; and
  - fraud.

The chairman of this committee has an open invitation to attend meetings of the risk committee.

SPECIFIC RESPONSIBILITIES

The committee confirms that it has carried out its functions in terms of section 94(7) of the Companies Act No. 71 of 2008 by:

- confirming the nomination of KPMG Inc. as the group's registered auditor and being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to KPMG Inc.;
- ensuring that the appointment of KPMG Inc. complies with the provisions of the Companies Act;
- determining the nature and extent of any non-audit services which the external auditors provide to the company, or a related company;
- preapproving any proposed agreement with KPMG Inc. for the provision of any non-audit services;
- preparing this report for inclusion in the annual financial statements as well as in the Integrated Annual Report;
- receiving and dealing appropriately with any relevant concerns or complaints;
- making submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting; and
- performing such other oversight functions as may be determined by the board.

INTERNAL FINANCIAL CONTROL

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

In addition, during the 2012 financial year, the committee was not made aware of any:

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

RISK MANAGEMENT

Whilst the board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the risk committee, assists the board in assessing the adequacy of the risk management process. The chairman of this committee has an open invitation to risk committee meetings to ensure that relevant

AUDIT COMMITTEE REPORT CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

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 information technology risks as they relate to financial reporting.

During the course of the 2012 financial year, the committee considered the risk management approach, as well as key control risks, and believes that the approach is relevant and that all key control risks are being adequately addressed by management.

Further detail on the risk management approach and process is included in the Risk Report which appears in the Integrated Annual Report.

EXTERNAL AUDITORS

The group's external auditors are KPMG Inc. and the designated auditor is Mr H du Plessis.

KPMG Inc. is afforded unrestricted access to the group's records and management and present any significant issues arising from the annual audit to the committee. In addition, Mr Du Plessis, 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 KPMG Inc. is independent of the group and management and therefore able to express an independent opinion on the group's annual financial statements.

The committee has nominated, for approval at the annual general meeting, KPMG Inc. as the external auditor and Mr H du Plessis as the designated auditor for the 2013 financial year, having satisfied itself that the audit firm and designated auditor are accredited by the JSE.

FINANCIAL STATEMENTS

The committee has reviewed the financial statements of the company and the group and is satisfied that they comply with International Financial Reporting Standards.

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

INTEGRATED REPORT

The committee fulfils an oversight role in respect of TFG's 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 the obtaining of independent assurance would not be beneficial to stakeholders.

The committee has however considered the sustainability information as disclosed in the Integrated Annual Report and has assessed its consistency with the annual financial statements. The committee is satisfied that the sustainability information is in no way contradictory to that disclosed in the annual financial statements.

EXPERTISE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

In respect of the above requirement, the committee believes that Mr R Stein, 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 board.

S E Abrahams
Chairman: Audit committee

29 June 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2012 Rm**	2011 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	2	**1 313,2**	1 086,9
Goodwill and intangible assets	3	**109,8**	37,0
Staff housing loans	4	**–**	0,7
RCS Group private label card receivables	5	**465,1**	320,8
RCS Group loan receivables	6	**610,1**	521,7
Participation in export partnerships	7	**53,4**	72,5
Deferred taxation asset	8	**254,3**	249,9
		2 805,9	2 289,5
Current assets			
Inventory	9	**2 155,0**	1 804,7
Trade receivables – retail	10	**4 569,9**	3 823,0
RCS Group private label card receivables	5	**1 917,8**	1 709,4
RCS Group loan receivables	6	**457,5**	336,7
Other receivables and prepayments	11	**226,4**	194,3
Participation in export partnerships	7	**13,0**	6,4
Preference share investment	12	**–**	200,0
Cash	13	**710,9**	338,5
		10 050,5	8 413,0
Total assets		**12 856,4**	10 702,5
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited			
Share capital	14	**3,0**	3,0
Share premium		**498,7**	498,7
Treasury shares	15	**(1 218,2)**	(1 299,6)
Dividend reserve	16	**637,3**	510,0
Hedging deficit	17	**(12,2)**	(17,4)
Share-based payments reserve	18	**279,7**	207,5
Insurance cell reserves	19	**–**	20,2
Foreign currency translation reserve	20	**1,3**	1,0
Retained earnings		**6 103,5**	5 539,5
		6 293,1	5 462,9
Non-controlling interest	21	**571,1**	485,6
Total equity		**6 864,2**	5 948,5
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	22	**1 006,8**	262,8
RCS Group external funding	23	**1 140,2**	491,0
Non-controlling interest loans	24	**242,4**	144,3
Operating lease liability	25	**159,5**	134,1
Deferred taxation liability	8	**100,5**	165,2
Post-retirement defined benefit plan	26	**97,9**	91,0
		2 747,3	1 288,4
Current liabilities			
Interest-bearing debt	22	**722,1**	1 246,8
RCS Group external funding	23	**626,2**	417,0
Trade and other payables	27	**1 827,0**	1 710,7
Operating lease liability	25	**12,3**	12,0
Taxation payable		**57,3**	79,1
		3 244,9	3 465,6
Total liabilities		**5 992,2**	4 754,0
Total equity and liabilities		**12 856,4**	10 702,5

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2012 Rm**	2011 Rm
Revenue	31	**14 530,8**	12 370,6
Retail turnover		**11 630,5**	9 936,5
Cost of turnover	32	**(6 750,1)**	(5 768,1)
Gross profit		**4 880,4**	4 168,4
Interest income	33	**1 712,1**	1 486,2
Dividend income		**9,9**	12,1
Other revenue	34	**1 178,3**	935,8
Trading expenses	35	**(4 994,2)**	(4 301,3)
Operating profit before finance charges	35	**2 786,5**	2 301,2
Finance costs	36	**(284,9)**	(250,1)
Profit before tax		**2 501,6**	2 051,1
Income tax expense	37	**(809,8)**	(662,3)
Profit for the year		**1 691,8**	1 388,8
Attributable to:			
Equity holders of The Foschini Group Limited		**1 582,1**	1 301,8
Non-controlling interest		**109,7**	87,0
Profit for the year		**1 691,8**	1 388,8
Earnings per ordinary share (cents)			
Basic	38	**771,0**	630,4
Diluted	38	**765,1**	618,1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2012 Rm	2011 Rm
Profit for the year	**1 691,8**	1 388,8
Other comprehensive income:		
Movement in effective portion of changes in fair value of cash flow hedges	**7,2**	(0,6)
Foreign currency translation reserve movements	**0,3**	1,0
Movement in insurance cell reserves	**–**	2,9
Other comprehensive income for the year before tax	**7,5**	3,3
Deferred tax on movement in effective portion of changes in fair value of cash flow hedges	**(2,0)**	0,1
Other comprehensive income for the year net of tax	**5,5**	3,4
Total comprehensive income for the year	**1 697,3**	1 392,2
Attributable to:		
Equity holders of The Foschini Group Limited	**1 587,6**	1 305,2
Non-controlling interest	**109,7**	87,0
Total comprehensive income for the year	**1 697,3**	1 392,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Share capital Rm	Share premium Rm	Treasury shares Rm	Other reserves Rm	Retained earnings Rm	**Attributable to equity holders of The Foschini Group Limited Rm**	Non-controlling interest Rm	**Total equity Rm**
Equity at 31 March 2010	3,0	498,7	(1 002,2)	548,5	5 010,3	**5 058,3**	427,0	**5 485,3**
Total comprehensive income for the year				3,4	1 301,8	**1 305,2**	87,0	**1 392,2**
Profit for the year					1 301,8	**1 301,8**	87,0	**1 388,8**
Other comprehensive income								
Movement in effective portion of changes in fair value of cash flow hedges				(0,6)		**(0,6)**		**(0,6)**
Foreign currency translation reserve movements				1,0		**1,0**		**1,0**
Deferred tax on movement in effective portion of changes in fair value of cash flow hedges				0,1		**0,1**		**0,1**
Movement in insurance cell reserves				2,9		**2,9**		**2,9**
Contributions by and distributions to owners								
Share-based payments reserve movements				55,9		**55,9**		**55,9**
Transfer from dividend reserve				(408,8)	408,8	**-**		**-**
Dividends paid					(637,5)	**(637,5)**	(28,4)	**(665,9)**
Transfer to dividend reserve				510,0	(510,0)	**-**		**-**
Transfer to insurance cell reserve				12,3	(12,3)	**-**		**-**
Proceeds on delivery of shares by share trust					134,8	**134,8**		**134,8**
Delivery of shares by share trust			156,4		(156,4)	**-**		**-**
Shares purchased in terms of share incentive schemes			(453,8)			**(453,8)**		**(453,8)**
Equity at 31 March 2011	**3,0**	**498,7**	**(1 299,6)**	**721,3**	**5 539,5**	**5 462,9**	**485,6**	**5 948,5**
Total comprehensive income for the year	**-**	**-**	**-**	**5,5**	**1 582,1**	**1 587,6**	**109,7**	**1 697,3**
Profit for the year					**1 582,1**	**1 582,1**	**109,7**	**1 691,8**
Other comprehensive income								
Movement in effective portion of changes in fair value of cash flow hedges				**7,2**		**7,2**		**7,2**
Foreign currency translation reserve movements				**0,3**		**0,3**		**0,3**
Deferred tax on movement in effective portion of changes in fair value of cash flow hedges				**(2,0)**		**(2,0)**		**(2,0)**
Contributions by and distributions to owners								
Share-based payments reserve movements				**72,2**		**72,2**		**72,2**
Transfer from dividend reserve				**(510,0)**	**510,0**	**-**		**-**
Dividends paid					**(828,6)**	**(828,6)**	**(20,4)**	**(849,0)**
Transfer to dividend reserve				**637,3**	**(637,3)**	**-**		**-**
Transfer from insurance cell reserve				**(20,2)**	**20,2**	**-**		**-**
Sale of subsidiary						**-**	**(3,8)**	**(3,8)**
Proceeds on delivery of shares by share trust					**54,4**	**54,4**		**54,4**
Delivery of shares by share trust			**136,8**		**(136,8)**	**-**		**-**
Shares purchased in terms of share incentive schemes			**(77,2)**			**(77,2)**		**(77,2)**
Deferred tax on shares purchased			**14,5**			**14,5**		**14,5**
Current tax on shares purchased			**7,3**			**7,3**		**7,3**
Equity at 31 March 2012	**3,0**	**498,7**	**(1 218,2)**	**906,1**	**6 103,5**	**6 293,1**	**571,1**	**6 864,2**

	Note	**2012**	2011
Dividend per ordinary share (cents)			
Interim		**190,0**	138,0
Final	16	**265,0**	212,0
Total		**455,0**	350,0
Dividend cover		**1,7**	**1,8**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2012 Rm**	2011 Rm
Cash flows from operating activities			
Operating profit before working capital changes		**3 180,4**	2 630,3
Increase in working capital		**(1 568,4)**	(824,1)
Cash generated from operations	42	**1 612,0**	1 806,2
Interest income		**16,0**	16,8
Finance cost		**(284,9)**	(250,1)
Taxation paid	43	**(880,9)**	(769,0)
Dividend income		**9,9**	12,1
Dividends paid	44	**(849,0)**	(665,9)
Net cash (outflows) inflows from operating activities		**(376,9)**	150,1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(541,1)**	(382,8)
Acquisition of assets through business combinations	46	**(82,5)**	–
Proceeds from sale of property, plant and equipment		**6,5**	7,5
Sale of subsidiary		**0,1**	–
Redemption of preference share investment		**200,0**	–
Repayment of participation in export partnerships		**12,5**	6,1
Repayment of staff housing loans		**0,7**	0,2
Net cash outflows from investing activities		**(403,8)**	(369,0)
Cash flows from financing activities			
Proceeds on delivery of shares by share trust		**54,4**	134,8
Shares purchased in terms of share incentive schemes		**(77,2)**	(453,8)
Increase (decrease) in non-controlling interest loans		**98,1**	(334,0)
Increase in RCS Group external funding		**858,4**	535,9
Increase in interest-bearing debt		**219,3**	390,5
Net cash inflows from financing activities		**1 153,0**	273,4
Net increase in cash during the year		**372,3**	54,5
Cash at the beginning of the year		**338,5**	284,0
Effect of exchange rate fluctuations on cash held		**0,1**	–
Cash at the end of the year	13	**710,9**	338,5

CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Retail trading divisions Rm	TFG Financial Services Rm	Central and shared services Rm	Total retail Rm	RCS Group Rm	Consoli-dated Rm
2012						
External revenue#	**11 630,5**	**673,8**	**70,6**	**12 374,9**	**443,8**	**12 818,7**
External interest income	**–**	**853,7**	**10,0**	**863,7**	**848,4**	**1 712,1**
Total revenue*	**11 630,5**	**1 527,5**	**80,6**	**13 238,6**	**1 292,2**	**14 530,8**
Inter-segment revenue			**126,5**	**126,5**	**8,9**	**135,4**
External finance cost			**(105,7)**	**(105,7)**	**(179,2)**	**(284,9)**
Depreciation and amortisation			**(295,8)**	**(295,8)**	**(15,8)**	**(311,6)**
Group profit before tax				**2 156,4**	**345,2**	**2 501,6**
Segmental profit before tax#	**2 610,7**	**395,4**	**(757,3)**	**2 248,8**	**345,2**	**2 594,0**
Other material non-cash items						
Foreign exchange transactions				**5,5**	**–**	**5,5**
Share-based payments				**(72,2)**	**–**	**(72,2)**
Operating lease liability adjustment				**(25,7)**	**–**	**(25,7)**
Capital expenditure				**525,7**	**21,7**	**547,4**
Segment assets				**8 998,3**	**3 858,1**	**12 856,4**
Segment liabilities				**3 350,5**	**2 641,7**	**5 992,2**
2011						
External revenue#	9 936,5	507,5	64,4	10 508,4	376,0	10 884,4
External interest income	–	705,2	8,9	714,1	772,1	1 486,2
Total revenue*	9 936,5	1 212,7	73,3	11 222,5	1 148,1	12 370,6
Inter-segment revenue			95,5	95,5	11,2	106,7
External finance cost			(138,7)	(138,7)	(111,4)	(250,1)
Depreciation and amortisation			(268,7)	(268,7)	(14,0)	(282,7)
Group profit before tax				1 775,5	275,6	2 051,1
Segmental profit before tax#	2 192,5	311,2	(664,4)	1 839,3	281,4	2 120,7
Other material non-cash items						
Goodwill impairment				–	(5,8)	(5,8)
Foreign exchange transactions				1,3	–	1,3
Share-based payments				(55,9)	–	(55,9)
Operating lease liability adjustment				(9,2)	–	(9,2)
Capital expenditure				367,4	15,4	382,8
Segment assets				7 599,3	3 103,2	10 702,5
Segment liabilities				2 675,8	2 078,2	4 754,0

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

During 2012 the board, being the chief operating decision-maker, refined the reportable segments. Amounts previously reported as part of TFG Financial Services are now reported as part of Retail Trading Divisions and Central and shared services. These amounts are not material and the 2011 comparatives have been restated accordingly.

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

- **Retail trading divisions**, comprising the @home division, Exact!, the Foschini division, the Jewellery division, the Markham division and the Sports division, retail clothing, jewellery, cosmetics, cellphones, and homeware and furniture;
- **TFG Financial Services** – manages the group's in-store credit card programme, as well as handling the group's financial service products such as Club and associated magazines as well as insurance products;
- **Central and shared services** provide services to the trading divisions, including but not limited to, finance and administration, internal audit, information technology, logistics, human resources, facilities management and real estate; and
- **RCS Group**, an operationally independent consumer finance business that provides a broad range of financial services under its own brand in South Africa, Namibia and Botswana.

The board, identified as the chief operating decision-maker, reviews the results of these business units on a monthly basis for the purpose of allocating resources and evaluating performance.

Performance is measured based on segmental profit before tax as included in the monthly management report reviewed by the chief operating decision-maker.

CONSOLIDATED SEGMENTAL ANALYSIS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

GEOGRAPHICAL INFORMATION

The retail trading divisions and TFG Financial Services' reportable segments earn revenue from South Africa, Namibia, Botswana, Zambia, Swaziland and Lesotho. The RCS Group earns revenue from South Africa, Namibia and Botswana.

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

The geographical information is presented below.

	Retail trading divisions Rm	TFG Financial Services Rm	Central and shared services Rm	Total retail Rm	RCS Group Rm	Consoli-dated Rm
2012						
Segment revenue						
South Africa	**11 157,7**	**1 490,8**	**79,1**	**12 727,6**	**1 280,8**	**14 008,4**
Namibia	**353,5**	**35,2**	**1,5**	**390,2**	**4,9**	**395,1**
Botswana	**59,8**	**0,5**	**–**	**60,3**	**6,5**	**66,8**
Zambia	**32,8**	**–**	**–**	**32,8**	**–**	**32,8**
Swaziland	**10,2**	**0,8**	**–**	**11,0**	**–**	**11,0**
Lesotho	**16,5**	**0,2**	**–**	**16,7**	**–**	**16,7**
Total segment revenue	**11 630,5**	**1 527,5**	**80,6**	**13 238,6**	**1 292,2**	**14 530,8**
Segment non-current assets						
South Africa				**1 610,7**	**1 141,7**	**2 752,4**
Namibia				**16,0**	**5,2**	**21,2**
Botswana				**7,0**	**3,9**	**10,9**
Zambia				**19,6**	**–**	**19,6**
Swaziland				**0,1**	**–**	**0,1**
Lesotho				**1,7**	**–**	**1,7**
Total segment non-current assets				**1 655,1**	**1 150,8**	**2 805,9**
2011						
Segment revenue						
South Africa	9 571,2	1 183,2	72,2	10 826,6	1 141,5	11 968,1
Namibia	302,5	28,8	1,1	332,4	2,7	335,1
Botswana	43,2	–	–	43,2	3,9	47,1
Zambia	8,2	–	–	8,2	–	8,2
Swaziland	11,4	0,7	–	12,1	–	12,1
Total segment revenue	9 936,5	1 212,7	73,3	11 222,5	1 148,1	12 370,6
Segment non-current assets						
South Africa				1 342,4	919,8	2 262,2
Namibia				11,6	2,7	14,3
Botswana				1,9	2,5	4,4
Zambia				7,1	–	7,1
Swaziland				0,1	–	0,1
Lesotho				1,4	–	1,4
Total segment non-current assets				1 364,5	925,0	2 289,5

Non-current assets consist of property, plant and equipment, goodwill and intangible assets, staff housing loans, deferred taxation and the non-current portions of RCS Group private label card receivables, RCS Group loan receivables and participation in export partnerships.

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 of the company for the year ended 31 March 2012 comprise the company and its subsidiaries (together referred to as the "group").

1.1 Basis of preparation

Statement of compliance

The consolidated financial statements are prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board or its successor and disclosures required by the JSE Listings Requirements, and have been consistently applied with those adopted in the prior year except as described in note 47.

The financial statements were authorised for issue by the directors on 29 June 2012.

Basis of measurement

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

Functional and presentation currency

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

1.2 Significant judgements

The preparation of financial statements in conformity with IFRS requires management 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 uses delinquency roll rates on customer balances to determine the inherent bad debt in a debtors' book. The directors believe that the application of the Markov model results in trade receivables balances being measured reliably.

Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Historic information with respect to sales trends is used to quantify the expected mark-down between the estimated net realisable value and the original cost.

Other

Further estimates and judgements are made relating to residual values, useful lives and depreciation methods; goodwill impairment tests (refer note 3); estimating the fair value of share incentives granted (refer note 39); and pension fund and employee obligations (refer note 39).

1.3 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company, its subsidiaries and special-purpose entities (SPEs). The financial statements of subsidiaries are prepared for the reporting period using consistent accounting policies.

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

1.3 Consolidation continued

account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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.

The group has established a SPE in the form of the share incentive trust and insurance cells. The group does not have any direct or indirect shareholding in the share incentive trust but it does have a shareholding in the insurance cells. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE. The results of the share incentive trust and insurance cells that in substance are controlled by the group, are consolidated.

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

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

The company's financial statements measure investments in subsidiaries at cost.

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

The group measures goodwill at the acquisition date as:

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

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

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

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity it is not remeasured. 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 after rebates, including all costs of purchase, costs of conversion and other costs, including promotional 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. Inventory write-downs are included in cost of turnover when recognised.

1.5 Dividends

Dividends and the related secondary taxation on companies (STC) (where relevant) are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date and the related STC (where relevant) thereon, are accordingly not recognised as liabilities at the reporting date. Final dividends declared after the reporting date, excluding STC (where relevant) thereon, are however, 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

1.6 Earnings per share continued

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 Circular 3/2009, 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 which the group has a present obligation to pay as a result of employees' services provided to the reporting date. The short-term employee benefits have been calculated at undiscounted amounts based on current wage and salary rates.

Post-employment benefits

The company and its subsidiaries contribute to several defined contribution plans.

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 they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment 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. Any unrecognised past service costs and the fair value of any plan assets are deducted.

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 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. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are recognised immediately in profit or loss.

Actuarial gains or losses, current service cost and interest cost in respect of defined benefit plans, are recognised immediately in profit or loss.

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 same accounting methodology described in respect of defined benefit plans above.

Share-based payment transactions

The group grants equity-settled share instruments to certain employees under an employee share plan. These share instruments will be settled in shares. The grant date 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 period that the employees become unconditionally entitled to the instruments. The fair value is measured at the grant date using a binomial option-pricing model and is spread over the vesting period. 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 met such 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 delivery date. Costs incurred in administering the schemes are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

1.8 Expenses

Finance cost

Finance cost comprises 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.

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments recognised on the statement of financial position include cash, trade and other receivables, staff housing loans, participation in export partnerships, investments, interest-bearing debt, non-controlling interest loans, RCS Group external funding and trade and other payables.

Initial measurement

Financial instruments are initially recognised at fair value. For those instruments not measured at fair value through profit and loss, directly attributable transaction costs are included on initial measurement. Subsequent to initial recognition financial instruments are measured as described below.

Cash

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

The preference share investment (where relevant), staff housing loans, RCS Group loan receivables, RCS Group private label card receivables, trade receivables – retail and participation in export partnerships are classified as loans and receivables and are carried at amortised cost using the effective interest method, less any accumulated impairment losses. Amortised cost for the group's participation in export partnerships is the group's cost of original participation less principal subsequent repayments received, plus the cumulative amortisation of the difference between the initial amount and the maturity amount, less any write-down for impairment of uncollectibility. 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 market rate of interest at the reporting date.

Financial liabilities measured at amortised cost

Non-derivative financial liabilities including interest-bearing debt, non-controlling interest loans, RCS Group external funding, 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 market rate of interest at the reporting date.

Gains and losses on subsequent measurement

All fair value gains and losses on subsequent measurement of financial instruments measured at fair value are recognised in profit or loss, except for hedged instruments. Hedged instruments are accounted for as described in the hedge accounting policy note (refer to note 1.12).

1.9 Financial instruments continued

Derivative financial instruments

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

Derivative financial instruments are subsequently measured at fair value, with the gain or loss on 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 1.12).

The fair value of interest rate swaps is the estimated amount that 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.

Offset

Financial assets and financial liabilities are off-set and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the financial liability simultaneously.

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 subsidiaries are classified as treasury shares and are presented as a deduction from equity.

Dividend income on treasury shares are 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 earnings per share purposes.

1.10 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 ruling at the reporting date.

Non-monetary assets and liabilities denominated in such currencies are translated using the exchange rate at the date of the transaction.

Foreign currency gains and losses arising on translation are recognised in profit or loss.

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 and their income statements and statements 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.

Gains and losses arising on translation of the assets, liabilities, income and expenses of foreign operations are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

1.11 Goodwill

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

For business combinations after 1 April 2010, goodwill is measured as the difference between the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interest, and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held interest in the acquiree, and 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.

For business combinations prior to 1 April 2010, goodwill represents amounts arising on acquisition of subsidiaries and is the difference between the cost of the acquisition and the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the difference is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment and whenever there is an indication of impairment.

1.12 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 other comprehensive income and presented 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 other comprehensive income 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 other comprehensive income is included in net 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.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit or loss immediately.

1.13 Impairment of assets

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 have had a negative effect on the estimated future cash flows of that asset, that 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.

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 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 be related objectively 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.

1.13 Impairment of assets continued

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 then 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 then to 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 has 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.

1.14 Intangible assets

Intangible assets that are 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.

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

Client lists	20%

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 and Fabiani trademarks are considered to have indefinite useful lives.

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

1.15 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 selling expenses.

The cost of inventories is based on the first-in-first-out principle 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.

1.16 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, including computer software, 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

1.16 Property, plant and equipment continued

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	20%
Passenger vehicles	20%
Commercial vehicles	25%
Computer equipment and software	20% – 33%
Office equipment	4% – 33,3%
Furniture and fixtures	16,67%
Buildings	3,33%

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.

1.17 Revenue recognition

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 allowances and rebates.

Interest income

Interest is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the group.

Dividend income

Dividends received on equity instruments are recognised when the right to receive payment is established.

Merchants' commission

Commission income is recognised when the related transaction on which the commission is earned has been concluded.

Club income, customer charges and cellular income

Club income, customer charges and cellular income is recognised in profit or loss monthly when due.

1.17 Revenue recognition continued

Insurance and sundry income

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

1.18 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. All operating segments' operating results are reviewed regularly by the board, identified as the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance and for which internal financial information is available.

Segment results that are reported to the board include items directly attributable to a segment as well as 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.

Amounts reported in the group segmental analysis are measured in accordance with International Financial Reporting Standards (IFRS).

The group is organised into four reportable operating divisions:

- Retail trading divisions, comprising the @home division, Exact!, the Foschini division, the Jewellery division, the Markham division and the Sports division, retail clothing, jewellery, cosmetics, cellphones and homeware and furniture;
- TFG Financial Services – manages the group's in-store credit card programme, as well as handling the group's financial service products such as Club and associated magazines as well as insurance products;
- Central and shared services provide services to the trading divisions including but not limited to finance and administration, internal audit, information technology, logistics, human resources, facilities management and real estate; and
- RCS Group, an operationally independent consumer finance business that provides a broad range of financial services under its own brand in South Africa, Namibia and Botswana.

The group operates in South Africa, Botswana, Lesotho, Namibia, Swaziland, and Zambia. In presenting information on the basis of geographical segment, segment revenue is based on the location of the customers whilst segment assets are based on the location of the asset.

Inter-segment pricing is determined on an arm's length basis.

1.19 Taxation

Income tax expense comprises current and deferred taxation as well as secondary taxation on companies (STC) (where relevant).

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

Current tax is the expected taxation payable, 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; and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred taxation is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation assets and liabilities are off-set if there is a legally enforceable right to off-set 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2012

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

1.19 Taxation continued

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.

Secondary taxation on companies has been replaced with dividend withholding tax with effect from 1 April 2012. At 31 March 2012 the group has no unutilised STC credits.

The Foschini Group Limited and its subsidiaries

2. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	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	273,8	(83,3)	190,5	268,2	(76,7)	191,5
Shopfittings and furniture and fixtures	2 236,5	(1 474,2)	762,3	1 898,7	(1 283,4)	615,3
Motor vehicles	105,4	(32,1)	73,3	92,9	(30,1)	62,8
Office equipment	59,0	(39,2)	19,8	54,6	(33,9)	20,7
Computer equipment and software	680,8	(413,5)	267,3	571,2	(374,6)	196,6
Total	3 355,5	(2 042,3)	1 313,2	2 885,6	(1 798,7)	1 086,9

Reconciliation of property, plant and equipment – 2012 (Rm)

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Total
Land and buildings	191,5	5,6	–	–	(6,6)	190,5
Shopfittings and furniture and fixtures	615,3	352,6	6,2	(1,2)	(210,6)	762,3
Motor vehicles	62,8	29,0	0,1	(8,5)	(10,1)	73,3
Office equipment	20,7	5,0	–	–	(5,9)	19,8
Computer equipment and software	196,6	148,9	–	(0,2)	(78,0)	267,3
	1 086,9	541,1	6,3	(9,9)	(311,2)	1 313,2

Reconciliation of property, plant and equipment – 2011 (Rm)

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	188,7	9,2	-	(6,4)	191,5
Shopfittings and furniture and fixtures	559,7	250,9	(1,0)	(194,3)	615,3
Motor vehicles	57,6	22,6	(7,8)	(9,6)	62,8
Office equipment	13,0	13,6	(0,4)	(5,5)	20,7
Computer equipment and software	176,8	86,5	(0,2)	(66,5)	196,6
	995,8	382,8	(9,4)	(282,3)	1 086,9

None of the group's assets is in any way encumbered.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

3. GOODWILL AND INTANGIBLE ASSETS

	2012			2011		
	Cost Rm	**Accumulated amortisation and impairment Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation and impairment Rm	Carrying value Rm
Intangible asset on acquisition of trademarks	**50,9**	**–**	**50,9**	1,6	–	1,6
Goodwill	**64,5**	**(5,8)**	**58,7**	40,6	(5,8)	34,8
Intangible asset on acquisition of client lists	**1,7**	**(1,5)**	**0,2**	1,7	(1,1)	0,6
Total	**117,1**	**(7,3)**	**109,8**	43,9	(6,9)	37,0

Reconciliation of goodwill and intangible assets – 2012

	Opening balance Rm	**Additions through business combinations Rm**	**Disposals Rm**	**Amortisation Rm**	**Total Rm**
Intangible asset on acquisition of trademarks	**1,6**	**49,3**	**–**	**–**	**50,9**
Goodwill	**34,8**	**24,1**	**(0,2)**	**–**	**58,7**
Intangible asset on acquisition of client lists	**0,6**	**–**	**–**	**(0,4)**	**0,2**
	37,0	**73,4**	**(0,2)**	**(0,4)**	**109,8**

Reconciliation of goodwill and intangible assets – 2011

	Opening balance Rm	Amortisation Rm	Impairment loss Rm	Total Rm
Intangible asset on acquisition of trademarks	1,6	–	–	1,6
Goodwill	40,6	–	(5,8)	34,8
Intangible asset on acquisition of client lists	1,0	(0,4)	–	0,6
	43,2	(0,4)	(5,8)	37,0

For acquisitions prior to 1 April 2010, goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets, liabilities and contingent liabilities acquired through business combinations.

For acquisitions after 1 April 2010, goodwill is measured as the difference between:

- the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interest, and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).

If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.

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 client lists are name lists purchased by the RCS Group which are used to invite individuals to apply for loans. Client lists are considered to have definite useful lives.

Goodwill is tested annually for impairment and as soon as there is an indication of impairment.

3. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Impairment testing of goodwill

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

	2012 Rm	2011 Rm
Totalsports	9,3	9,3
RCS Personal Finance	17,7	17,7
Massdiscounters credit business	7,5	7,5
Effective Intelligence	0,1	0,3
Prestige Clothing	24,1	–
	58,7	34,8

Except for Effective Intelligence and Prestige Clothing, the recoverable amount of all cash-generating units has been determined based on a value-in-use calculation, using cash flow projections which cover a three-year period. The cash flows have been discounted at a rate of 9% – 10% (2011: 9% – 10%).

The following significant assumptions have been applied when reviewing goodwill for impairment:

- asset values were based on the carrying amounts for the financial period;
- future expected profits were estimated using historical information and approved budgets;
- Totalsports' sales growths and gross margins were based on historical performance, while costs were assumed to grow in line with expansion and expected inflation;
- RCS Personal Finance projections are based on historical performance as well as anticipated growth in advances and expectations of future interest rates; and
- Massdiscounters' receivables projections were based on historical performance as well as anticipated book growth and expectations of future interest rates.

In 2011, an impairment of R5,8 million was recognised. The recoverable amount of the Effective Intelligence cash-generating unit was based on its fair value less costs to sell. A sales offer received from a third party was used to determine this value.

4. STAFF HOUSING LOANS

Loans and receivables

	2012 Rm	2011 Rm
Staff housing loans	0,7	0,8
Deduct amount to be repaid within one year, included in other receivables and prepayments	(0,7)	(0,1)
	–	0,7

Housing loans made to employees are secured by mortgage bonds, bear interest at varying rates linked to prime and are repayable over varying periods not exceeding 20 years. Employees' pension fund upon resignation, retirement or death benefits are pledged as security.

The group's management of and exposure to credit and market risk is disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

		2012 Rm	2011 Rm
5.	**RCS GROUP PRIVATE LABEL CARD RECEIVABLES**		
	Loans and receivables		
	Private label card receivables	**2 382,9**	2 030,2
	Deduct amount to be repaid within one year, included in current assets	**(1 917,8)**	(1 709,4)
		465,1	320,8

RCS Group private label card receivables comprise a number of individual unsecured revolving card accounts, as well as amounts due for services delivered on credit. The accounts attract interest at variable and fixed rates as per the National Credit Act. The average effective interest rate on these receivables for the year under review is 21,8% (2011: 22,1%). Repayment terms vary from revolving to 36 months.

The group's management of and exposure to credit and market risk is disclosed in note 28.

		2012 Rm	2011 Rm
6.	**RCS GROUP LOAN RECEIVABLES**		
	Loans and receivables		
	RCS Group loan receivables	**1 067,6**	858,4
	Deduct amount to be repaid within one year, included in current assets	**(457,5)**	(336,7)
		610,1	521,7

RSC Group loan receivables comprise a number of individual unsecured loans. The loans bear interest at fixed rates determined on the initial advance of the loan based on the risk profile of the customer. The effective rate of interest earned during the year under review is 32,3% (2011: 33,0%). These loans are repayable over terms varying from 12 – 60 months.

The group's management of and exposure to credit and market risk is disclosed in note 28.

		2012 Rm	2011 Rm
7.	**PARTICIPATION IN EXPORT PARTNERSHIPS**		
	Loans and receivables		
	Participation in export partnerships	**66,4**	78,9
	Deduct amount to be repaid within one year, included in current assets	**(13,0)**	(6,4)
		53,4	72,5

Certain subsidiary companies participated in various export partnerships, whose business was the purchase and export sale of shipping containers. The partnerships bought and sold the containers in terms of long-term suspensive purchase and credit sale agreements respectively, with repayment terms usually over a 10- to 15-year period.

The group's management of and exposure to credit and market risk is disclosed in note 28.

		2012 Rm	2011 Rm
8.	**DEFERRED TAXATION**		
	Balance at 1 April	**84,7**	19,1
	Prior year (over) under provision	**(3,6)**	4,8
	Amounts recognised directly in other comprehensive income		
	Treasury shares, foreign currency and financial instrument reserves	**12,5**	0,1
	Current year movement in temporary differences recognised in profit or loss		
	Trademarks	**(0,1)**	0,1
	Secondary taxation on companies	**(0,8)**	(1,6)
	Operating leases	**7,3**	2,5
	Working capital allowances	**44,2**	39,0
	Capital allowances	**(4,5)**	14,0
	Restraint of trade payments	**(1,1)**	(0,7)
	Export partnerships (refer note 7)	**12,8**	6,2
	Assessed loss	**2,4**	1,2
	At 31 March	**153,8**	84,7
	Arising as a result of:		
	Deferred taxation assets		
	Foreign currency and financial instrument reserves	**4,8**	7,7
	Operating leases	**48,1**	40,8
	Secondary taxation on companies	**–**	0,8
	Working capital allowances	**180,9**	194,8
	Capital allowances	**0,9**	2,0
	Restraint of trade payments	**0,4**	1,5
	Trademarks	**0,1**	0,2
	Forfeitable shares	**14,6**	–
	Assessed loss	**4,5**	2,1
	Deferred taxation asset	**254,3**	249,9
	Deferred taxation liability		
	Capital allowances	**(28,5)**	(25,1)
	Working capital allowances	**(1,2)**	(55,9)
	Foreign currency and financial instrument reserves	**(0,7)**	(1,3)
	Export partnerships (refer note 7)	**(70,1)**	(82,9)
	Deferred taxation liability	**(100,5)**	(165,2)
	Total deferred taxation	**153,8**	84,7
9.	**INVENTORY**		
	Merchandise	**1 990,0**	1 678,8
	Raw materials	**101,4**	82,3
	Goods in transit	**30,2**	22,5
	Shopfitting stock	**30,9**	17,1
	Consumables	**2,5**	4,0
		2 155,0	1 804,7
	Inventory write-downs included above	**94,9**	92,7
10.	**TRADE RECEIVABLES – RETAIL**		
	6-month revolving credit	**1 008,1**	989,1
	12-month extended credit	**3 561,8**	2 833,9
		4 569,9	3 823,0

The effective rate of interest earned on the above receivables during the year under review is 18,1% (2011: 18,2%). The group's management of and exposure to credit and market risk is disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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The Foschini Group Limited and its subsidiaries

		2012 Rm	2011 Rm
11.	**OTHER RECEIVABLES AND PREPAYMENTS**		
	Loans and receivables		
	Financial instrument asset	**16,9**	4,8
	Miscellaneous debtors and other receivables	**196,9**	176,7
	Prepaid expenses	**12,6**	12,8
		226,4	194,3
	The group's management of and exposure to credit and market risk is disclosed in note 28.		
12.	**PREFERENCE SHARE INVESTMENT**		
	Loans and receivables		
	Cumulative preference shares	**–**	200,0
	Deduct amount redeemable within one year, included in current assets	**–**	(200,0)
		–	–
	Comprised an investment of R200 million, that was redeemed on 15 February 2012. This investment earned dividends at a rate of 63% of prime compounded semi-annually.		
	The group's management of and exposure to credit and market risk is disclosed in note 28.		
13.	**CASH**		
	Bank balances	**710,9**	338,5
	The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.		
14.	**SHARE CAPITAL**		
	Authorised		
	200 000 (2011: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
	600 000 000 (2011: 600 000 000) ordinary shares of 1,25 cents each	**7,5**	7,5
		7,9	7,9
	Issued		
	Ordinary share capital		
	Ordinary shares of 1,25 cents each		
	Total in issue – company and group	**3,0**	3,0
	Shares held by subsidiary	**(0,3)**	(0,3)
	Shares held in terms of share incentive schemes	**(0,1)**	(0,1)
	Balance at the end of the year – company	**3,0**	3,0
	Balance at the end of the year – group	**2,6**	2,6
	Preference share capital		
	200 000 (2011: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
	Total issued share capital – company	**3,4**	3,4
	Total net issued share capital – group	**3,0**	3,0

14. SHARE CAPITAL CONTINUED

	Number of shares 2012	2011
Reconciliation of number of shares issued:		
Total in issue – company and group	**240 498 241**	240 498 241
Shares held by subsidiary	**(24 049 824)**	(24 049 824)
Shares held in terms of share incentive schemes	**(10 044 134)**	(11 140 500)
Balance at the end of the year – company	**240 498 241**	240 498 241
Balance at the end of the year – group	**206 404 283**	205 307 917

Dividends

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.

Unissued

In terms of the provisions of the Companies Act No. 71 of 2008, 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 2012 the directors had the following interests in the company's issued shares:

	Shares 000's	Options exercised 000's	Share appreciation rights accepted 000's	Price per share R	Year of delivery	2012 Total 000's	2011 Total 000's
Non-executive							
D M Nurek							
(indirect beneficial)	10,0	–	–	–	–	**10,0**	10,0
Prof. F Abrahams	–	–	–	–	–	**–**	–
S E Abrahams	–	–	–	–	–	**–**	–
W V Cuba							
(indirect beneficial)	57,0	–	–	–	–	**57,0**	–
K N Dhlomo	–	–	–	–	–	**–**	–
E Oblowitz							
(direct beneficial)	2,0	–	–	–	–	**2,0**	2,0
N V Simamane							
(direct beneficial)	1,5	–	–	–	–	**1,5**	1,5
M Lewis							
(indirect non-beneficial)	10 454,1	–	–	–	–	**10 454,1**	12 816,8
	10 524,6	–	–			**10 524,6**	12 830,3
D M Polak							
(direct beneficial)*	n/a	–	–	–	–	**n/a**	1 950,0
D M Polak							
(indirect beneficial)*	n/a	–	–	–	–	**n/a**	200,0
D M Polak**	–	n/a	–	n/a	n/a	**n/a**	150,0
	n/a	–	–	–	–	**n/a**	2 300,0
Total non-executive	10 524,6	–	–	–	–	**10 524,6**	15 130,3

* D M Polak resigned as non-executive director on 10 February 2012.

** Acquired whilst still an executive of the company.

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14. SHARE CAPITAL CONTINUED

	Shares 000's	Options exercised 000's	Share appreciation rights accepted 000's	Price per share R	Year of delivery	2012 Total 000's	2011 Total 000's
Executive							
A D Murray (direct beneficial)	1 050,0	–	–	–	–	**1 050,0**	1 050,0
A D Murray (indirect beneficial)	265,0	–	–	–	–	**265,0**	265,0
A D Murray (performance-based restricted forfeitable shares)	22,3	–	–	–	–	**22,3**	–
A D Murray (restricted forfeitable shares)	245,2	–	–	–	–	**245,2**	–
A D Murray	–	–	–	60,55	2012	**–**	83,3
A D Murray	–	133,3	–	60,95	2013	**133,3**	133,3
A D Murray	–	83,3	–	60,55	2014	**83,3**	83,3
	1 582,5	216,6	–			**1 799,1**	1 614,9
A D Murray	–	–	–	40,00	2012	**–**	250,0
A D Murray	–	–	555,0	41,87	2013	**555,0**	555,0
A D Murray	–	–	275,0	42,28	2013	**275,0**	275,0
A D Murray	–	–	173,0	64,47	2014	**173,0**	173,0
A D Murray	–	–	85,2	86,62	2015	**85,2**	–
	–	–	1 088,2			**1 088,2**	1 253,0
R Stein (direct beneficial)	677,9	–	–	–	–	**677,9**	677,9
R Stein (indirect beneficial)	275,7	–	–	–	–	**275,7**	275,7
R Stein (performance-based restricted forfeitable shares)	11,4	–	–	–	–	**11,4**	–
R Stein (restricted forfeitable shares)	8,0	–	–	–	–	**8,0**	–
R Stein	–	76,7	–	60,95	2013	**76,7**	76,7
	973,0	76,7	–			**1 049,7**	1 030,3
R Stein	–	–	–	40,00	2012	**–**	130,0
R Stein	–	–	225,0	41,87	2013	**225,0**	225,0
R Stein	–	–	130,0	42,28	2013	**130,0**	130,0
R Stein	–	–	86,0	64,47	2014	**86,0**	86,0
R Stein	–	–	43,7	86,62	2015	**43,7**	–
	–	–	484,7			**484,7**	
P S Meiring (direct beneficial)	180,7	–	–	–	–	**180,7**	180,7
P S Meiring (indirect beneficial)	294,9	–	–	–	–	**294,9**	294,9
P S Meiring (performance-based restricted forfeitable shares)	10,5	–	–	–	–	**10,5**	–
P S Meiring (restricted forfeitable shares)	7,3	–	–	–	–	**7,3**	–
P S Meiring	–	60,0	–	64,47	2 013	**60,0**	60,0
	493,4	60,0	–			**553,4**	535,6
P S Meiring	–	–	–	40,00	2012	**–**	130,0
P S Meiring	–	–	130,0	42,28	2013	**130,0**	130,0
P S Meiring	–	–	180,0	41,87	2013	**180,0**	180,0
P S Meiring	–	–	77,0	64,47	2014	**77,0**	77,0
P S Meiring	–	–	40,0	86,62	2015	**40,0**	–
			427,0			**427,0**	517,0
Total executive excluding share appreciation rights	3 048,9	353,3				**3 402,2**	3 180,8
Total executive share appreciation rights			1 999,9			**1 999,9**	2 341,0
Total excluding share appreciation rights	13 573,5	353,3				**13 926,8**	18 311,1
Total share appreciation rights			1 999,9			**1 999,9**	2 341,0

14. SHARE CAPITAL CONTINUED

The following changes have been advised since 31 March 2012:

1. Ms K N Dhlomo resigned as a non–executive director on 14 May 2012.
2. On 30 May 2012, executive directors converted the following share appreciation rights (granted on 3 March 2008) into shares:

	Number of shares converted 000's
A D Murray	357,8
R Stein	145,1
P S Meiring	116,1

3. On 30 May 2012, executive directors converted the following share appreciation rights (granted on 25 March 2009) into shares:

	Number of shares converted 000's
A D Murray	176,3
R Stein	83,3
P S Meiring	83,3

4. On 7 June 2012, executive directors sold certain shares resulting from conversion referred to in 3 and 4 above as follows:

	Number of shares sold 000's	Total value Rm
A D Murray	349,1	41,8
R Stein	228,4	27,3
P S Meiring	199,4	23,8

5. On 20 June 2012, Colmar Investment Holdings Limited, whose beneficiaries are family of M Lewis, concluded a partial unwind of a collar transaction for a net consideration of R36,7 million.

15. TREASURY SHARES

In terms of a special resolution passed at the annual general meeting of the company on 5 September 2011 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 20% in aggregate in any one financial year. The general authority is subject to the Listings Requirements of the JSE Limited and the Companies Act No. 71 of 2008, and is valid only until the company's next annual general meeting.

	Number of shares	
	2012	2011
Foschini Stores Proprietary Limited	**24 049 824**	24 049 824
The Foschini Share Incentive Trust	**11 140 500**	7 455 692
Balance at the beginning of the year	**35 190 324**	31 505 516
The Foschini Share Incentive Trust	**–**	6 379 641
Employees of TFG in terms of share incentive schemes	**893 735**	–
Shares purchased during the year	**893 735**	6 379 641
The Foschini Share Incentive Trust	**(1 990 101)**	(2 694 833)
Shares delivered during the year	**(1 990 101)**	(2 694 833)
Foschini Stores Proprietary Limited	**24 049 824**	24 049 824
The Foschini Share Incentive Trust	**9 150 399**	11 140 500
Employees of TFG in terms of share incentive schemes	**893 735**	–
Balance at the end of the year	**34 093 958**	35 190 324

As at 31 March 2012 a subsidiary, Foschini Stores Proprietary Limited, held 24 049 824 (2011: 24 049 824) shares, representing 10,0% (2011: 10,0%) of the company's share capital. The Foschini Share Incentive Trust held 9 150 399 (2011: 11 140 500) shares, representing 3,8% (2011: 4,6%) of the company's share capital and employees of TFG held 893 735 (2011: nil) shares representing 0,4% (2011: nil) of the company's share capital. The Foschini Share Incentive Trust and employees of TFG hold shares in terms of share incentive schemes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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		2012 Rm	2011 Rm
16.	**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 dividend of 265,0 (2011: 212,0) cents per ordinary share was declared on 29 May 2012 payable on 9 July 2012. As STC fell away on 1 April 2012, this will give rise to zero STC (no unutilised STC credits at 31 March 2012) (2011: R38,6 million) (net of relevant STC credits).		
	No liability has been raised, as this dividend was declared subsequent to the reporting date.		
	Balance at 1 April	**510,0**	408,8
	Transfer from dividend reserve to distributable earnings	**(510,0)**	(408,8)
	Transfer to dividend reserve from distributable earnings	**637,3**	510,0
	Balance at 31 March	**637,3**	510,0
17.	**HEDGING DEFICIT**		
	The hedging deficit comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.		
	Balance at 1 April	**(17,4)**	(16,9)
	Effective portion of changes in fair value of cash flow hedges	**7,2**	(0,6)
	Deferred tax on movement in effective portion of cash flow hedges	**(2,0)**	0,1
	Balance at 31 March	**(12,2)**	(17,4)
	Comprised as follows:		
	Interest rate swaps (asset) – fair value	**16,9**	4,8
	Interest rate swaps (liability) – fair value	**(14,4)**	(0,6)
	Forward exchange contracts – fair value	**(18,2)**	(27,2)
	Other	**(0,9)**	(0,8)
	Total fair value of cash flow hedges	**(16,6)**	(23,8)
	Deferred tax on interest rate swaps	**(0,7)**	(1,3)
	Deferred tax on forward exchange contract	**5,1**	7,7
	Total deferred tax on cash flow hedges	**4,4**	6,4
	Balance at 31 March	**(12,2)**	(17,4)
	The opening balance of R17,4 million was realised during the year and recycled to profit and loss. The forward exchange contracts are used to hedge its estimated foreign currency exposure to forecast purchases over the next 6 months.		
18.	**SHARE-BASED PAYMENTS RESERVE**		
	This comprises the cumulative fair value of options, share appreciation rights and forfeitable shares granted to employees after 7 November 2002.		
	Balance at 1 April	**207,5**	151,6
	Fair value of share instruments granted in prior years	**48,3**	47,9
	Fair value of share instruments granted during the year	**24,1**	8,5
	Fair value of share instruments forfeited during the year	**(0,2)**	(0,5)
	Balance at 31 March	**279,7**	207,5

		2012 Rm	2011 Rm
19.	**INSURANCE CELL RESERVES**		
	As the insurance cells are defined as short-term insurers, they were required in terms of the provisions of the Short-term Insurance Act No. 53 of 1998 to maintain a contingency reserve for adverse claims development. This reserve was calculated at a minimum of 10,0% of net written premium as defined in the legislation.		
	The Solvency Assessment and Management interim measures were issued by the Financial Services Board (FSB) in 2011 and came into effect on 1 January 2012. These measures prescribe requirements for the calculation of the values of the assets, liabilities and capital adequacy requirements of short-term insurers and there is no longer a requirement to hold a contingency reserve.		
	Balance at 1 April	**20,2**	5,0
	Transfer to reserves	**–**	15,2
	Transfer from reserve	**(20,2)**	–
	Balance at 31 March	**–**	20,2
20.	**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.		
	Balance at 1 April	**1,0**	–
	Foreign currency translation differences	**0,3**	1,0
	Balance at 31 March	**1,3**	1,0
21.	**NON-CONTROLLING INTEREST**		
	The Standard Bank of South Africa Limited (SBSA) has a 45% shareholding in the RCS Group.		
22.	**INTEREST-BEARING DEBT**		
	Non-current liabilities		
	Unsecured fluctuating loans in terms of long-term bank facilities	**1 006,8**	262,8
	Current liabilities		
	At amortised cost	**722,1**	1 246,8
	Balance at 31 March	**1 728,9**	1 509,6

Included in interest-bearing debt is an amount of R500,0 (2011: R800,0) million which bears variable interest at a margin of 1,37% above 1-month Johannesburg Interbank Agreed Rate (JIBAR) (prior year was fixed rates). The effective rate for 2012 was thus 6,855% Nominal Annual Compounded Monthly (NACM) (2011: 13,3% NACM). The balance of interest-bearing debt bears interest at 5,95% NACM (2011: 6% NACM) at 31 March.

The group's borrowing powers in terms of the existing constitutional documents of the company are unlimited.

The group's management of and exposure to credit and market risk is disclosed in note 28.

		2012 Rm	2011 Rm
23.	**RCS GROUP EXTERNAL FUNDING**		
	Non-current		
	Domestic medium-term notes programme	**941,0**	441,0
	Term funding	**199,2**	50,0
	Balance at 31 March	**1 140,2**	491,0
	Current		
	Domestic medium-term notes programme	**426,2**	398,0
	Term funding	**200,0**	19,0
	Balance at 31 March	**626,2**	417,0

The domestic medium-term notes programme is denominated in Rands, unsecured, bears interest at variable interest rates linked to 3-month JIBAR and is hedged through interest rate swaps.

Term loans are denominated in Rands, unsecured, bear interest at variable interest rates and are hedged through interest rate swaps.

The group's management of and exposure to credit and market risk is disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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The Foschini Group Limited and its subsidiaries

		2012 Rm	2011 Rm
24.	**NON-CONTROLLING INTEREST LOANS**		
	Non-current		
	The Standard Bank of South Africa Limited (SBSA)	**238,8**	140,0
	Other shareholders	**3,6**	4,3
	Balance at 31 March	**242,4**	144,3

The amount advanced by SBSA to RCS Investment Holdings Proprietary Limited (RCSIH) and its subsidiaries is in terms of a funding agreement between the parties. This funding agreement is not subject to any guarantee or security from The Foschini Group Limited or any of its subsidiaries except RCSIH and accordingly can only be repaid out of the cash flows of RCSIH and its subsidiaries. The loan bears interest at variable interest rates. There are no fixed terms of repayment and the loan is callable with a 180-day remedy period in the event of default.

The group's management of and exposure to credit and market risk is disclosed in note 28.

		2012 Rm	2011 Rm
25.	**OPERATING LEASE LIABILITY**		
	Accrual for straight-lining of operating leases:		
	Non-current liabilities	**159,5**	134,1
	Current liabilities	**12,3**	12,0
	Balance at 31 March	**171,8**	146,1

The group leases most of its trading premises under operating leases.

Leases on trading premises are contracted for periods of between five 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 8% per annum.

At 31 March, future non-cancellable minimum lease rentals are as follows:	2012 Rm	2011 Rm
Less than 1 year	**1 082,6**	952,3
More than 1 year and less than 5 years	**2 366,6**	2 395,2
More than 5 years	**754,1**	277,7

26. POST-RETIREMENT DEFINED BENEFIT PLAN

Defined benefit plan

At 31 March, the group had a liability in terms of post-retirement health-care liabilities to 918 members (2011: 957 members). These members belong to the TFG Medical Aid Scheme, registered in terms of the Medical Schemes Act No. 131 of 1998, as amended.

	2012 Rm	2011 Rm
26. POST-RETIREMENT DEFINED BENEFIT PLAN CONTINUED		
Movements for the year		
Balance at 1 April	**91,0**	84,1
Settlements	**(3,6)**	(3,2)
One-year service cost	**1,8**	1,9
Interest cost	**8,7**	8,2
Actuarial (gains) losses in other comprehensive income	**–**	–
Balance at 31 March	**97,9**	91,0
Net expense recognised in profit or loss		
Current service cost	**1,8**	1,9
Interest cost	**8,7**	8,2
Curtailment or settlement	**(3,6)**	(3,2)
	6,9	6,9
Key assumptions used		
Assumptions used in respect of valuation at 31 March 2012:		
Discount rate used	**1,5%**	1,5%
Interest rate	**8,5%**	9,3%
Implied allowance for medical scheme contribution inflation	**6,9%**	7,6%

Other assumptions:

Mortality assumptions:

- Pre-retirement Male “SA72–77”
- Pre-retirement Female ”SA72–77” – rated down by 3 years
- Post-retirement Male “PA90” males – rated down by 1 year
- Post-retirement Female “PA90” females – rated down by 1 year

“SA72-77” and “PA90” are standard actuary mortality tables used as the basis for the assumptions regarding the life expectancy of employees and pensioners in the valuation. The same assumptions were used for 2011.

Withdrawal and retirement assumptions:

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

The same assumptions were used for 2011.

Family statistics:

- Number of dependants: 0 – 2,8
- Average age of dependants: varies from 1,8 – 19 years depending on the age of the member

The same assumptions were used for 2011.

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 for inflation).

	2012 Rm	2011 Rm
27. TRADE AND OTHER PAYABLES		
Financial liabilities		
Trade payables	**1 109,1**	1 097,1
Other liabilities		
Employee-related accruals	**205,2**	179,7
Financial instrument liability	**32,6**	27,8
Gift card liability	**32,9**	24,6
Other payables and accruals	**447,2**	375,5
VAT payable	**–**	6,0
	1 827,0	1 710,7

The group’s management of and exposure to market and cash flow and liquidity risk is disclosed in note 28.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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28. 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 board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board of directors on its activities.

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 group 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 group 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, cash, investments, participation in export partnerships, staff housing loans, RCS Group loan receivables and RCS Group private label card receivables. 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 and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The risk arising on trade receivables – retail is managed through a stringent group policy on the granting, continual review and monitoring of credit facilities. The group has established a credit policy under which each new customer is analysed individually for creditworthiness before payment terms and conditions are offered. A credit facility is established for each customer, which represents the maximum exposure to any account holder; these limits are reviewed annually.

The group does not require collateral in respect of trade and other receivables.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is calculated using the internationally-recognised Markov model. The Markov model uses delinquency roll rates on customer balances to determine the inherent bad debt in a debtors' book.

The board of directors believe that the application of the Markov model results in the carrying value of trade receivables being measured fairly.

Cash and investments

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

Participation in export partnerships

A company listed on the JSE has warranted certain important cash flow aspects of the subsidiary companies' participation in export partnerships.

Staff housing loans

The group limits its exposure to credit risk through a stringent group policy on the granting, continual review and monitoring of loan advances.

28. RISK MANAGEMENT CONTINUED

RCS Group loan receivables and RCS Group private label card receivables

The risk arising on loan and private label card receivables is managed through a stringent policy on the granting of credit limits, continual review and monitoring of these limits.

The RCS Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of card receivables. The allowance is calculated using the internationally-recognised Markov model and other statistical indicators. Management aims to maintain a certain level of non-performing loan coverage, which can be influenced by the delinquency and underlying performance of the card receivables. The Markov model uses delinquency roll rates on customer balances to determine the inherent bad debt in a card book. The RCS Group board of directors believe that loan and card receivables balances are being measured fairly.

Exposure

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

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

	2012 Rm	2011 Rm
Loans and receivables		
Preference share investment	**–**	200,0
Staff housing loans	**–**	0,7
RCS Group private label card receivables	**2 382,9**	2 030,2
RCS Group loan receivables	**1 067,6**	858,4
Participation in export partnerships	**66,4**	78,9
Trade receivables – retail	**4 569,9**	3 823,0
Other receivables and prepayments	**226,4**	194,3
Cash	**710,9**	338,5
Interest rate swaps used for hedging		
Assets	**16,9**	4,8
	9 041,0	7 528,8

The group believes that there is no significant concentration of credit risk.

Impairment losses: trade receivables – retail

The group manages the ageing of its trade receivables – retail 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 have 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.

The ageing of past due unimpaired trade receivables – retail at 31 March was:

	Carrying amount	
	2012 Rm	2011 Rm
Recency 1	**711,7**	571,8
Recency 2	**190,2**	152,1
Recency 3	**88,1**	66,2
Recency 4	**32,6**	22,7
Recency 5	**11,0**	6,3
	1 033,6	819,1
The movement in the allowance for impairment in respect of trade receivables – retail during the year was as follows:		
Balance at 1 April	**365,8**	306,0
Impairment raised	**625,7**	461,5
Impairment loss recognised	**(522,0)**	(401,7)
Balance at 31 March	**469,5**	365,8

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28. RISK MANAGEMENT CONTINUED

Impairment losses: RCS Group loan receivables

The group manages the ageing of its RCS Group loan receivables on a contractual basis.

The ageing of past due unimpaired loan receivables at 31 March was:

	Carrying amount	
	2012 Rm	2011 Rm
Past due 0 – 30 days	**43,7**	31,7
Past due 31 – 60 days	**10,9**	7,9
Past due 61 – 90 days	**4,5**	3,8
Past due more than 91 days	**5,6**	7,2
	64,7	50,6
The movement in the allowance for gross impairment in respect of loan receivables during the year was as follows:		
Balance at 1 April	**74,5**	95,6
Impairment raised	**42,6**	103,0
Impairment loss recognised	**(36,9)**	(124,1)
Balance at 31 March	**80,2**	74,5

Impairment losses: RCS Group private label card receivables

The group manages the ageing of its RCS Group private label card receivables on a contractual basis.

The ageing of past due unimpaired private label card receivables at 31 March was:

	2012 Rm	2011 Rm
Past due 0 – 30 days	**371,3**	310,2
Past due 31 – 60 days	**86,4**	94,7
Past due 61 – 90 days	**25,6**	39,8
Past due more than 91 days	**0,3**	34,1
	483,6	478,8
The movement in the allowance for gross impairment in respect of private label card receivables during the year was as follows:		
Balance at 1 April	**176,6**	159,9
Impairment raised	**170,7**	103,8
Impairment loss recognised	**(139,1)**	(87,1)
Balance at 31 March	**208,2**	176,6

Customers that are not past due and have a good track record with the group make up 71,9% of the trade receivables – retail book (2011: 74,9%), 89,01% of loan receivables (2011: 87,8%) and 73,9% of the private label card receivables (2011: 80,7%).

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 that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure that 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 existing constitutional documents, the group's borrowing powers are unlimited.

28. RISK MANAGEMENT CONTINUED

Cash flow and liquidity risk continued

The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2012					
Non-derivative financial liabilities					
Interest-bearing debt	**1 728,9**	**1 835,9**	**766,8**	**1 069,1**	**–**
Non-controlling interest loans	**242,4**	**299,7**	**20,3**	**20,3**	**259,1**
RCS Group external funding	**1 766,4**	**2 117,2**	**1 088,6**	**333,0**	**695,6**
Trade and other payables	**1 827,0**	**1 827,0**	**1 827,0**	**–**	**–**
Derivative financial liabilities					
Interest rate swaps used for hedging	**14,4**	**7,4**	**3,5**	**3,4**	**0,5**
Forward exchange contracts used for hedging	**18,2**	**677,5**	**677,5**	**–**	**–**
	5 597,3	**6 764,7**	**4 383,7**	**1 425,8**	**955,2**
31 March 2011					
Non-derivative financial liabilities					
Interest-bearing debt	1 509,6	1 657,4	1 369,0	288,4	–
Non-controlling interest loans	144,3	179,5	11,7	11,7	156,1
RCS Group external funding	908,0	1 017,1	402,6	47,0	567,5
Trade and other payables	1 710,7	1 710,7	1 710,7	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	0,6	0,6	0,6	–	–
Forward exchange contracts used for hedging	27,2	588,4	588,4	–	–
	4 300,4	5 153,7	4 083,0	347,1	723,6

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact profit or loss:

	Carrying amount Rm	Cash flows Rm	Less than 1 year Rm	1 – 2 years Rm	More than 2 years Rm
31 March 2012					
Interest rate swaps					
Liability	**(14,4)**	**(7,4)**	**(3,5)**	**(3,4)**	**(0,5)**
Asset	**16,9**	**(7,0)**	**(2,9)**	**(3,2)**	**(0,9)**
Forward exchange contracts					
Liability	**(18,2)**	**(677,5)**	**(677,5)**	**–**	**–**
	(15,7)	**(691,9)**	**(683,9)**	**(6,6)**	**(1,4)**
31 March 2011					
Interest rate swaps					
Liability	(0,6)	(0,6)	(0,6)	–	–
Asset	4,8	(18,7)	(12,9)	(5,8)	–
Forward exchange contracts					
Liability	(27,2)	(588,4)	(588,4)	–	–
	(23,0)	(607,7)	(601,9)	(5,8)	–

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, whilst 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.

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The Foschini Group Limited and its subsidiaries

28. RISK MANAGEMENT CONTINUED

Currency risk

The group is exposed to currency risk as operating subsidiaries undertake transactions that are denominated in foreign currencies. These currencies are the Euro, US Dollars (USD), Singapore Dollars (SGD) and British Pound (GBP).

At any point in time it is the group's intention to hedge all its estimated foreign currency exposure (FEC) in respect of forecast purchases over the following 12 months. The group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Cash flow hedge accounting is applied to all open FEC's. 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 FEC's 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.

These amounted to:

	Foreign currency 000's	Rand equivalent (at forward cover rate) R'000
31 March 2012		
USD	**83 548**	**673 326**
Euro	**151**	**1 569**
GBP	**4**	**50**
SGD	**405**	**2 539**
		677 484
31 March 2011		
USD	80 407	586 286
Euro	149	1 454
GBP	65	699
		588 439

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2012	2011	**2012**	2011
USD	**7,46**	7,23	**7,74**	6,81
Euro	**10,24**	9,53	**10,32**	9,64
GBP	**11,87**	11,21	**12,36**	10,97
SGD	**5,9**	n/a	**6,1**	n/a

Sensitivity analysis

The group is primarily exposed to the US Dollar, Euro, Singapore Dollar and British Pound 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 board and represents 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.

	Equity Rm	Profit or loss Rm
31 March 2012		
USD	**65,5**	**–**
Euro	**0,1**	**–**
GBP	**0,1**	**–**
SGD	**0,2**	**–**
31 March 2011		
USD	55,9	–
Euro	0,1	–
GBP	0,1	–

28. RISK MANAGEMENT CONTINUED

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 is consistent with the prior year.

Interest rate risk

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

In addition, interest rate swap contracts are entered into for the purposes of cash flow hedging. The RCS Group loan receivables largely bear interest at fixed rates whilst borrowings bear interest at variable rates.

There is no interest rate risk on trade payables or participation in export partnerships.

Profile

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

	Interest rate at 31 March		Carrying amount	
	2012	2011	**2012**	2011
	%	%	**Rm**	Rm
Fixed rate instruments				
RCS Group loan receivables	**31,8**	33,1	**1 067,6**	858,4
Interest-bearing debt	**6,9**	13,3	**–**	(800,0)
			1 067,6	58,4
Variable rate instruments				
Staff housing loans	**–**	9,0	**–**	0,7
RCS Group private label card receivables	**21,6**	21,8	**2 382,9**	2 030,2
Trade receivables – retail	**–**	–	**610,3**	588,7
Trade receivables – retail	**22,1**	22,1	**3 959,6**	3 234,3
Cash	**9,0**	9,0	**710,9**	338,5
			7 663,7	6 192,4
Interest-bearing debt	**6,0**	6,0	**(1 728,9)**	(709,6)
RCS Group external funding	**7,0 – 10,6**	7,2 – 11,0	**(1 766,4)**	(908,0)
Non-controlling interest loans	**8,5**	7,2 – 11,0	**(242,4)**	(144,3)
Financial liabilities			**(3 737,7)**	(1 761,9)

The total RCS Group loan receivable of R1 067,6 (2011: R858,4) million attracts interest at floating rates as interest swaps have been taken out.

In the previous year, there was an amount of R50 million included in fixed rate interest-bearing debt of R800 million which attracted interest at floating rates for which an interest swap was taken out.

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 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 2011.

	Profit or loss Rm	Equity Rm
31 March 2012		
Variable rate instruments	**41,4**	**–**
Interest rate swaps	**12,0**	**–**
Cash flow sensitivity (net)	**53,4**	**–**
31 March 2011		
Variable rate instruments	25,4	–
Interest rate swaps	5,7	–
Cash flow sensitivity (net)	31,1	–

A decrease of 100 basis points in interest rates at 31 March would have had the equal but opposite effect on equity and profit or loss, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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28. RISK MANAGEMENT CONTINUED

Capital risk management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of business. 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 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 board of directors also monitors the level of dividends to ordinary shareholders.

The 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 32,0%. In 2012 the return increased from 24,3% to 26,4%, edging closer to the medium-term target.

From time to time the group purchases its own shares on the market.

The shares are primarily intended to be used to meet the group's obligations in terms of its share incentive schemes (refer note 39).

There were no changes in the group's approach to capital management during the year.

Fair values versus carrying amounts

The fair values of financial assets and liabilities reasonably approximate their carrying values in the statement of financial position.

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

The table below analyses financial instruments carried at fair value, by 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).

	2012 Rm	2011 Rm
Level 2		
Interest rate swaps – asset	**16,9**	4,8
Interest rate swaps – liability	**(14,4)**	(0,6)
Forward exchange contracts – liabilities	**(18,2)**	(27,2)
	(15,7)	(23,0)

There are no level 1 or 3 financial instruments in the group.

29. POST-BALANCE SHEET EVENTS

On 1 April 2012, The Foschini Group Limited acquired two G-Star franchise stores in South Africa, with the rights to roll out further stores. These stores will be managed together with the Fabiani stores. For further detail, refer to note 46.

No other significant events took place between the end of the financial year and the date these financial statements were authorised for issue.

30. COMMITMENTS AND CONTINGENT LIABILITIES

Authorised capital expenditure

	2012 Rm	2011 Rm
Authorised capital commitments	**7,2**	17,5

Contingent liabilities

The group has provided RCS Group with a total facility of R835,3 (2011: R835,3) million in respect of their domestic medium-term notes (DMTN) programme. As at 31 March, the utilised portion of this facility was R291,9 (2011: R733,5) million, which is included in the group's statement of financial position. The unused liquidity facility at this date was R543,4 (2011: R101,75) million, which constitutes a contingent liability.

		Note	2012 Rm	2011 Rm
30.	**COMMITMENTS AND CONTINGENT LIABILITIES** CONTINUED			
	Forward exchange commitments			
	Refer to note 28.			
31.	**REVENUE**			
	Retail turnover		**11 630,5**	9 936,5
	Interest income	33	**1 712,1**	1 486,2
	Dividend income		**9,9**	12,1
	Other revenue	34	**1 178,3**	935,8
			14 530,8	12 370,6
32.	**COST OF TURNOVER**			
	Cost of turnover comprises:			
	Cost of goods sold		**(6 097,5)**	(5 239,7)
	Costs of purchase, conversion and other costs		**(652,6)**	(528,4)
			(6 750,1)	(5 768,1)
33.	**INTEREST INCOME**			
	Trade receivables – retail		**853,7**	705,2
	Receivables – RCS Group		**842,4**	764,2
	Sundry		**16,0**	16,8
			1 712,1	1 486,2
34.	**OTHER REVENUE**			
	Merchants' commission		**36,4**	30,9
	Club income		**297,5**	253,5
	Customer charges income		**411,5**	305,1
	Insurance income		**372,2**	294,0
	Cellular income – One2One airtime product		**52,8**	47,5
	Sundry income		**7,9**	4,8
			1 178,3	935,8
35.	**OPERATING PROFIT BEFORE FINANCE CHARGES**			
	Operating profit before finance charges has been arrived at after taking account of:			
	Trading expenses			
	Depreciation		**(311,2)**	(282,3)
	Amortisation		**(0,4)**	(0,4)
	Employee costs: normal		**(1 857,4)**	(1 600,2)
	Employee costs: share-based payments		**(72,2)**	(55,9)
	Occupancy costs: normal		**(1 041,9)**	(912,7)
	Occupancy cost: operating lease liability adjustment		**(25,7)**	(9,2)
	Goodwill impairment		**–**	(5,8)
	Net bad debt		**(721,2)**	(632,8)
	Other operating costs		**(964,2)**	(802,0)
			(4 994,2)	(4 301,3)
	The following disclosable amounts are included above:			
	Auditor's remuneration			
	Fees		**(5,3)**	(4,6)
	Net loss on sale of property, plant and equipment		**(2,8)**	(1,9)
	Retirement fund expenses (refer to note 39)		**(140,4)**	(121,7)
	Staff discount		**(20,9)**	(17,8)
	Net foreign exchange loss		**–**	(3,1)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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		2012 Rm	2011 Rm
36.	**FINANCE COSTS**		
	Finance cost on financial liabilities measured at amortised cost	**(284,9)**	(250,1)
37.	**INCOME TAX EXPENSE**		
	South African current taxation		
	Current year	**754,0**	637,1
	Prior year (over) under provision	**(3,2)**	9,3
	Secondary taxation on companies	**83,1**	63,5
	South African deferred taxation		
	Current year	**(57,2)**	(61,8)
	Prior year under (over) provision	**3,2**	(4,7)
	Secondary taxation on companies	**0,8**	1,6
	Non-South African current taxation		
	Current year	**31,3**	19,9
	Prior year under (over) provision	**1,1**	(1,9)
	Non-South African deferred taxation		
	Current year	**(3,7)**	(0,6)
	Prior year under (over) provision	**0,4**	(0,1)
		809,8	662,3
		%	%
	Reconciliation of tax rate		
	Effective tax rate	**32,4**	32,3
	Exempt income	**0,1**	0,2
	Non-deductible expenditure	**(1,0)**	(2,2)
	Non-South African tax rate	**(0,1)**	0,9
	Non-recoverable withholding taxes	**–**	(0,1)
	Secondary tax on companies and withholding tax on dividends	**(3,4)**	(3,1)
	South African statutory rate	**28,0**	28,0

38. EARNINGS PER ORDINARY SHARE

Basic and headline earnings per share

The calculation of basic and headline earnings per share at 31 March 2012 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R1 582,1 (2011: R1 301,8) million and headline earnings of R1 584,2 (2011: R1 305,6) million divided by the weighted average number of ordinary shares as follows:

	2012 Rm		2011 Rm	
	Gross	**Net of taxation**	Gross	Net of taxation
Profit attributable to equity holders of The Foschini Group Limited		**1 582,1**		1 301,8
Adjusted for:				
Goodwill impairment	**–**	**–**	5,8	3,2
Profit on disposal of property, plant and equipment	**(0,5)**	**(0,3)**	(0,3)	(0,2)
Loss on disposal of property, plant and equipment	**3,3**	**2,4**	1,1	0,8
Headline earnings		**1 584,2**		1 305,6

38. EARNINGS PER SHARE CONTINUED

Reconciliation of determination of weighted average number of ordinary shares in issue

	2012 Number of shares		2011 Number of shares	
	Gross	**Weighted**	Gross	Weighted
Gross number of ordinary shares in issue	**240 498 241**	**240 498 241**	240 498 241	240 498 241
Treasury shares (at beginning of year)	**(35 190 324)**	**(35 190 324)**	(31 505 516)	(31 505 516)
Net number of ordinary shares in issue (at beginning of year)	**205 307 917**	**205 307 917**	208 992 725	208 992 725
Shares purchased	**(893 735)**	**(751 026)**	(6 379 641)	(2 732 533)
Shares delivered	**1 990 101**	**602 527**	2 691 833	235 714
Net number of ordinary shares in issue (at end of year)	**206 404 283**	**205 159 418**	205 304 917	206 495 906

	2012 Rm	2011 Rm
Weighted average number of ordinary shares in issue	**205 159 418**	206 495 906
Earnings per ordinary share (cents)	**771,0**	630,4
Headline earnings per ordinary share (cents)	**772,0**	632,3

Diluted earnings and headline earnings per share

The calculation of diluted earnings and diluted headline earnings per share at 31 March 2012 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R1 582,1 (2011: R1 301,8) million and headline earnings of R1 584,2 (2011: R1 305,6) million divided by the fully diluted weighted average number of ordinary shares as follows:

	Number of shares	
	2012 Rm	2011 Rm
Weighted average number of ordinary shares as above	**205 159 418**	206 495 906
Number of shares that would have been issued for no consideration	**1 628 674**	4 094 246
Weighted average number of ordinary shares used for dilution	**206 788 092**	210 590 152
Diluted earnings per ordinary share (cents)	**765,1**	618,1
Diluted headline earnings per ordinary share (cents)	**766,1**	619,9

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The Foschini Group Limited and its subsidiaries

39. EMPLOYEE BENEFITS

SHARE INCENTIVE SCHEMES

Executive directors and key management personnel of the group participate in its share incentive schemes.

Options

The scheme rules of the 1997 scheme provide that delivery and payment for the shares take place in three equal tranches on the second, fourth and sixth anniversary of the date on which the options were exercised.

Share appreciation rights (TFG 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 (TFG 2010 Share Incentive Scheme)

The first allocation under the new 2010 scheme, a forfeitable share scheme, was made during the year. 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 performance criteria have not been achieved. Restricted shares are issued with the specific objective of improving the retention of key senior talent, whilst still utilising an instrument that aligns the interests of recipients with that of shareholders.

Share instruments granted and accepted during the financial year ending 31 March	2012	2011
2 June 2010 – TFG 2007 Share Incentive Scheme		
Grant price		R64,47
Expected volatility		35,9%
Expected dividend yield		6,0%
Risk-free interest rate		8,0%
1 June 2011 – TFG 2010 Share Incentive Scheme		
Grant price	R87,09	
Expected volatility	0%	
Expected dividend yield	0%	
Risk-free interest rate	0%	
3 June 2011 – TFG 2010 Share Incentive Scheme		
Grant price	R86,32	
Expected volatility	0%	
Expected dividend yield	0%	
Risk-free interest rate	0%	
3 June 2011 – TFG 2007 Share Incentive Scheme		
Grant price	R86,62	
Expected volatility	33,39%	
Expected dividend yield	5,27%	
Risk-free interest rate	7,5%	

The expected volatilities above were calculated as rolling volatilities matching the expected life of the instrument. TFG's historical daily closing share price was used for the calculation.

The group recognised total expenses of R72,2 (2011: R55,9) million related to these equity-settled share-based payment transactions during the year.

39. EMPLOYEE BENEFITS CONTINUED

Share incentive schemes continued

Details of the share options SARs and FS outstanding at the end of the year are set out below.

Foschini 1997 Share Option Scheme	Number of share options 2012	2011
Options exercised, subject to future delivery, at 1 April	**1 574 750**	4 357 794
Options forfeited during the year	**(3 334)**	(89 003)
Options delivered during the year	**(395 002)**	(2 694 041)
Options exercised, subject to future delivery, at 31 March	**1 176 414**	1 574 750

Foschini 2007 Share Incentive Scheme	Number of SARs	
SARs granted, subject to fulfilment of conditions, at 1 April	**11 712 000**	9 565 000
SARs granted during the year, subject to fulfilment of conditions	**734 600**	2 266 500
SARs forfeited during the year	**(10 500)**	(118 000)
SARs delivered during the year	**(2 316 300)**	(1 500)
SARs granted, subject to fulfilment of conditions, at 31 March	**10 119 800**	11 712 000

SARs delivered during the year equates to 1 596 899 ordinary shares.

Foschini 2010 Share Incentive Scheme	Number of FS	
FS granted, subject to fulfilment of conditions, at 1 April	**–**	–
FS granted during the year, subject to fulfilment of conditions	**881 435**	–
FS granted, subject to fulfilment of conditions at 31 March	**881 435**	–

Options in terms of the 1997 scheme will be delivered during the following financial years:

Exercise date	Price	Year of delivery	Number of share options
1 July 2006	R46,50	2013	3 334
2 October 2006	R45,25	2013	66 668
6 March 2007	R60,95	2013	982 904
30 March 2007	R69,01	2013	15 172
1 June 2007	R70,63	2014	5 000
18 June 2007	R64,60	2014	3 334
17 July 2007	R60,55	2014	83 334
25 July 2007	R60,94	2014	3 334
18 February 2008	R38,80	2014	13 334
			1 176 414

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

Grant date	Price	Year of conversion	Number of SARs
3 March 2008	R41,87	2013	3 864 000
3 November 2008	R40,00	2013	31 500
25 March 2009	R42,28	2013	3 190 000
10 November 2009	R58,37	2013	132 000
2 June 2010	R64,47	2014	2 169 500
3 June 2011	R86,62	2015	732 800
			10 119 800

Upon request, FS in terms of the 2010 scheme may be converted from the following financial years:

Grant date	Price	Years of conversion	Number of FS
1 June 2011	R87,09	2015	229 635
3 June 2011	R86,32	2015	651 800
			881 435

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39. EMPLOYEE BENEFITS CONTINUED

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

	2012 Rm	2011 Rm
Shares held at the beginning of the year	11 140 500	7 455 692
Shares delivered during the year	(1 990 101)	(2 694 833)
Shares purchased during the year	–	6 379 641
Shares held at the end of the year	**9 150 399**	11 140 500

Staff housing loans
Refer to note 4.

Retirement funds
The Foschini Group funds
Foschini Group Retirement Fund: Defined contribution plan
The Foschini Group 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 associated benefits for members and their dependants.

An actuarial valuation of the fund was performed as at 31 December 2009, in which the valuator reported that the fund was in a sound financial position.

The actuarial valuation as at 31 December 2012 is due to be performed during the 2013 financial year.

Investment Solutions Provident Fund: Defined contribution plan
All employees above an annually determined pensionable salary threshold are required to be members of this fund. The employer contributes 1,5% of employee's earnings to this fund.

Namflex Pension Fund: Defined contribution plan
All permanent employees in Namibia under normal retirement age are required to be members of the Namflex Pension Fund. This fund is a money purchase arrangement whereby the members pay 7,5% of their pensionable salary as contributions towards retirement benefits.

Sibaya Pension Fund: Defined contribution plan
All permanent employees in Swaziland under normal retirement age are required to be members of the Sibaya Pension Fund, whereby members pay 7,5% of their pensionable salary as contributions to this fund.

RCS Group funds
Alexander Forbes Retirement Annuity: Defined contribution plan
All permanent employees of RCS Botswana (Proprietary) Limited under normal retirement age are required to be members of the Alexander Forbes Retirement Annuity. This fund is a money purchase arrangement whereby the members pay 7,5% of their pensionable salary as contribution towards retirement benefits.

Liberty Life Pension Fund and SACCAWU Provident Fund: Defined contribution plan
Existing employees of the Massdiscounters credit business which was acquired during the 2009 financial year, remained as members of either the SACCAWU Provident Fund or the Liberty Life Pension Fund. In January 2012, the members of the SACCAWU Provident Fund were transferred to the Liberty Life Pension Fund.

Liberty Life Provident Fund: Defined contribution plan
Employees of RCS Investment Holdings Proprietary Limited, a partially-owned subsidiary, are not members of The Foschini Group Retirement Fund, but receive comparable benefits from the Liberty Life Provident Fund. In addition, existing employees of the Massdiscounters credit business which was acquired during the 2009 financial year, remained as members of either the SACCAWU Provident Fund or the Liberty Life Pension Fund.

Sanlam Retirement Annuity: Defined contribution plan
All permanent employees of RCS Investment Holdings Namibia (Proprietary) Limited under normal retirement age are required to be members of the Sanlam Retirement Annuity. This fund is a money purchase arrangement whereby the members pay 7,5% of their pensionable salary as contribution towards retirement benefits.

The employees and the members make equivalent contributions in respect of retirement benefits. In addition, the employers cover death and disability benefits, reinsurance, and administration and management costs.

39. EMPLOYEE BENEFITS CONTINUED

Retirement funds continued

	Number of members		Employer contributions	
	2012	2011	**2012**	2011
			Rm	Rm
Summary per fund:				
TFG funds				
The Foschini Group Retirement Fund	**11 438**	10 793	**125,7**	109,5
Investment Solutions Provident Fund	**188**	162	**2,1**	1,7
Namflex Pension Fund	**273**	249	**1,9**	1,6
Sibaya Provident Fund	**9**	9	**–***	–*
RCS Group funds				
Alexander Forbes Retirement Annuity	**6**	6	**–***	–*
Liberty Life Pension Fund	**9**	13	**0,1**	0,1
Liberty Life Provident Fund	**650**	590	**10,5**	8,7
SACCAWU Provident Fund	**–**	14	**0,1**	0,1
Sanlam Retirement Annuity	**2**	2	**–***	–*
	12 575	11 838	**140,4**	121,7

* Zero as a result of rounding to millions

Medical aid

The Foschini Group funds

The Foschini Group Medical Aid Scheme: Defined contribution plan

The company and its wholly-owned subsidiaries operate a defined benefit medical aid scheme for the benefit of their permanent South African employees. Membership of the scheme is voluntary, except for senior employees.

Total membership currently stands at 2 894 (2011: 2 773) principal members.

These costs are charged against income as incurred and amounted to R38,4 (2011: R29,2) million, with employees contributing a further R38,4 (2011: R29,2) million to the fund.

In respect of the year ended 31 December 2011, the scheme earned contributions of R75,8 million and reflected a net surplus of R4,4 million after the deduction of all expenses. The fund had net assets totalling R41,4 million.

The budgeted projected surplus in respect of the year ending 31 December 2012 is R3 million.

Bankmed Medical Aid Scheme: Defined contribution plan

Permanent employees in Namibia are voluntary members of the Bankmed Medical Aid Scheme.

These costs are charged against income as incurred and amounted to R0,7 (2011: R0,7) million, with employees contributing a further R0,7 (2011: R0,7) million to the fund. There are currently 52 (2011: 56) members of this fund.

Ingwe Health Plan: Defined contribution plan

An external medical aid scheme, Ingwe Health Plan, is also available to group employees and is subsidised by the group in the same way as the schemes mentioned above. The plans offered cater for lower income earners, and 34 (2011: 55) employees are currently members. Costs charged to income total R0,9 (2011: R1,0) million.

RCS Group funds

Discovery Health: Defined contribution plan

All permanent staff of RCS Investment Holdings Proprietary Limited, a partially-owned subsidiary, are required to become members of their choice of the medical plans offered by Discovery Health.

These costs are charged against income as incurred and amounted to R8,0 (2011: R6,1) million. Total membership currently stands at 396 (2011: 364) principal members.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

39. EMPLOYEE BENEFITS CONTINUED

Medical aid continued

BOMaid: Defined contribution plan

All permanent staff of RCS Botswana (Proprietary) Limited are required to become members of their choice of the medical plans offered by BOMaid.

These costs are charged against income as incurred and amounted to R29 961 (2011: R27 030). Total membership currently stands at three (2011: three) principal members.

Nexus Medical Aid: Defined contribution plan

All permanent staff of RCS Investment Holdings Namibia (Proprietary) Limited are required to become members of their choice of the medical plans offered by Nexus Medical Aid.

These costs are charged against income as incurred and amounted to R36 864 (2011: R30 474). Total membership currently stands at one (2011: one) principal member.

Post-retirement medical aid

Qualifying retired employees are entitled to medical aid benefits, which have been fully provided for (refer to note 26).

Other

Group employees and pensioners are entitled to a discount on purchases made at stores within the group.

40. DIRECTORS' REMUNERATION

	Fees R'000	Remuneration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Performance bonus R'000	**2012 Total R'000**	2011 Total R'000
Non-executive								
D M Nurek	**1 135,0**	**–**	**–**	**–**	**–**	**–**	**1 135,0**	
F Abrahams	**340,0**	**–**	**–**	**–**	**–**	**–**	**340,0**	
S E Abrahams	**368,0**	**–**	**–**	**–**	**–**	**–**	**368,0**	
W V Cuba	**253,0**	**–**	**–**	**–**	**–**	**–**	**253,0**	
M Lewis	**223,0**	**–**	**–**	**–**	**–**	**–**	**223,0**	
E Oblowitz	**298,0**	**–**	**–**	**–**	**–**	**–**	**298,0**	
D M Polak	**243,5**	**–**	**–**	**–**	**–**	**–**	**243,5**	
N V Simamane	**253,0**	**–**	**–**	**–**	**–**	**–**	**253,0**	
K N Dhlomo	**253,0**	**–**	**–**	**–**	**–**	**–**	**253,0**	
Total	**3 366,5**	**–**	**–**	**–**	**–**	**–**	**3 366,5**	
Executive								
A D Murray	**–**	**4 708,7**	**635,6**	**335,3**	**27,7**	**6 317,4**	**12 024,7**	
R Stein	**–**	**2 683,3**	**362,2**	**257,1**	**21,5**	**2 994,3**	**6 318,4**	
P S Meiring	**–**	**2 420,6**	**326,7**	**257,1**	**21,5**	**2 519,2**	**5 545,1**	
Total	**–**	**9 812,6**	**1 324,5**	**849,5**	**70,7**	**11 830,9**	**23 888,2**	
Total remuneration 2012	**3 366,5**	**9 812,6**	**1 324,5**	**849,5**	**70,7**	**11 830,9**	**27 254,7**	
Non-executive								
D M Nurek	1 050,0	–	–	–	–	–		1 050,0
F Abrahams	347,6	–	–	–	–	–		347,6
S E Abrahams	341,0	–	–	–	–	–		341,0
W V Cuba	235,0	–	–	–	–	–		235,0
M Lewis	206,0	–	–	–	–	–		206,0
E Oblowitz#	122,8	–	–	–	–	–		122,8
D M Polak	227,0	–	–	–	–	–		227,0
N V Simamane	255,0	–	–	–	–	–		255,0
K N Dhlomo	255,0	–	–	–	–	–		255,0
Total	3 039,4	–	–	–	–	–		3 039,4
Executive								
A D Murray	–	3 889,7	466,8	305,0	123,4	6 281,8		11 066,7
R Stein	–	2 260,2	271,2	233,9	79,2	2 901,7		5 746,2
P S Meiring	–	1 914,7	229,8	233,9	76,2	2 430,8		4 885,4
Total	–	8 064,6	967,8	772,8	278,8	11 614,3		21 698,3
Total remuneration 2011	3 039,4	8 064,6	967,8	772,8	278,8	11 614,3		24 737,7

* Other benefits include medical aid and group life cover

\# E Oblowitz was appointed as a non-executive director on 1 October 2010

In accordance with the requirements of IFRS 2, the fair value of share instruments granted to employees is expensed in profit or loss over the term of the instrument. An amount of R12,9 (2011: R6,5) million, R3,6 (2011: R2,8) million and R3,3 (2011: R2,4) million was recognised in respect of instruments granted to Messrs A D Murray, R Stein and P S Meiring respectively. These amounts are not included in the amounts reflected above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

41. RELATED PARTY TRANSACTIONS

Shareholders

An analysis of the principal shareholders of the company is provided in Appendix 3. For details of directors' interests refer to note 14.

Subsidiaries

During the year, in the ordinary course of business, certain companies within the group entered into arm's length transactions. These intra-group transactions have been 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 Foschini Group Limited.

	2012 Rm	2011 Rm
Administration fee earned from The Foschini Group Retirement Fund	**2,1**	1,9

An 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 40.

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.

Executive directors are bound by service contracts.

Loans to directors

No loans have been made to directors.

41. RELATED PARTY TRANSACTIONS CONTINUED

Employees

	2012 Rm	2011 Rm
Remuneration paid to key management personnel is as follows:		
Short-term employee benefits		
Remuneration	85,5	80,5
Performance bonus	49,0	67,8
Travel allowance	12,7	11,1
Post-employment benefits		
Pension fund	7,6	10,6
Other long-term benefits		
Other benefits	1,2	1,2
Share-based payments		
Fair value of share instruments granted*	52,5	50,6
Total remuneration	208,5	221,8

Refer to note 40 for further disclosure regarding remuneration paid to executive directors of the company.

	2012 Rm	2011 Rm
Remuneration paid to the top three highest earners, excluding directors, is as follows:		
Short-term employee benefits		
Remuneration	6,4	5,3
Performance bonus	7,1	6,9
Travel allowance	0,6	0,5
Post-employment benefits		
Pension fund	0,6	0,7
Other long-term benefits		
Other benefits	0,1	0,1
Share-based payments		
Fair value of share instruments granted*	7,0	6,2
Total remuneration	21,8	19,7

* The fair value of options granted is the annual expense determined in accordance with IFRS 2 Share-based Payments. Refer note 39 for further details.

42. CASH GENERATED FROM OPERATIONS

	2012 Rm	2011 Rm
Operating profit before working capital changes		
Profit before taxation	2 501,6	2 051,1
Adjustments for:		
Interest income – sundry	(16,0)	(16,8)
Finance cost	284,9	250,1
Dividend income	(9,9)	(12,1)
Non-cash items	419,8	358,0
	3 180,4	2 630,3
Working capital changes:		
Inventory	(342,8)	(310,9)
Trade and other receivables	(1 335,5)	(930,1)
Trade and other payables	109,9	416,9
	(1 568,4)	(824,1)
Total cash generated from operations	1 612,0	1 806,2

43. TAXATION PAID

	2012 Rm	2011 Rm
Balance at the beginning of the year	(79,1)	(128,0)
Current tax for the year recognised in profit or loss	(866,3)	(727,9)
Current tax effect of other items in equity	7,2	7,8
Balance at the end of the year	57,3	79,1
	(880,9)	(769,0)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2012 Rm	2011 Rm
44. DIVIDENDS PAID		
Dividends declared during the year	**(828,6)**	(637,5)
Dividends paid by subsidiary to non-controlling interest	**(20,4)**	(28,4)
	(849,0)	(665,9)

45. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS

These 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:

IAS 19 Employee Benefits: Defined benefit plans

The amendments to IAS 19 will be adopted by the group for the first time for its financial reporting period ending 31 March 2014.

In terms of the amendments, the following key changes will have an impact on the group:

- Actuarial gains and losses are recognised immediately in other comprehensive income.
- Past service costs as well as gains and losses on curtailments/settlements are recognised in profit or loss.
- Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation.
- The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled.

The above amendments, as well as the additional amendments that are of a presentation nature, will not have a significant impact on the group's financial statements.

IAS 27 (2011) Separate Financial Statements

IAS 27 (2011) will be adopted by the group for the first time for its financial reporting period ending 31 March 2014.

IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

The adoption of IAS 27 (2011) will not have a significant impact on the group's financial statements.

IFRS 9 (2009) Financial Instruments

IFRS 9 will be adopted by the group for the first time for its financial reporting period ending 31 March 2016. The standard will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.

Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host.

The impact on the financial statements for the group has not yet been estimated.

IFRS 10 Consolidated Financial Statements

IFRS 10 will be adopted by the group for the first time for its financial reporting period ending 31 March 2014. The standard will be applied retrospectively if there is a change in the control conclusion between IAS 27/SIC 12 and IFRS 10.

IFRS 10 introduces a single control model to assess whether an investee should be consolidated. This control model requires entities to perform the following in determining whether control exists:

- identify how decisions about the relevant activities are made;
- assess whether the entity has power over the relevant activities by considering only the entity's substantive rights;
- assess whether the entity is exposed to variability in returns; and
- assess whether the entity is able to use its power over the investee to affect returns for its own benefit.

Control should be assessed on a continuous basis and should be reassessed as facts and circumstances change.

The impact on the financial statements for the group has not yet been estimated.

45. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS CONTINUED

IAS 1 Presentation of Financial Statements

The amendment to IAS 1 will be adopted by the group for the first time for its financial reporting period ending 31 March 2014.

The group will present those items of other comprehensive income that may be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The related tax effects for the two sub-categories will be shown separately.

This is a change in presentation and will have no impact on the recognition or measurement of items in the financial statements.

This amendment will be applied retrospectively and the comparative information will be restated.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 will be adopted by the group for the first time for its financial reporting period ending 31 March 2014.

IFRS 12 combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

The required disclosures aim to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of the new standard will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 will be adopted by the group for the first time for its financial reporting period ending 31 March 2014. The standard will be applied prospectively and comparatives will not be restated.

IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosure requirements for fair value measurements. The key principles in IFRS 13 are as follows:

- Fair value is an exit price
- Measurement considers characteristics of the asset or liability and not entity-specific characteristics
- Measurement assumes a transaction in the entity's principal (or most advantageous) market between market participants
- Price is not adjusted for transaction costs
- Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs
- The three-level fair value hierarchy is extended to all fair value measurements

The impact on the financial statements for the group has not yet been estimated.

IAS 28 (2011) Investments in Associates and Joint Ventures

IAS 28 (2011) will be adopted by the group for the first time for its financial reporting period ending 31 March 2014.

IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. These include:

- IFRS 5 is applicable to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the group does not remeasure the retained interest.

The impact on the financial statement for the group has not yet been estimated.

IFRS 9 (2010) Financial Instruments

IFRS 9 (2010) will be adopted by the group for the first time for its financial reporting period ending 31 March 2016. The standard will be applied retrospectively, subject to transitional provisions.

Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

45. ACCOUNTING STANDARDS AND INTERPRETATIONS TO BE ADOPTED IN FUTURE YEARS CONTINUED

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.
- Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value.

IFRS 9 (2010) incorporates the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The impact on the financial statements for the group has not yet been estimated.

46. BUSINESS COMBINATIONS

Jeffdee Clothing CC trading as Fabiani

On 1 October 2011 the group acquired the business of Jeffdee Clothing CC trading as Fabiani as a going concern. Fabiani is a leading, premium menswear retailer in South Africa. As a result of the acquisition, the group has now gained an entry into the high-wealth customer segment in menswear.

Prestige Clothing CC

On 1 March 2012, as part of our ongoing supply chain initiatives, the group acquired the business of Prestige Clothing CC as a going concern. Prestige Clothing is a long-standing clothing manufacturing supplier of our group. This acquisition will improve the group's competitive advantage and enable the group to meet the increased demands for seasonal fast-fashion merchandise.

G-Star

As a consequence of the group's acquisition of Fabiani, with effect from 1 April 2012, the group has acquired two G-Star franchise stores in South Africa, with the rights to roll out further stores. These stores will be managed together with Fabiani stores.

	2012 Rm	2011 Rm
Fair value of assets acquired and liabilities assumed through these business combinations:		
Property, plant and equipment	**10,3**	–
Inventory	**12,2**	–
Trade and other payables	**(4,7)**	–
Total identifiable net assets	**17,8**	–
Trademark	**60,0**	–
Goodwill	**24,1**	–
Total purchase price	**101,9**	–
Cash flow		
Business combinations occurring during the reporting period	**82,5**	–
Business combinations effected after the end of the reporting period	**19,4**	–
	101,9	–

47. CHANGES IN ACCOUNTING POLICY

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.

IAS 1 Presentation of Financial Statements (amendments resulting from May 2010 Annual Improvements to IFRS)

During the current year, the group adopted IAS 1 Presentation of Financial Statements – (amendments resulting from May 2010 Annual Improvements to IFRS).

The revised IAS 1 requires for each component of equity a reconciliation from opening to closing balances to be presented in the statement of changes in equity. That reconciliation is required to show separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

IAS 1 is also amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in equity or in the notes.

The change has been applied retrospectively.

IAS 24 (AC 126) Related Party Disclosure (revised definition of related parties)

During the current year the group adopted IAS 24 (AC 126) Related Party Disclosure (revised definition of related parties).

The revised standard addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of the related party and disclosure requirements by government-related entities. The definition of a related party has been amended with the result that a number of new related party relationships have been identified.

The adoption of this standard had no material effect on these financial statements.

IAS 34 Interim Financial Reporting (amendments resulting from May 2010 Annual Improvements to IFRS)

During the current year the group adopted IAS 34 Interim Financial Reporting.

IAS 34 is amended by adding a number of examples to the list of events or transactions that require disclosure under IAS 34, being examples of:

- recognition of a loss from the impairment of financial assets;
- significant changes in an entity's business or economic circumstances that have an impact on the fair value of items in the statement of financial position, regardless of whether such items are accounted for at fair value;
- significant transfer of financial instruments between levels of the fair value hierarchy; and
- changes in assets' classification as a result of changes in their purpose or use.

The adoption of this standard had no material effect on these financial statements.

IFRS 7 Financial Instruments: Disclosures (amendments resulting from May 2010 Annual Improvements to IFRS)

During the current year the group adopted IFRS 7 Financial Instruments.

The existing disclosure requirements of IFRS 7 are amended are as follows:

In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are:

- not derecognised in their entirety; or
- derecognised in their entirety, but for which The Foschini Group Limited retains continuing involvement.

The adoption of this standard had no material effect on these financial statements.

THE FOSCHINI GROUP LIMITED

AS AT 31 MARCH

STATEMENT OF FINANCIAL POSITION: COMPANY

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets			
Interest in subsidiaries	Appendix 1	**1 508,7**	1 246,0
		1 508,7	1 246,0
Current assets			
Interest in subsidiaries	Appendix 1	**552,7**	568,4
Investment in preference shares	12	**–**	200,0
Other receivables		**0,2**	3,4
Cash		**4,1**	1,1
		557,0	772,9
Total assets		**2 065,7**	2 018,9
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**3,4**	3,4
Share premium		**498,7**	498,7
Dividend reserve	16	**637,3**	510,0
Distributable reserve		**917,5**	997,8
		2 056,9	2 009,9
Current liabilities			
Other payables		**6,7**	7,4
Taxation payable		**2,1**	1,6
		8,8	9,0
Total equity and liabilities		**2 065,7**	2 018,9
Guarantee: The company has guaranteed the overdraft facilities of subsidiary companies. The amounts utilised amounted to		**1 575,0**	1 440,0

INCOME STATEMENT: COMPANY

	2012 Rm	2011 Rm
Profit before taxation*	**1 104,2**	1 010,6
Taxation – current year	**(90,9)**	(87,1)
Profit attributable to ordinary shareholders	**1 013,3**	923,5
* after taking account of:		
Dividend income – subsidiary companies	**1 039,0**	892,1
– preference shares	**9,9**	12,1

STATEMENT OF COMPREHENSIVE INCOME: COMPANY

	2012 Rm	2011 Rm
Profit attributable to ordinary shareholders	**1 013,3**	923,5
Total comprehensive income for the year	**1 013,3**	923,5

STATEMENT OF CHANGES IN EQUITY: COMPANY

	2012 Rm	2011 Rm
Equity at the beginning of the year	**2 009,9**	1 827,2
Total comprehensive income for the year	**1 013,3**	923,5
Dividends paid	**(966,3)**	(740,8)
Equity at the end of the year	**2 056,9**	2 009,9

NOTE TO THE FINANCIAL STATEMENTS

1. The company financial statements have been prepared using the accounting policies disclosed in note 1 to the extent relevant and where indicated therein. References to the notes to the group consolidated financial statements is equally applicable to the company financial statements where indicated.

THE FOSCHINI GROUP LIMITED CONTINUED

FOR THE YEARS ENDED 31 MARCH

APPENDIX 1: SUBSIDIARY COMPANIES

Name of subsidiary	Note	Issued share capital R	**2012 Cost Rm**	2011 Cost Rm	**2012 Indebted-ness Rm**	2011 Indebted-ness Rm
Trading subsidiaries						
Fashion Retailers (Pty) Limited	4	250 006	**0,2**	0,2	**–**	–
Fashion Retailers Zambia Limited	6, 10	75	**–**	–	**24,0**	–
Foschini Finance (Pty) Limited	2	6	**–**	–	**–**	38,9
Foschini Investments (Pty) Limited	2	10	**–**	–	**–**	–
Foschini Lesotho (Pty) Limited	7	2	**–**	–	**–**	–
Foschini Retail Group (Pty) Limited	2, 3, 10	2	**102,5**	102,5	**1 402,0**	1 142,1
Foschini Services (Pty) Limited	2	10	**–**	–	**–**	–
Foschini Stores (Pty) Limited	2, 9	1	**–**	–	**528,6**	528,6
Foschini Swaziland (Pty) Limited	5	2	**–**	–	**–**	–
Markhams (Pty) Limited	2	1	**–**	–	**–**	–
Pienaar Sithole and Associates (Pty) Limited	2, 10	100	**–**	–	**1,0**	1,8
Retail Credit Solutions (Pty) Limited	2	18 200	**–**	–	**–**	–
TFG Apparel Supply Company (Pty) Limited	2	1	**–**	–	**–**	–
What U Want To Wear (Pty) Limited	2	66 200	**0,1**	0,1	**–**	–
Foschini Nigeria Limited	8	2 840 769	**2,8**	–	**–**	–
Total trading subsidiaries			**105,6**	102,8	**1 955,6**	1 711,4
Other*			**1,1**	1,1	**(0,9)**	(0,9)
Total			**106,7**	103,9	**1 954,7**	1 710,5

	2012 Rm	2011 Rm
Summary		
Investment in shares at cost	**106,7**	103,9
Amounts owing by subsidiaries – non-current portion	**1 402,0**	1 142,1
Total non-current portion	**1 508,7**	1 246,0
Amounts owing by subsidiaries – current portion	**552,7**	568,4
Total interest in subsidiaries	**2 061,4**	1 814,4

Notes

1. The company owns, directly or indirectly, all the ordinary shares in the subsidiaries listed above.
2. Incorporated in South Africa.
3. Included is an amount of R102,5 (2011: R102,5) million representing the fair value of 102 500 R1 preference shares issued on 28 February 2002. The directors' valuation thereof at 31 March 2012 is R102,5 (2011: R102,5) million.
4. Incorporated in Namibia.
5. Incorporated in Swaziland.
6. Incorporated in Zambia.
7. Incorporated in Lesotho.
8. Incorporated in Nigeria.
9. The loan to subsidiary is unsecured, interest free and no fixed date for repayment has been determined.
10. The loan to subsidiary is unsecured, bears interest at rates determined from time to time and no fixed date for repayment has been determined. By mutual agreement the loan will not be repayable within the next 12 months.

* A schedule of these details is available on request

Earnings of subsidiaries

The total profit (losses) of consolidated subsidiaries after elimination of intra-group transactions, are as follows:

	2012 Rm	2011 Rm
Profits	**1 613,4**	1 271,1
Losses	**(5,5)**	(0,7)
Net consolidated profit after taxation	**1 607,9**	1 270,4

APPENDIX 2: RELATED PARTY INFORMATION

Loans to and from related parties are disclosed in appendix 1.

	2012 Rm	2011 Rm
Interest was received from the following related parties:		
Foschini Finance (Pty) Limited	–	10,4
Foschini Retail Group (Pty) Limited	63,7	101,2
Pienaar Sithole and Associates (Pty) Limited	0,3	0,2
TFG Apparel Supply Company (Pty) Limited	–	2,7
	64,0	114,5
Dividends were received from the following related parties:		
Foschini Finance (Pty) Limited	–	9,4
Foschini Retail Group (Pty) Limited	910,1	767,4
Foschini Stores (Pty) Limited	96,7	74,1
Retail Credit Solutions (Pty) Limited	26,1	34,3
TFG Apparel Supply Company (Pty) Limited	0,7	0,7
	1 033,6	885,9
Preference dividends were received from the following related party:		
Foschini Retail Group (Pty) Limited	5,4	6,2
Dividends were paid to the following related parties:		
Foschini Stores (Pty) Limited	96,7	74,1
The Foschini Share Incentive Trust	42,0	29,2
	138,7	103,3

Also refer to note 41 for related party disclosure.

THE FOSCHINI GROUP LIMITED CONTINUED

FOR THE YEARS ENDED 31 MARCH

APPENDIX 3: SHAREHOLDINGS

Analysis of shareholdings at 30 March 2012

SPREAD ANALYSIS	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	2 207	56,4	791 761	0,3
1 001 – 10 000 shares	1 068	27,3	3 679 509	1,5
10 001 – 100 000 shares	426	10,9	14 709 443	6,1
100 001 – 1 000 000 shares	169	4,3	54 849 537	22,9
1 000 001 shares and over	44	1,1	166 467 991	69,2
	3 914	100,0	240 498 241	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	% of shares in issue
Unit trusts/mutual funds and other managed funds	78 951 939	32,8
Pension funds	60 611 775	25,2
Corporate holding*	24 049 824	10,0
Private investors	19 116 075	7,9
Sovereign wealth	15 876 706	6,6
Insurance companies	15 221 502	6,4
Investment and employee trusts*	11 992 146	5,0
Other	14 678 274	6,1
	240 498 241	100,0

* Includes shareholdings of Foschini Stores (Proprietary) Limited and The Foschini Share Incentive Trust

BENEFICIAL SHAREHOLDINGS GREATER THAN 3%

Beneficial interests – direct and indirect, as per the share register and information supplied by nominee companies as at 30 March 2012:

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	31 937 908	13,3
Foschini Stores (Pty) Limited	24 049 824	10,0
Lewis family	10 454 137	4,3
	66 441 869	27,6

APPENDIX 3: SHAREHOLDINGS CONTINUED

Fund managers' holdings greater than 3%

According to disclosures made, the following fund managers administered client portfolios which included more than 3% of the company's issued shares:

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	31 937 908	13,3
Old Mutual Asset Managers	11 202 120	4,7
FIL Limited/FMR LLC	9 798 879	4,1
Blackrock Inc	9 439 037	3,9
AGF Investments Inv	8 819 343	3,7
Momentum Asset Management	7 711 056	3,2
Prudential Portfolio Managers	7 262 633	3,0
	86 170 976	35,9

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	3 734	95,4	193 135 408	80,3
Directors	8	0,2	13 268 875	5,5
Trust	1	0,0	9 150 399	3,8
Subsidiary	1	0,0	24 049 824	10,0
Employees of TFG	170	4,4	893 735	0,4
Total	3 914	100,0	240 498 241	100,0

THE FOSCHINI GROUP LIMITED CONTINUED
FOR THE YEARS ENDED 31 MARCH

APPENDIX 4: DEFINITIONS

Term	Definition
Credit transactions – RCS Group	Comprises all loan advances and card purchases for the year under review
Credit transactions – retail	VAT-inclusive credit retail turnover and income from sundry credit services
Current ratio	Current assets divided by current liabilities
Debt:equity ratio	Net borrowings expressed as a percentage of total equity
Dividend cover	Basic earnings per share divided by dividend declared
Doubtful debt provision as a % of debtors' book	Provision for doubtful debts expressed as a percentage of gross receivables
EBITDA	Earnings before finance cost, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance cost
Finance charge cover	Operating profit before finance charges divided by finance cost
Gross square metres	Comprises the total leased store area including stockrooms
Headline earnings	Net income attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
Market capitalisation	The market price per share at the year-end multiplied by the number of ordinary shares in issue at the year-end
Net bad debt and provision movement	VAT-exclusive bad debts including provision movement, net of recoveries
Net bad debt write-off – retail	VAT-inclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off – RCS Group	VAT-exclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off as a % of credit transactions	Net bad debt write-off expressed as a percentage of credit transactions
Net bad debt write-off as a % of debtors' book	Net bad debt write-off expressed as a percentage of gross receivables
Net borrowings	Interest-bearing debt and non-controlling interest loans reduced by preference share investment and cash
Operating margin	Operating profit before finance charges expressed as a percentage of retail turnover
Operating profit	Profit earned from normal business operations
Recourse debt:equity ratio	Recourse debt reduced by preference share investment and cash, expressed as a percentage of total equity
Tangible net asset value per ordinary share	Total net asset value, after non-controlling interest, excluding goodwill and intangible assets, divided by the net number of ordinary shares in issue at the year-end
Trading expenses	Trading expenses are costs incurred in the normal course of business and includes amongst others depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs

NOTES

NOTES

ADMINISTRATION

The Foschini Group Limited

Reg. No. 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

Registered Office

Stanley Lewis Centre
340 Voortrekker Road
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Company Secretary

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South Africa

Sponsor

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South Africa

Auditors

KPMG Inc.

Attorneys

Edward Nathan Sonnenbergs Inc.

Principal Banker

First Rand Bank Limited

Transfer Secretaries

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United States ADR Depositary

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Website

http://www.tfg.co.za

SHAREHOLDERS' CALENDAR

Financial year-end		31 March 2012
Annual report mailing date		1 August 2012
Annual general meeting (75th)		3 September 2012
Interim profit announcement (2013)		8 November 2012
Dividend payments during 2012		
Ordinary	– final 2012	July 2012
	– interim 2013	January 2013
Preference	– interim 2013	September 2012
	– final 2013	March 2013

QUERIES REGARDING THIS REPORT TO BE ADDRESSED TO:
D Sheard (Company secretary)
E-mail: dees@tfg.co.za

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www.tfg.co.za