  

THE FOSCHINI GROUP LIMITED

RESULTS FOR THE YEAR ENDED 31 MARCH 2014

GROUP OVERVIEW

The group produced a solid result for the year in a difficult trading environment characterised by the extremely challenging credit market.

Enhanced credit risk management practices constrained credit turnover growth to 5,7%. Cash sales were however buoyant growing by 15,9%. Total retail turnover increased by 9,8% to R14,2 billion whilst total headline earnings per share increased by 5,9% to 908,9 cents. Diluted headline earnings per share increased by 6,0% to 902,7 cents. The group's gross margin in all categories was maintained whilst the operating margin from continuing operations for the year reduced from 18,7% to 17,9%, primarily due to credit market conditions.

During the year the group refined the definition of gross profit to include only those costs directly related to the cost of merchandise sold to facilitate more meaningful retail industry comparison. The prior year has been restated (refer note 15.2 of the condensed consolidated results).

As was announced on SENS on 10 April 2014, the group together with The Standard Bank of South Africa Limited, entered into agreements which will result in BNP Paribas Personal Finance S.A. becoming the 100% shareholder of the RCS Group. The effective date of the proposed transaction is expected to be on or about 31 July 2014, subject to the fulfillment of certain conditions precedent. Accordingly, the RCS Group has been treated as a discontinued operation in terms of IFRS 5.

The final dividend has been increased by 8,5% to 293,0 cents per share. Accordingly the dividend declared in respect of the full year amounts to 536,0 cents per share, an increase of 5,9%, in line with HEPS growth.

The group continued to grow trading space by opening 165 stores for the full year whilst 33 were closed. At the year-end, the group was trading out of 2 111 stores, an increase in trading area of 6,1%.

MERCHANDISE CATEGORIES

Turnover growths in the various merchandise categories are as follows:

	% turnover growth	% same store turnover growth
Clothing	9,5%	3,4%
Jewellery	6,0%	2,0%
Cellphones	13,7%	7,3%
Homewares & furniture	13,6%	9,7%
Cosmetics	8,9%	4,9%

Total same store turnover grew by 4,2% whilst product inflation averaged approximately 7%.

CASH SALES

Cash sales were buoyant with growth of 15,9% and as a percentage of total sales has increased to 42,2% from 40,0% in the previous year.

CREDIT

The credit market remained difficult with increased delinquencies. Enhanced credit risk management practices continued to be implemented during the year which curtailed credit turnover growth to 5,7%. No relaxation of these practices is expected until there is clear evidence that the credit cycle has turned.

The retail debtors' book of R5,8 billion, has increased by 11,3%. Net bad debt as a percentage of closing debtors' book increased to 12,4% from 10,5% at the previous year-end, moving from 11,4% at the half year. This is within management's expectations. The retail debtors' book is adequately provisioned at 12,3%, up from 10,4% at the previous year-end.

AFRICA EXPANSION

The group currently trades out of 120 stores outside of South Africa. These stores traded well during the year with turnover growth of 26,0% and same store turnover growth of 15,0%. In the next five years our African expansion will accelerate and we plan to be trading out of approximately 300 stores by 2018.

PROSPECTS

We expect trading conditions in the credit side of our business to remain challenging, whilst we anticipate we will continue to benefit from strong cash sales growth.

Our ongoing strategy for growth in cash sales, supported by our rewards program, is resulting in a more equitable split between cash and credit turnover. Together with our ongoing retail brand strategy of targeting diversification across our merchandise categories, as well as broadening our LSM appeal, we are well positioned for the future. Any improvement in the credit cycle will also benefit the group.

Our strategic objectives around supply chain, customer relationship management (CRM) and Africa expansion will continue. In line with our strategy for long-term growth, we will be opening in excess of 180 new stores in the year ahead which will increase trading space by approximately 7%. We will launch our online trading platform towards the end of this year using a phased approach across all our retail brands.

For the first 8 weeks of the current financial year, total retail turnover grew by 10,2%, with cash sales growth of 22%.

PREFERENCE DIVIDEND ANNOUNCEMENT

Dividend no. 155 of 3,25% (6,5 cents per share) (gross) in respect of the six months ending 30 September 2014 has been declared from income reserves, payable on Monday, 22 September 2014 to holders of 6,5% preference shares recorded in the books of the company at the close of business on Friday, 19 September 2014.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 12 September 2014. The Foschini Group Limited preference shares will commence trading "ex" the dividend from the commencement of business on Monday, 15 September 2014 and the record date, as indicated, will be Friday, 19 September 2014.

Preference shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Monday, 15 September 2014 to Friday, 19 September 2014, both dates inclusive.

In terms of section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

1. Local dividend tax rate is 15%;
2. No STC credits were utilised in determining the net dividend;
3. The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 5,52500 cents
4. The issued preference share capital of The Foschini Group Limited is 200 000 shares at 29 May 2014; and
5. The Foschini Group Limited's tax reference number is 9925/133/71/3P

FINAL ORDINARY DIVIDEND ANNOUNCEMENT

The directors have declared a gross final ordinary dividend of 293,0 cents per ordinary share from income reserves, for the period ended 31 March 2014, payable on Monday, 7 July 2014 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 4 July 2014.

The last day to trade ("cum" the dividend) in order to participate in the dividend will be Friday, 27 June 2014. The Foschini Group Limited ordinary shares will commence trading "ex" the dividend from the commencement of business on Monday, 30 June 2014 and the record date, as indicated, will be Friday, 4 July 2014.

Ordinary shareholders should take note that share certificates may not be dematerialised or rematerialised during the period Monday, 30 June 2014 to Friday, 4 July 2014, both dates inclusive.

In terms of section 11.17 of the JSE Listings Requirements, the following additional information is disclosed:

1. Local dividend tax rate is 15%;
2. No STC credits were utilised in determining the net dividend;
3. The withholding tax, if applicable at the rate of 15%, will result in a net cash dividend per share of 249,05000 cents
4. The issued gross ordinary share capital of The Foschini Group Limited is 222 005 054 shares at 29 May 2014; and
5. The Foschini Group Limited's tax reference number is 9925/133/71/3P

Signed on behalf of the Board.

D M Nurek **A D Murray**

Chairman CEO

Cape Town

29 May 2014

SALIENT FEATURES

Retail turnover
R14,2 billion

9,8%

Strong cash sales growth of **15,9%** now representing **42,2%** of turnover

Diluted headline earnings per share
902,7 cents

6,0%

Final dividend
293,0 cents per share

8,5%

- Sustained strong financial position
- RCS transaction concluded, subject to normal conditions precedent

KEY PERFORMANCE INDICATORS

	2014	2013*	% change
Gross margin (%)	**46,5**	46,4	
Operating margin (%)	**17,9**	18,7	
Return on average equity (%)	**27,4**	27,8	
Net asset value per share (cents)	**3 507,2**	3 322,4	5,6
Final dividend per share (cents)	**293,0**	270,0	8,5
Total dividend per share (cents)	**536,0**	506,0	5,9

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	Year ended 31 March 2014 Reviewed Rm	Restated year ended 31 March 2013* Audited Rm	% change
Revenue	**16 362,9**	14 757,0	
Retail turnover	**14 159,0**	12 896,4	9,8
Cost of turnover	**(7 579,4)**	(6 906,1)	
Gross profit	**6 579,6**	5 990,3	
Interest income	**1 148,1**	997,9	
Other revenue	**1 055,8**	862,7	
Trading expenses	**(6 246,6)**	(5 443,6)	
Operating profit before finance charges	**2 536,9**	2 407,3	
Finance costs	**(161,8)**	(108,4)	
Profit before tax	**2 375,1**	2 298,9	
Income tax expense	**(691,5)**	(669,1)	
Profit from continuing operations	**1 683,6**	1 629,8	3,3
Discontinued operations			
Profit from discontinued operations, net of tax – RCS Group	**321,1**	296,8	8,2
Profit for the year	**2 004,7**	1 926,6	4,1
Attributable to:			
Equity holders of The Foschini Group Limited	**1 859,6**	1 792,0	3,8
Non-controlling interest	**145,1**	134,6	
Profit for the year	**2 004,7**	1 926,6	4,1
Earnings per ordinary share (cents)			
Headline – total	**908,9**	858,6	5,9
Headline – continuing operations	**818,7**	780,6	
Headline – discontinued operations	**90,2**	78,0	
Diluted (headline) – total	**902,7**	851,3	6,0
Diluted (headline) – continuing operations	**813,1**	773,9	
Diluted (headline) – discontinued operations	**89,6**	77,4	
Weighted average ordinary shares in issue (millions)	**206,0**	209,2	

*Restated to exclude RCS Group presented as discontinued operations.

STATEMENT

This short-form announcement (SFA) is the responsibilty of TFG's directors. It is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement published on SENS and on TFG's website, hosted at www.tfglimited.co.za.

AVAILABILITY

The full announcement has been released on SENS and is available on our website. It is also available at our registered offices, Stanley Lewis Centre, 340 Voortrekker Road, Parow East 7500, South Africa, Telephone: +27 21 938 1911, for inspection, at no charge, during office hours. Copies of the full announcement may be requested from the company secretary.