ABOUT THIS REPORT

In line with the requirements of the King Code of Governance for South Africa (King III), The Foschini Group (TFG) has produced an integrated report. This report provides a consolidated review of the group's financial, social, economic and environmental performance for the year 1 April 2010 to 31 March 2011. In accordance with the stated objectives of integrated reporting, this report focuses on those issues that have a material impact on TFG's ability to create and sustain value, and outlines how these issues have been integrated within our business strategy. We are committed to continually improving our integrated reporting processes based on national and international developments in this field.

The report covers the activities of all of TFG's wholly-owned divisions, as well as its investment in the RCS Group, in which the group has a 55% shareholding. Our reporting this year includes our expansion into Zambia, which occurred during the review period. There have been no other significant changes from last year's report in terms of the scope, boundary or measurement methods applied in this report.

This report is targeted primarily at current and potential investors in the group. Additional information on certain areas of our performance, notably around our environmental impacts and corporate social investment activities, is available online through our website (www.tfg.co.za). We have also provided a detailed index online in which we respond to each of the "G3" criteria of the Global Reporting Initiative (GRI) and identify in which section of the integrated report relevant information on our sustainable development performance is discussed. Other than our audited financial statements, the group has not commissioned additional external assurance of the non-financial information provided in this report.

INTRODUCING TFG

CORPORATE PROFILE

DURING THE CURRENT YEAR, THE GROUP UNDERWENT A CHANGE OF NAME FROM FOSCHINI LIMITED TO THE FOSCHINI GROUP LIMITED (TFG).

In addition the JSE share code changed from FOS to TFG. This change in name is intended to convey to the market the fact that we currently have a significant portfolio of 14 retail brands. In addition we have a sizeable financial services business as well as a controlling interest in the RCS Group. The name change accordingly intended to emphasise the more diverse and broadly-based nature of our business.

MISSION

The group's mission is to be the leading fashion lifestyle retailer in Africa, by providing innovative, creative products and by leveraging our portfolio of diverse brands to differentiate our customer offering. Our talented and engaged people will always be guided by our values and social conscience.

HISTORY

The company, which commenced trading in 1924, has been listed on the JSE Limited since 1 January 1941 and is regarded as one of the foremost independent chain store groups in the country. The company's success is strongly driven by its desire to provide the right merchandise to the respective target markets of all its trading divisions and its skill in achieving this objective has resulted in a successful track record. TFG believes that teamwork coupled with professionalism in all aspects of retailing will continue to be the foundation for the future.

VALUES

PROFESSIONALISM:

We are accountable and drive performance in a creative and innovative way

RESILIENCE:

We have the courage of our convictions and the boldness to constructively challenge

INTEGRITY:

Our word is our honour, we are honest and ethical

DIGNITY AND RESPECT:

We treat everyone like we want to be treated

EMPOWERMENT:

We have equal opportunity to grow in a supportive environment

EXCELLENT SERVICE:

Our customers are our future – we look after them

GROUP OVERVIEW

TFG has the following operating divisions:

RETAIL

- @home, branded as @home and @homelivingspace
- Exact!
- Foschini division, branded as Foschini, Donna-Claire, Fashion Express and Luella
- Markham
- Sports division, branded as Sportscene, Duesouth and Totalsports
- Jewellery division, branded as American Swiss, Matrix and Sterns
- Retail Technology division which currently manages the group's cellphone and related product offerings
- TFG Design Centre and
- TFG Merchandise Procurement

The retail divisions retail clothing, jewellery, accessories, sporting and outdoor apparel and equipment, cellular goods and services, and homeware to the broad, middle-income group throughout southern Africa, mainly as a credit retailer. The ratio of credit sales to total turnover approximates 62%.

FINANCIAL SERVICES

- TFG Financial Services manages the group's in-store card programme as well as handling the group's financial service products such as club and associated magazines, and insurance products.
- 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. It is structured into two operating business units being:
  - Transactional Finance, comprising RCS Cards and RCS Private Label Cards; and
  - Fixed Term Finance, comprising RCS Personal Loans and insurance products.

SERVICE DIVISIONS

The retail trading divisions are supported by a number of centralised service functions.

CORPORATE STRUCTURE

DIRECTORATE
TFG Limited

CHIEF EXECUTIVE OFFICER

OPERATING BOARD
TFG

RETAIL OPERATIONS

- **@home** — @home • @homelivingspace
- **Exact!**
- **Foschini** — Foschini • Donna-Claire, Fashion Express • Luella
- **Jewellery Division** — American Swiss, Sterns • Matrix
- **Markham**
- **Sports Division** — Sportscene • Totalsports, Duesouth
- **Retail Technology Division**
- **TFG Design Centre**
- **TFG Merchandise Procurement**

FINANCIAL SERVICES

- TFG Financial Services
- RCS Group*

SERVICES

- TFG Finance and Administration
- TFG Human Resources
- TFG Infotec
- TFG Internal Audit
- TFG Logistics
- TFG Property
- TFG Services

* All divisions are wholly owned, with the exception of the RCS Group, in which The Standard Bank of South Africa Limited (SBSA) has a 45% non-controlling interest

COMMITTEES

AUDIT COMMITTEE
S E Abrahams (Chairman)
W V Cuba
K N Dhlomo
E Oblowitz
N V Simamane
D M Nurek (by invitation)
A D Murray (by invitation)
R Stein (by invitation)

REMUNERATION COMMITTEE
Prof. F Abrahams (Chairperson)
D M Nurek
A D Murray (by invitation)

RISK COMMITTEE
D M Nurek (Chairman)
E Oblowitz
D M Polak
A D Murray
R Stein

NOMINATIONS COMMITTEE
D M Nurek (Chairman)
S E Abrahams
M Lewis
A D Murray (by invitation)

TRANSFORMATION COMMITTEE
Prof. F Abrahams (Chairperson)
D M Nurek
A D Murray
R Stein (by invitation)

EXECUTIVE DIRECTORATE

A D MURRAY (54)
BA, CA

Appointed: 2007

Member of: Risk and Transformation committees

Meetings attended by invitation: Audit, Remuneration and Nominations committees

Joined the group: 1985

Doug joined the group in 1985 and was appointed as an executive director of The Foschini Group Limited in 2007. He is currently the chief executive officer of the group, a position he has held since 1 January 2008.

Doug has extensive retail experience, having previously held the positions of MD of Pages (subsequently rebranded Exact!) and American Swiss Jewellers. He was appointed to the operating board in 1997 and served as the retail director of the group for eight years prior to his appointment as CEO.

R STEIN (61)
B Comm, CA(SA)

Appointed: 1999

Member of: Risk committee

Meetings attended by invitation: Audit and Transformation committees

Joined the group: 1996

Ronnie is currently the chief financial officer. He joined the group in 1996 and was appointed to the operating board in 1997. Prior to joining the group he was an accountant and auditor in public practice. He was a partner at Kessel Feinstein for 15 years.

P S MEIRING (55)

Appointed: 2009

Joined the group: 1983

Peter is currently the group director of the group's financial services division, a position he has held since 1998. He was appointed to the operating board in 1999. He also holds the position of chairman of the RCS Group. Peter has extensive experience in consumer credit lending. He also has experience in information technology, specifically financial systems. He has held various roles in the group's IT department, as well as within Pages (subsequently rebranded Exact!) before moving to the financial services division in 1992.

NON-EXECUTIVE DIRECTORATE

D M NUREK (61)
Chairman (appointed 2009)

Diploma in Law, Graduate Diploma in Company Law

Appointed: 1990

Member of: Remuneration, Risk, Nominations and Transformation committees

Chairman of: Risk and Nominations committees

Meetings attended by invitation: Audit committee

Also a director of: Aspen Pharmacare Holdings Limited, Clicks Group Limited, Distell Group Limited, Lewis Group Limited, Mobile Industries Limited, Sun International Limited and Trencor Limited.

David is a very experienced director and serves on a number of board committees in relation to the various companies listed above.

He has been employed in an executive capacity by Investec Bank since 2000. He serves as the regional chairman of Investec's various businesses in the Western Cape and as global head of legal risk. Prior to joining Investec he practised as a commercial attorney at Sonnenberg, Hoffmann Galombik for more than 30 years, ultimately serving as chairman.

PROF. F ABRAHAMS (48)
B Econ (Hons), M Comm, D Comm

Appointed: 2003

Member of: Remuneration and Transformation committees

Chairperson of: Remuneration and Transformation committees

Also a director of: Clicks Group Limited and Lewis Group Limited.

Fatima is a registered industrial psychologist and is currently a senior professor in Industrial Psychology at the University of the Western Cape (UWC). She previously served as Dean of the Faculty of Economic and Management Sciences at UWC and served as chairperson of Victoria and Alfred Waterfront Holdings. She is chairperson of TSiBA Education, a non-profit private higher educational institution.

S E ABRAHAMS (72)
FCA, CA(SA)

Appointed: 1998

Member of: Audit and Nominations committees

Chairman of: Audit committee

Open invitation: Risk committee

Also a director of: Investec PLC and Investec Limited.

Sam is a very experienced director. He was formerly the international partner and South African managing partner of Arthur Andersen.

NON-EXECUTIVE DIRECTORATE

W V CUBA (56)
BSc (Land Surveying), BSc (Info. Systems), MBA

Appointed: 1998

Member of: Audit committee

Also a director of: Vox Telecom Limited.

Vuli has extensive business consulting experience having previously been employed by Accenture and Monitor Consulting. He is currently president and chairman of NGN Telecoms, a voice and data telephony business he founded in 2001. Prior to this he was the founder and head of Octagon, a business consulting and training organisation, as well as the founder of MTA Consulting. In 2008 he left Safika Holdings, a widely respected investment company which he co-founded in 1995 which specialises in taking an equity interest in black economic empowerment-driven transactions.

K N DHLOMO (38)
BA (Comm, Ind. Psych.), MBA

Appointed: 2009

Member of: Audit committee

Khanyi is the founding manager of Ndalo Media (a media company she co-owns with Media24) which publishes print and digital products, as well as being the founding editor of Destiny, a business and lifestyle magazine for women. Prior to this she held various media-related roles, including editor of True Love, and also served as the manager of SA Tourism in France. She also serves on the Advisory Council of the University of Stellenbosch Business School and serves as Patron of Orion, a non-profit therapeutic and training centre for people with mental, physical and intellectual disabilities. She was chosen as a Young Global Leader for 2010 by the World Economic Forum.

M LEWIS (52)
BA (Econ) (Hons)

Appointed: 1989

Member of: Nominations committee

Michael has been a non-executive director of The Foschini Group Limited since 1989.

He is currently the chairman of Oceana Investment Corporation Limited, a private UK investment company and of Strandbags Holdings Limited, an Australian retail company comprising some 450 stores.

Michael is also a director of Histogenics Inc., a US-based bio-technology company; Axel springer, one of Europe's largest media companies; Cheyne Capital Management Limited, a UK-based fund manager; and United Trust Bank Limited.

E OBLOWITZ (53)
B Comm, CA(SA), CPA (Isr)

Appointed: 2010

Member of: Audit and Risk committees

Also a director of: Mobile Industries Limited, Sun International Limited and Trencor Limited

Eddy was appointed to the board of The Foschini Group Limited on 1 October 2010. He has considerable audit experience having spent 21 years in professional practice, most notably as a senior partner of the Cape Town, Durban and Port Elizabeth offices of Arthur Andersen. In addition he served as a member of the firm's worldwide Retail and Distribution Industry Team. He is currently the CEO of Stonehage Financial Services (Proprietary) Limited which provides multi-family office, wealth management and advisory services to an extensive international client base.

D M POLAK (62)

Appointed: 1996

Member of: Risk committee

Dennis has extensive retail experience, having retired from TFG in 2007 after 39 years of service. He served in various operational roles within the various divisions of the group before being appointed as group retail director in 1996. He served as group CEO for the 10 years prior to his retirement.

N V SIMAMANE (51)
BSc (Biochem) (Hons)

Appointed: 2009

Member of: Audit committee

Also a director of: Cashbuild Limited and Oceana Group Limited.

Noma has extensive marketing and advertising experience, having previously held the positions of marketing manager at Unilever, marketing director of British American Tobacco and managing director of BLGK Bates advertising agency. She is currently managing director of Zanusi Brand Solutions, a branding consultancy she founded in 2001. She has played an active role in the Association of Marketers in South Africa and has served on a regional advisory council of the UN Development Programme. She has worked in the United States and Kenya.

OPERATING BOARD AND EXECUTIVE MANAGEMENT

BACK, L TO R: G S NAIDOO, H B GODFREY, D B GEDYE AND P S MEIRING
FRONT, L TO R: R STEIN, B J CURRY, A D MURRAY, A R BISOGNO AND M MENDELSOHN

OPERATING BOARD

A D MURRAY (54)
BA, CA
CEO
Joined the group in 1985

A R BISOGNO (53)
Retail Director – Foschini division
Joined the group in 1978

B J CURRY (49)
Managing Director – TFG Infotec
Joined the group in 1988

D B GEDYE (52)
Retail Director – Sports division and Markham
Joined the group in 1979

H B GODFREY (56)
Retail Director – @home and TFG Design Centre
Joined the group in 1994

P S MEIRING (55)
Group Director – TFG Financial Services
Joined the group in 1983

M MENDELSOHN (52)
Retail Director – Jewellery, Exact! TFG Logistics and TFG Merchandise Procurement
Joined the group in 1982

G S NAIDOO (43)
BSoc.Sc (Hons), MA (Ind. Psych.)
Managing Director – TFG Human Resourses
Joined the group in 2005

R STEIN (61)
B Comm, CA(SA)
CFO
Joined the group in 1996

EXECUTIVE MANAGEMENT

S A ANNENBERG (50)
Managing Director – Exact!
Joined the group in 1985

S A BAIRD (45)
General Manager – Operations: Foschini division
Joined the group in 1986

G G BRAND (62)
CA (SA)
General Manager – TFG Finance and Administration
Joined the group in 1983

S E EAGLE (52)
Managing Director – TFG Merchandise Procurement
Joined the group in 1998

B G FLY (43)
General Manager – Retail Technology division
Joined the group in 1996

R A J HARRIS (47)
General Manager – Merchandise: Foschini division
Joined the group in 1996

A L KLEINMAN (52)
BSc, MBA
Managing Director – Jewellery division
Joined the group in 1984

C C LANGE (51)
B Econ
General Manager – Merchandise: Donna-Claire and Fashion Express
Joined the group in 1981

J A LEDGER (48)
General Manager – TFG Design Centre
Joined the group in 2003

M MARITZ (43)
Managing Director – Markham
Joined the group in 2001

A D METELO-LIQUITO (50)
M Comm
General Manager – TFG Financial Services: Publishing and Insurance
Joined the group in 1995

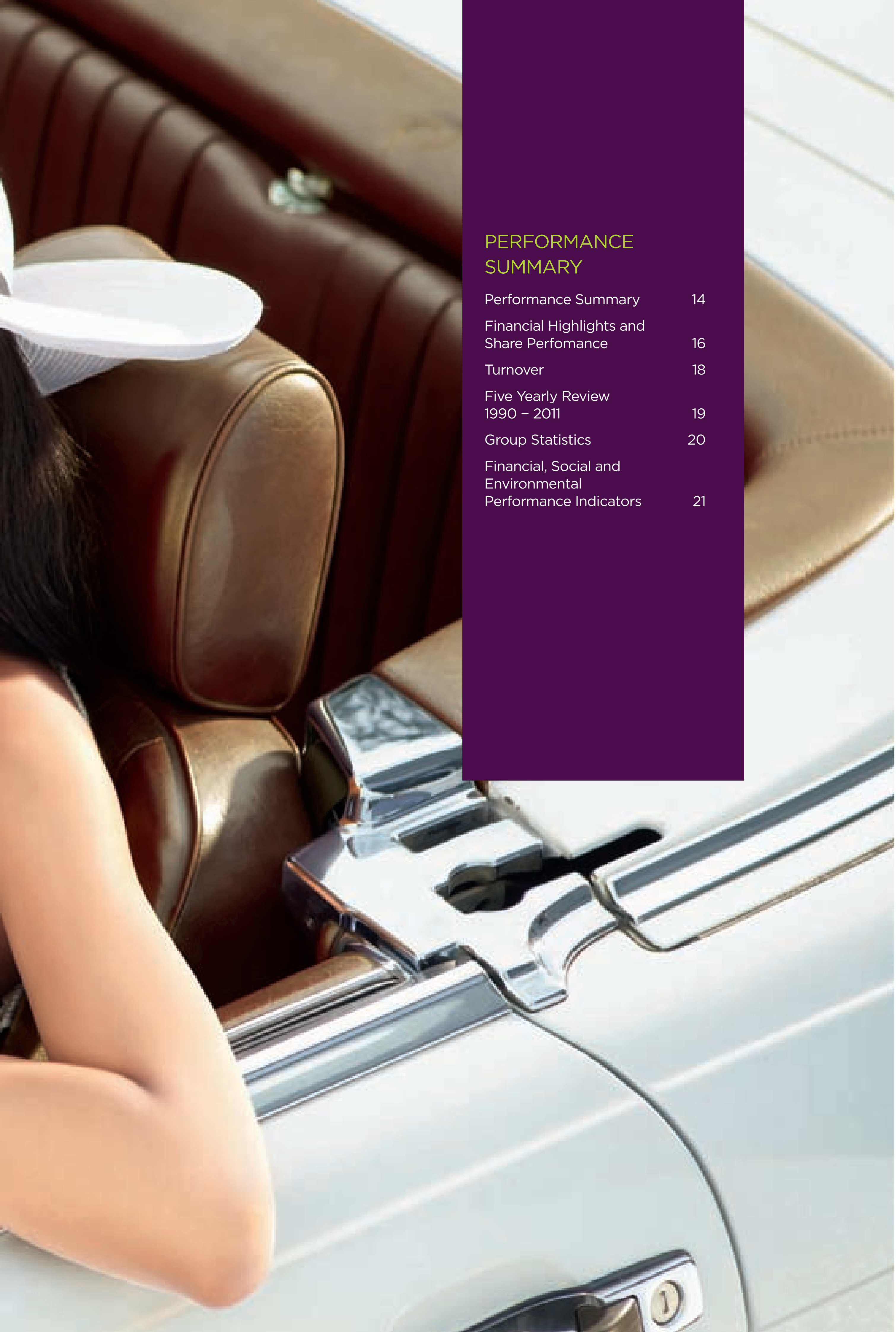
K SAKALIS (43)
B Bus Sc (Hons)
General Manager – CRM & Communications
Joined the group in 1994

K L SCHREUDER (58)
BA
Manager Director – TFG Property
Joined the group in 1976

J A TUKKER (41)
BSc, MBA
General Manager – TFG Logistics
Joined the group in 1998

S VD MERWE (46)
B Comm (Hons)
Managing Director – RCS Group
Joined the group in 2006

T P WEYER (57)
BSc, MBA
Head of Credit - TFG Financial Services
Joined the group in 1978



PERFORMANCE SUMMARY

PERFORMANCE SUMMARY

THIS SECTION PROVIDES AN OVERVIEW OF OUR PRINCIPAL ACHIEVEMENTS AND CHALLENGES DURING THE REPORTING PERIOD. IT ALSO INCLUDES TABLES OF MATERIAL PERFORMANCE DATA FOR THE LAST TWO YEARS, AND IN SOME CASES FOR THE PAST FIVE OR TEN YEARS.

ACHIEVEMENTS

- Upturn in our financial performance, achieving good results. All our divisions traded well and are well positioned to benefit from the continued upturn in the economy.
- Our financial services business and our 55% investment in the RCS Group, an operationally independent consumer finance business, also performed well, delivering increased profits.
- Our focus on enhancing our supply chain initiatives has resulted in improved lead times and increased stock turns, increasing our ability to be first to market with key products and ultimately ensuring a more consistent delivery of our merchandise promise to our customers.
- As part of our supply chain initiatives, our revised supplier audit process has been successfully piloted and is being rolled out. Supplier scorecards have been implemented and we have completed our supplier database aimed at improving our assessment and measurement of our suppliers' performance.
- Buying efficiencies, assisted by the strong Rand, were passed on to our customers resulting in our group gaining market share in all of our product categories.
- 590 000 new accounts were added during the year, increasing our active account base at the year-end by 10,5%.
- We added in excess of 100 new stores across all our brands representing a total increase in trading space of 6,3%. In line with store expansion, we continued to increase our permanent and flexible staff complement. Staff turnover decreased from 34% last year to 30%.
- We increased our total investment spend on talent development by 14% on last year and increased the reach of our initiatives aimed at developing and retaining talent in our workforce.
- TFG was ranked third in the 2010 Empowerdex/Financial Mail Top Empowerment company survey within the retail sector.
- We initiated a sustainability strategy process facilitated by external consultants and driven internally through a task team. A three-year sustainability roadmap has been developed, which will be implemented and integrated across the group during 2012.

CHALLENGES AND STRATEGIC FOCUS AREAS

- While we expect the more positive consumer sentiment to continue into the next financial year, we are mindful that anticipated inflation in food and fuel, and consequent increase in interest rates, could impact on our customers.
- Going into 2012, we are facing the 2010 FIFA World Cup™ inflated turnover figures in our base from last year, yet we are confident that we can again deliver a favourable performance in the year ahead.
- We will maintain a focus on building on supply chain optimisation initiatives, and on improving efficiencies in our stores and across all our activities.
- A strategic focus across our divisions is to improve our customers' experience through constantly developing our merchandise offering to consistently meet our customers' needs, and by targeted expansion and upgrading of our store base.
- The development and retention of key staff remains a priority with executive development and incentivisation at all levels being a focus area to achieve improved retention and performance.
- A further strategic focus and business imperative, is the promotion of transformation in our workforce. We plan to develop and implement a BBBEE ownership scheme once the expected changes to the BBBEE codes are implemented.
- Recognising that sustainability issues are integral to our long-term competitiveness, our sustainability strategy will guide a process of setting clear sustainability objectives and performance targets.
- Our commitment to society includes an ongoing focus on building and maintaining shareholder value, demonstrating concern for our employees and the communities in which we operate, promoting broad-based black economic empowerment and ensuring responsible environmental practices.

FINANCIAL HIGHLIGHTS AND SHARE PERFORMANCE

RETAIL TURNOVER UP **15,5% TO R9,9 BILLION**

GOOD PERFORMANCE FROM OUR RETAIL DEBTORS' BOOK AND **STRONG NEW ACCOUNT GROWTH**

HEADLINE EARNINGS PER SHARE UP **21,3% TO 632,3 CENTS**

FINAL DIVIDEND INCREASED **24,7% TO 212,0 CENTS PER SHARE**

TOTAL DIVIDEND FOR THE YEAR INCREASED BY **21,5% TO 350,0 CENTS PER SHARE**

SUSTAINED **STRONG FINANCIAL POSITION**

FINANCIAL STATISTICS AND TARGETS

	Medium-term target	2011	2010
Operating margin (%)	25,0	**23,2**	22,9
Net bad debt write-off as a % of debtors' book – retail		**9,2**	9,9
ROE (%)	32,0	**24,3**	22,5
Current ratio (times)		**2,4**	3,7
Debt:equity ratio (%)	40,0	**34,0**	27,1
Recourse debt:equity ratio (%)		**16,3**	11,6
Total liabilities to total equity (%)		**79,9**	68,4
Net borrowings to EBITDA (times)		**0,8**	0,7
Finance charge cover (times)		**9,2**	7,5
EBITDA finance charge cover (times)		**10,3**	8,6
Dividend cover (times)		**1,8**	1,8
Number of stores		**1 727**	1 627
Square metres		**537 951**	505 676
Stock turn			
– jewellery		**1,9**	1,7
– @home		**2,1**	1,8
– other		**3,7**	3,2

FINANCIAL HIGHLIGHTS AND SALIENT FEATURES

	% change	2011	2010
Retail turnover (Rm)	15,5%	**9 936,5**	8 605,2
Operating profit before finance charges (Rm)	16,7%	**2 301,2**	1 972,6
EBITDA (Rm)	15,5%	**2 583,9**	2 236,8
Profit before tax (Rm)	19,9%	**2 051,1**	1 711,1
Headline earnings (Rm)	20,3%	**1 305,6**	1 085,6
Profit attributable to equity holders of The Foschini Group Limited (Rm)	19,9%	**1 301,8**	1 085,6
Total shareholders' interest (Rm)	8,0%	**5 462,9**	5 058,3
Total equity (Rm)	8,4%	**5 948,5**	5 485,3
Total liabilities (Rm)	26,7%	**4 754,0**	3 751,6
Net borrowings (Rm)	36,2%	**2 023,4**	1 485,5
Earnings per ordinary share* (cents)	20,9%	**630,4**	521,4
Headline earnings per ordinary share* (cents)	21,3%	**632,3**	521,4
Tangible net asset value per ordinary share** (cents)	10,1%	**2 642,9**	2 399,6
Dividend per share (cents) – interim	16,9%	**138,0**	118,0
Dividend per share (cents) – final	24,7%	**212,0**	170,0
Dividend per share (cents) – total	21,5%	**350,0**	288,0
Gross number of shares in issue (millions)		**240,5**	240,5
Net number of shares in issue (millions)		**205,3**	209,0
Weighted average number of shares in issue		**206,5**	208,2
Closing US$ conversion rate		**6,81**	7,35
Average US$ conversion rate		**7,23**	7,86

* Based on the weighted average number of shares in issue
** Based on the net actual number of shares in issue

SHARE PERFORMANCE

	2011	2010
Market price per share (cents)		
– at year-end	**8 465**	6 700
– highest	**9 528**	7 025
– lowest	**6 172**	4 260
– average	**7 640**	5 633
Number of beneficial shareholdings	**3 897**	4 212
Price/earnings ratio at year-end	**13,43**	12,85
Dividend yield	**3,6**	4,3
Number of shares traded during the year (millions)	**261,6**	371,3
Volume traded/number of shares in issue (%)	**108,8**	154,4
Market capitalisation (Rm)	**20 480,8**	16 113,4

TURNOVER

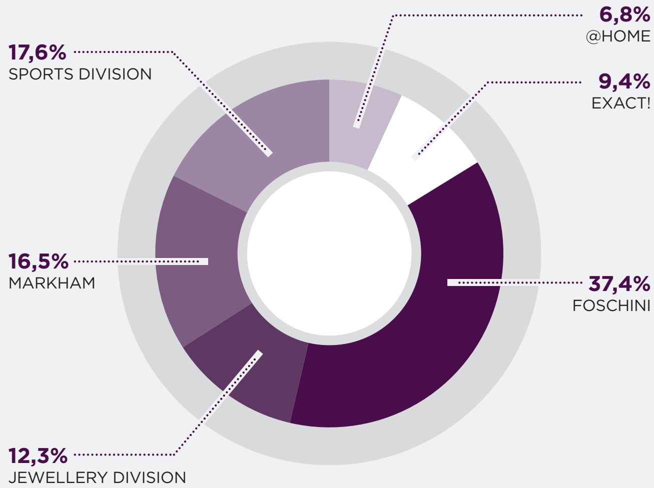
BY GEOGRAPHIC REGION

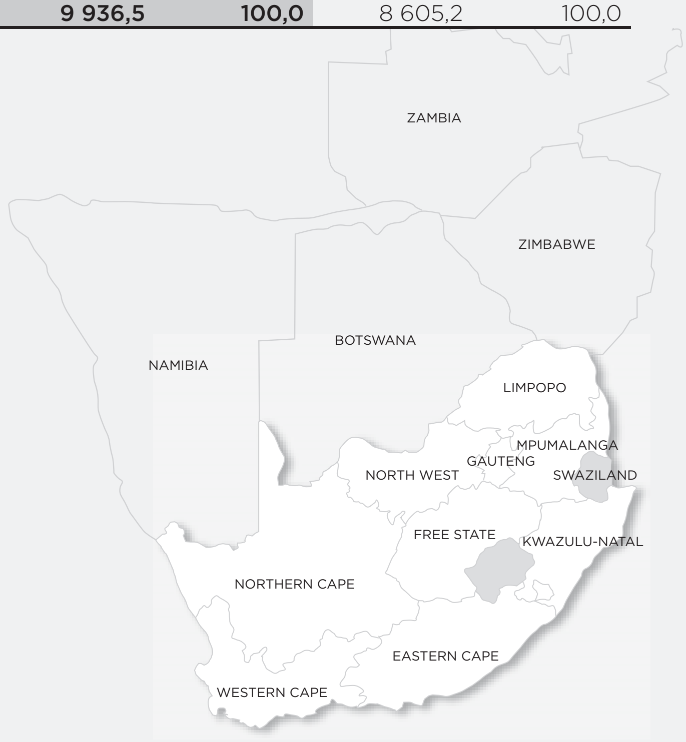
	2011 Number of stores	2011 Turnover Rm	2011 % contribution	2010 Number of stores	2010 Turnover Rm	2010 % contribution
Botswana	**6**	**43,2**	**0,4**	4	41,6	0,5
Eastern Cape	**132**	**737,4**	**7,4**	131	633,5	7,4
Free State	**124**	**600,3**	**6,1**	112	510,7	5,9
Gauteng	**482**	**3 208,8**	**32,3**	442	2 763,9	32,1
KwaZulu-Natal	**198**	**1 226,9**	**12,3**	193	1 048,7	12,2
Limpopo	**103**	**594,5**	**6,0**	98	502,2	5,8
Mpumalanga	**116**	**561,8**	**5,7**	98	453,0	5,3
Namibia	**55**	**302,5**	**3,0**	54	285,0	3,3
North West	**89**	**475,8**	**4,8**	88	409,5	4,8
Northern Cape	**63**	**287,6**	**2,9**	59	242,5	2,8
Swaziland	**4**	**11,4**	**0,1**	4	11,8	0,1
Zambia	**4**	**8,3**	**0,1**	–	–	–
Western Cape	**351**	**1 878,0**	**18,9**	344	1 702,8	19,8
	1 727	**9 936,5**	**100,0**	1 627	8 605,2	100,0

BY DIVISION

	% change	2011 Turnover Rm	2011 % contribution	2010 Turnover Rm	2010 % contribution
@home	15,5	**679,0**	**6,8**	587,8	6,9
Exact!	22,7	**932,7**	**9,4**	759,8	8,8
Foschini division	12,5	**3 719,0**	**37,4**	3 306,0	38,4
Jewellery division	11,5	**1 221,1**	**12,3**	1 095,3	12,7
Markham	20,2	**1 634,7**	**16,5**	1 359,6	15,8
Sports division	16,9	**1 750,0**	**17,6**	1 496,7	17,4
	15,5	**9 936,5**	**100,0**	8 605,2	100,0

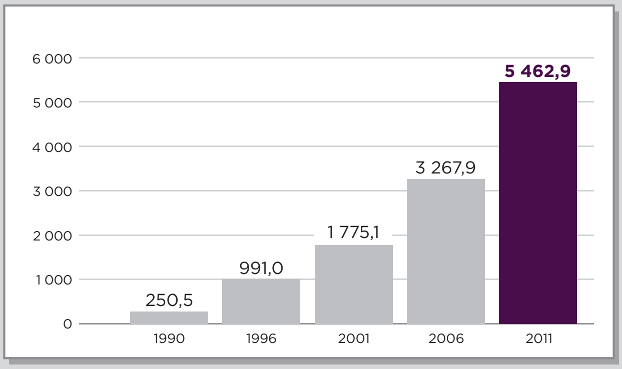
CONTRIBUTION 2011



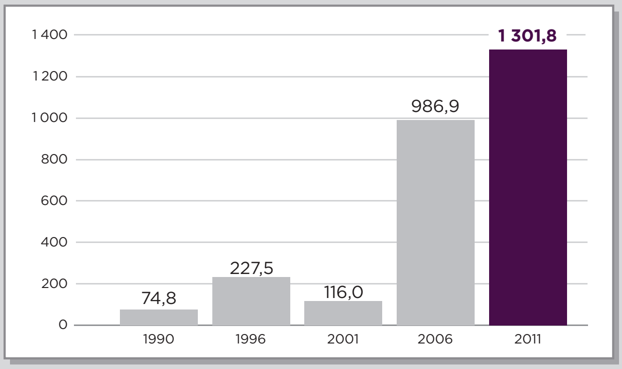


FIVE YEARLY REVIEW 1990 – 2011

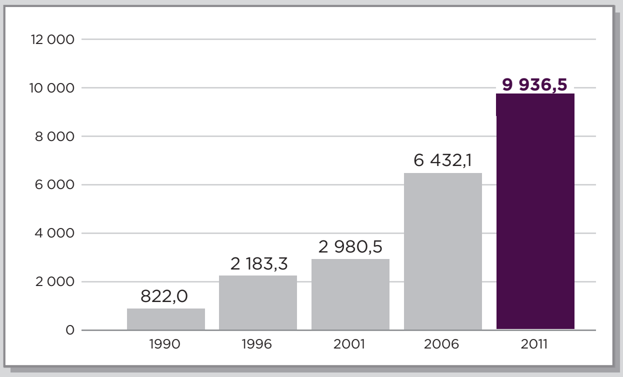
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE FOSCHINI GROUP LIMITED (Rm)



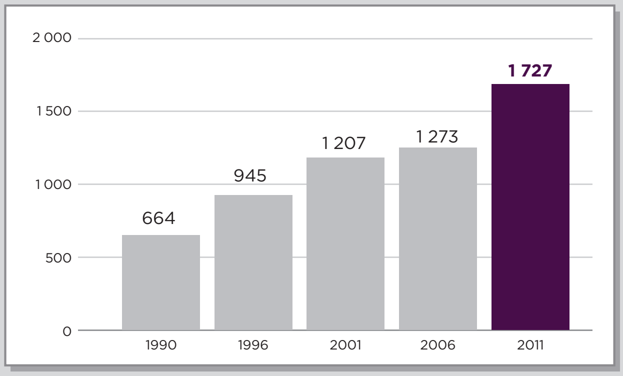
ATTRIBUTABLE EARNINGS (Rm)



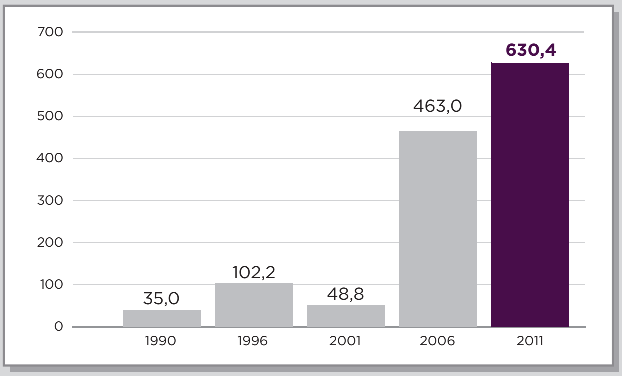
TURNOVER (Rm)



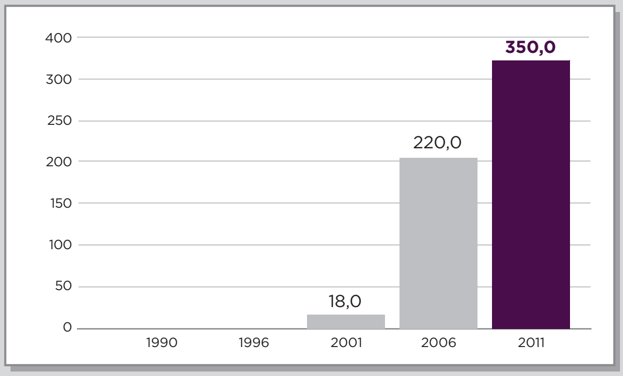
NUMBER OF STORES



EARNINGS PER ORDINARY SHARE (CENTS)*



CASH DIVIDENDS DECLARED PER ORDINARY SHARE (CENTS)#



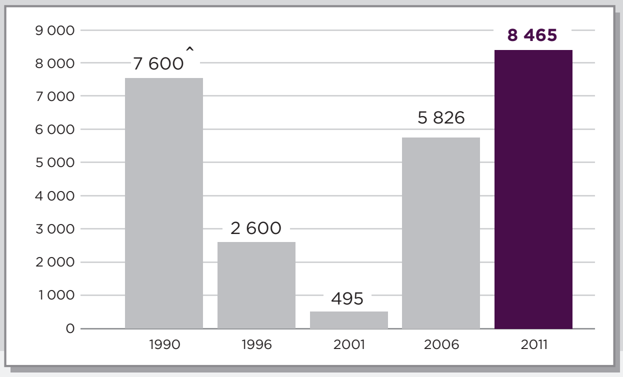
* Comparative figures have been restated in terms of the increased number of shares in issue resulting from sub-divisions and capitalisation issues.

From 2000 earnings are based on the weighted average number of shares in issue.

In 1990 and 1996 there were only capitalisation issues

^ Prior to share split in 1994

CLOSING SHARE PRICE (CENTS)



GROUP STATISTICS

YEARS ENDED	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Profitability										
Retail turnover (Rm)	**9 936,5**	8 605,2	8 089,6	7 668,7	7 230,0	6 432,1	5 279,3	4 410,0	3 880,6	3 289,9
Operating profit before finance charges (Rm)	**2 301,2**	1 972,6	2 025,5	1 905,5	1 887,0	1 567,3	1 204,8	814,6	582,0	348,5
Profit attributable to equity holders of The Foschini Group Limited (Rm)	**1 301,8**	1 085,6	1 145,8	1 128,4	1 119,2	986,9	767,0	516,9	359,5	199,9
Headline earnings (Rm)	**1 305,6**	1 085,6	1 145,8	1 128,4	1 119,2	986,9	767,0	523,4	364,8	203,0
Statement of financial position										
Non-current assets (Rm)	**2 289,5**	2 554,5	2 793,7	2 171,8	2 160,4	1 536,5	1 497,9	1 096,6	754,7	965,5
Current assets (Rm)	**8 413,0**	6 682,4	5 870,3	5 008,7	4 623,3	4 311,8	3 422,1	2 794,1	2 630,6	2 120,6
Total assets (Rm)	**10 702,5**	9 236,9	8 664,0	7 180,5	6 783,7	5 848,3	4 920,0	3 890,7	3 385,3	3 086,1
Total shareholders' interest (Rm)	**5 462,9**	5 058,3	4 496,3	3 845,2	3 823,6	3 267,9	2 496,8	2 291,4	2 077,0	1 830,1
Non-controlling interest (Rm)	**485,6**	427,0	359,2	290,9	181,3	88,9	16,0	10,1	5,1	8,6
Non-current liabilities (Rm)	**1 300,4**	1 944,0	2 082,9	1 036,7	1 282,4	1 064,2	1 038,6	554,5	514,7	625,2
Current liabilities (Rm)	**3 453,6**	1 807,6	1 725,6	2 007,7	1 496,4	1 427,3	1 368,6	1 034,7	788,5	622,2
Total equity and liabilities (Rm)	**10 702,5**	9 236,9	8 664,0	7 180,5	6 783,7	5 848,3	4 920,0	3 890,7	3 385,3	3 086,1
Cash flow statement										
Cash flows from operating activities (Rm)	**150,1**	364,5	319,9	(44,4)	99,3	(97,3)	86,7	289,9	288,3	121,4
Cash flows from investing activities (Rm)	**(369,0)**	(270,3)	(536,2)	(52,2)	(112,7)	51,5	(165,7)	(187,3)	(155,1)	(166,6)
Cash flows from financing activities (Rm)	**273,4**	(106,4)	343,0	63,8	20,0	72,1	86,0	(100,6)	(132,8)	46,7
Net increase (decrease) in cash (Rm)	**54,5**	(12,2)	126,7	(32,8)	6,6	26,3	7,0	2,0	0,4	1,5
Cash at the beginning of the year (Rm)#	**284,0**	296,2	169,5	202,3*	62,5	36,2	29,2	27,2	26,8	175,3
Cash at the end of the year (Rm)#	**338,5**	284,0	296,2	169,5	69,1	62,5	36,2	29,2	27,2	176,8

The figures in 2002 comprise cash and cash equivalents, whereas those from 2003 onwards comprise cash only

* In 2008 cash balances were restated to include an amount previously off-set against interest-bearing debt

YEARS ENDED	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Performance measures/ratios										
Turnover growth (%)	**15,5**	6,4	5,5	6,1	12,4	21,8	19,7	13,6	18,0	10,4
Operating margin (%)	**23,2**	22,9	25,0	24,8	26,1	24,3	22,8	18,5	15,0	10,6
Debt:equity ratio (%)	**34,0**	27,1	33,5	36,2	18,8	16,2	12,7	4,0	8,6	17,1
Total liabilities to shareholders' interest (times)	**0,87**	0,74	0,85	0,79	0,73	0,76	0,96	0,69	0,63	0,68
Current ratio (times)	**2,4**	3,7	3,4	2,5	3,1	3,0	2,5	2,7	3,3	3,4
Headline earnings per ordinary share (HEPS) (cents)	**632,3**	521,4	559,5	547,0	534,2	463,0	359,6	237,1	162,2	87,9
Change in HEPS (%)	**21,3**	(6,8)	2,3	2,4	15,4	28,8	51,7	46,2	84,5	75,4
Dividends declared per ordinary share (DPS) (cents)	**350,0**	288,0	288,0	288,0	270,0	220,0	164,0	94,0	56,0	31,0
Tangible net asset value per ordinary share (cents)	**2 642,9**	2 399,6	2 148,1	1 862,7	1 789,4	1 523,4	1 165,0	1 039,1	917,8	803,4
Market capitalisation (Rm)	**20 480,8**	16 113,4	10 567,5	9 261,6	16 618,4	14 011,4	8 549,7	4 797,9	2 573,3	1 681,1
Statistics										
Number of ordinary shares in issue (millions)	**240,5**	240,5	240,5	240,5	240,5	240,5	240,5	240,5	240,5	240,5
Number of ordinary shares on which headline earnings per share is calculated (millions)	**206,5**	208,2	204,8	206,3	209,5	213,1	213,3	220,7	224,9	231,0
Net number of ordinary shares on which net asset value per shares is calculated (millions)	**205,3**	209,0	207,3	204,6	212,0	212,6	211,9	218,4	223,6	226,3
Number of stores	**1 727**	1 627	1 539	1 393	1 332	1 273	1 233	1 197	1 188	1 185
Floor area (gross square metres)	**537 951**	505 676	467 420	410 378	380 615	354 747	334 662	323 459	317 381	310 166

Notes

When an accounting policy has been changed, comparative figures have been restated in accordance with the new policy.

FINANCIAL, SOCIAL AND ENVIRONMENTAL PERFORMANCE INDICATORS

* Only material issues are addressed in the table below; full issues are provided in the consolidated performance table in the appendices section of this report.

Performance indicator	% change	2011	2010
Retail turnover (Rm)	15,5	**9 936,5**	8 605,2
Operating profit before finance charges (Rm)	16,7	**2 301,2**	1 972,6
EBITDA (Rm)	15,5	**2 583,9**	2 236,8
Headline earnings (Rm)	20,3	**1 305,6**	1 085,6
Earnings per ordinary share (cents)	20,9	**630,4**	521,4
Headline earnings per ordinary share (cents)	21,3	**632,3**	521,4
Dividend declared per ordinary share (cents)	21,5	**350,0**	288,0
Value added	23,6	**4 484,0**	3 628,9
Total number of stores	6,1	**1 727**	1 627
Total number of distribution centres	–	**8**	8
Total procurement from BBBEE sources (%)#	22,4	**64,9**	53,0
Number of environmental, health and safety and/or governance legal incidents	–	**none**	none
Total number of employees:			
Permanent full-time employees	4,5	**10 969**	10 494
Permanent part-time employees	(2,1)	**320**	327
Flexitime employees	12,3	**3 632**	3 233
Contract employees	34,7	**741**	550
Casual employees	11,0	**202**	182
Employee turnover (excluding contractors) %	(9,1)	**30**	33
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
Top management	–	**11,1**	11,1
Senior management	51,0	**14,8**	9,8
Specialists and middle management	4,3	**38,6**	37,0
Skilled technical and junior management	6,1	**78,5**	74,0
Semi and unskilled employees	1,8	**95,9**	94,2

This data is reflected one year in arrears of the reporting period

MESSAGES FROM THE CHAIRMAN, CEO AND CFO

CHAIRMAN'S REPORT

THE 2011 FINANCIAL YEAR WAS A PLEASING YEAR FOR OUR GROUP. INDICATIONS ARE THAT THIS IS THE START OF A CYCLICAL UPTURN WHICH SHOULD BE APPARENT AMONGST CREDIT-BASED CYCLICAL RETAILERS. OUR CUSTOMERS HAVE BENEFITED FROM AN ENVIRONMENT OF LOWER INFLATION, EXTREMELY LOW INTEREST RATES AND REAL WAGE INCREASES.

OVERVIEW

The group's headline earnings per share increased by 21,3%. More significantly, turnover improved in the second half of the year with turnover growth of 18,1% and an increase in headline earnings per share of 24,8%. It is evident that this year our group has grown its market share in all product categories, driven largely by the strategies implemented by management during the last few years.

All our divisions traded well and are in good shape. Our financial services business fared extremely well with its profit increasing by 32,9%. Furthermore, our 55% investment in the RCS Group, an operationally independent consumer finance business, also performed well with a growth in earnings of 22,0%.

Our group has a strong balance sheet which has allowed us to invest for future growth. During the year, over 100 new stores were opened and a substantial investment made in our retail debtors' book, both of which will stand the group in good stead in forthcoming years. Our strong ongoing cash flow has enabled the group to increase its final dividend by 24,7% resulting in the total dividend for the year increasing by 21,5%.

DAVID NUREK – CHAIRMAN

ECONOMY AND OPERATING ENVIRONMENT

On the international front, the health of the global economy continues to improve with private demand taking over from the public sector as the key growth driver, notwithstanding that the downside risks have recently increased.

The South African economic recovery from the 2008/9 recession remains on track with GDP growth of 2,8% in the 2010 calendar year, compared with a decline of 1,7% during 2009.

The rate of growth gained some momentum throughout 2010. GDP growth is forecast at 3,7% for 2011 and 3,8% for 2012 with growth in consumer spending set for a marginal acceleration in 2012. Consumer inflation for the 2010 calendar year rose by 4,3%, down sharply from the 7,1% in 2009. Looking forward the impact of higher food and oil prices will filter into inflation which is forecast to average 5% for 2011, increasing to around 6% from the fourth quarter.

The rising inflation risks are likely to bring about an increase in interest rates with the Reserve Bank projected to start the rate tightening cycle in September 2011. Provided the rate increases are moderate and slow, their impact on consumer spending will take a few years to become evident and should not materially impact our turnover in the short term.

The recent robust performance of the South African Rand can be explained by foreign appetite for South African assets. Because GDP growth in emerging countries is expected to outperform that of advanced economies for the next number of years, Rand strength may persist for some time, notwithstanding that volatility will remain high.

> "OUR GROUP HAS A STRONG BALANCE SHEET WHICH HAS ALLOWED US TO INVEST FOR FUTURE GROWTH. DURING THE YEAR, OVER 100 NEW STORES WERE OPENED AND A SUBSTANTIAL INVESTMENT MADE IN OUR RETAIL DEBTORS' BOOK, BOTH OF WHICH WILL STAND THE GROUP IN GOOD STEAD IN FORTHCOMING YEARS."

On the downside, employment growth is likely to remain low but given the lag between employment growth and a recovery in GDP growth, employment should start to recover in 2011 and 2012.

Looking forward, the outlook for the South African economy is one of continued recovery from the global recession. Household disposable income growth was 7% in 2010, an accelerating trend above the rate of inflation. Household debt remains high, but has eased.

All of this indicates that our economy will continue to recover during the next few years which bodes well for our business.

IMPACT OF INTEGRATED REPORTING

An important governance development this year has been the expectation on companies to produce an integrated report. We recognise that integrated reporting is not simply a question of including a sustainability section within our annual report. Instead, it is about demonstrating our understanding of how broader societal issues impact on our business, reflecting on how these issues have influenced the strategic decisions adopted by the board, and highlighting our approach to managing our most material sustainability impacts.

With this understanding in mind, in this integrated annual report we have sought to provide sufficient context to enable our stakeholders to understand the key social, economic and environmental issues that affect the group, and to appreciate the impact, both positive and negative, of our operations on the social, economic and environmental well-being of the community.

As my opening remarks have shown, TFG's activities are clearly impacted by broader economic trends such as GDP growth, inflation, interest rates and employment. While these trends are beyond our immediate control, they nevertheless have a bearing on the nature of our strategic response. In terms of those issues where we can have a material impact, we have provided a material account of our performance over the past year. We have integrated our review of our sustainability performance within each of the sections of the

CHAIRMAN'S REPORT CONTINUED

report. In addition to reflecting on our strategic approach to addressing sustainability issues and to managing our impacts, we have provided a high-level overview in this report of our corporate social investment activities.

TRANSFORMATION

Our transformation committee has the task of driving the group's broad-based black economic empowerment (BBBEE) strategy into the future. Our various internal transformation sub-committees tackle, on a daily basis, the various issues underlying BBBEE in order to ensure that our group plays its rightful role in the advancement of historically disadvantaged communities. I am pleased to note that in the Financial Mail's Top Empowerment Companies Report of 2010, our group has once again fared well.

GOVERNANCE

The directors consider responsible corporate governance to be integral to the success of the group, and our commitment to it is outlined in our Corporate Governance report, which appears elsewhere in this report.

Assessment starts at the top with a comprehensive annual review of the performance of all board directors, as well as of the board itself and its various sub-committees. These sub-committees, which cover the fields of audit, remuneration, risk, nominations and transformation, maintain diligent oversight of all significant factors covered by each committee. The group has formulated and abides by a code of ethics which includes a set of clear goals to achieve in its relationships with customers, suppliers, staff, the general public and the communities among which we operate. The increasingly complex field of compliance with the laws and regulations governing our businesses is another among the many issues on the governance agenda.

Following the publication of the King III Code of Corporate Governance, having early adopted many aspects in the previous year, the remaining aspects have now been addressed and our group is compliant with the King III Code.

The new Companies Act introduced on 1 May 2011 significantly changes the landscape of company law in South Africa. Before being enacted it underwent a rigorous process of debate by stakeholders and industry players. Our group has looked in detail at the new Act and, where necessary, changes have and will be made to ensure full compliance.

CHANGE OF NAME

At our annual general meeting on 1 September 2010 the change of name of our group from Foschini Limited to The Foschini Group Limited (TFG) was approved. This change in name is significant for our group and is intended to convey to the market the fact that we currently have a significant portfolio of 14 retail brands. In addition we have a sizeable financial services business as well as having a controlling interest in the RCS Group. The name change was accordingly intended to emphasise the more diverse and broadly-based nature of our business.

DIRECTORATE

We are pleased to welcome Eddy Oblowitz as a non-executive director of our company from 1 October 2010. Eddy has also been appointed to our board audit committee, as well as our internal audit and risk committee and with his considerable experience we look forward to his future contribution.

LOOKING AHEAD

With all our divisions in good shape, the challenges we face next year are the World Cup turnover figures in our base from last year, particularly in our sports division, as well as the stronger performance in the second half of the year under review.

We are well positioned to benefit from the continued upturn in the economy and are confident of producing pleasing results in the year ahead.

THANKS

On behalf of the board I wish to extend deep appreciation and thanks to:

- all employees for their excellent performance during the year;
- our customers for their continued loyal support;
- our shareholders for their support and confidence in the future of the group;
- our suppliers, advisers and business associates for their co-operation and contribution to the growth of the business; and
- my fellow directors for their insight, guidance and valuable input.

DAVID NUREK
Chairman

20 June 2011

"WITH ALL OUR DIVISIONS IN GOOD SHAPE, THE CHALLENGES WE FACE NEXT YEAR ARE THE WORLD CUP TURNOVER FIGURES IN OUR BASE FROM LAST YEAR, PARTICULARLY IN OUR SPORTS DIVISION, AS WELL AS THE STRONGER PERFORMANCE IN THE SECOND HALF OF THE YEAR UNDER REVIEW."

CHIEF EXECUTIVE OFFICER'S REPORT

IN OUR LAST ANNUAL REPORT, WE INDICATED THAT OUR GROUP WAS WELL POSITIONED TO MAXIMISE RETURNS WHEN THE ECONOMY RECOVERED. A MORE POSITIVE CONSUMER SENTIMENT, THE CATALYST OF WHICH WAS THE 2010 FIFA WORLD CUP™, COMBINED WITH THE BENEFITS OF OUR MAJOR STRATEGIC INITIATIVES, HAVE RESULTED IN IMPROVED CONSUMER SPENDING WITHIN OUR GROUP.

GROUP OVERVIEW

This improved consumer spending became evident from the beginning of this financial year and accelerated in the second half, with Christmas trading above expectation.

Our group trades in the mass middle market space and our customers have benefited from the more positive consumer sentiment which has been driven by real wage increases, lower inflation and lower interest rates.

Against this background, the group has produced a favourable result for this year. After three very difficult years from 2008 to 2010, it is clear that the cycle has now turned and that the current financial year is the start of the upturn.

In line with our strategy of driving top-line growth, buying efficiencies achieved during the year as a result of our supply chain initiatives, and assisted by the strong Rand, were passed on to our customers. With reference to the retail liaison committee (RLC) and other statistics, our group has gained market share in all of our product categories.

A key element of our group strategy over the last number of years is the continuation of our supply chain

DOUG MURRAY – CEO

initiatives in order, inter alia, to ensure that lead times in ordering, acquiring and distributing stock are reduced to the minimum and to enable us to react faster to changing trends. This has already resulted in improved lead times and increased stock turns, ensuring our ability to be first to market with key products and ultimately ensuring a more consistent delivery of our merchandise promise to our customers. We have also advanced our initiatives aimed at better assessing and monitoring the social and environmental practices of our suppliers, as well as promoting product safety and integrity.

Being a credit retailer, in order to maximise turnover from our credit book, we embarked on a customer relationship management (CRM) strategy of actively pursuing new accounts and maximising low usage of available credit. Our success with this during the year has been far better than expected with 590 000 new accounts being opened and our active accounts growing by 10,5%.

Foschini stores (which represents 28,6% of our group's retail turnover), is now beginning to see the success of its repositioning and turnaround strategy and grew its clothing turnover in the second half by 18,2%, which, with the additional benefits of the group supply chain and CRM initiatives, positions this brand well for future growth.

Our financial services division (TFG Financial Services) performed well during the year with a profit increase of 32,9%. Bad debts have remained on a downward trend with net bad debts as a percentage

"FOSCHINI STORES (WHICH REPRESENTS 28,6% OF OUR GROUP'S RETAIL TURNOVER), IS NOW BEGINNING TO SEE THE SUCCESS OF ITS REPOSITIONING AND TURNAROUND STRATEGY AND GREW ITS CLOTHING TURNOVER IN THE SECOND HALF BY 18,2%, WHICH, WITH THE ADDITIONAL BENEFITS OF THE GROUP SUPPLY CHAIN AND CRM INITIATIVES, POSITIONS THIS BRAND WELL FOR FUTURE GROWTH."

of the debtors' book reducing further to 9,2% from 9,9% last year.

Our RCS subsidiary which is an operationally independent consumer finance business, performed well during the year with net profit before tax increasing by 22,0% to R275,6 million. Whilst we have spoken in the past of reducing our shareholding in this subsidiary below the 50% mark, such that we are no longer required to consolidate its results, our current strategy is to achieve this by way of a separate listing of the subsidiary in the next few years.

During the year the group spent R453,8 million on share buy-backs by the share trust in order to hedge future outstanding share options granted to staff.

FINANCIAL PERFORMANCE

Whilst the group's detailed financial performance for the year is described in the CFO's report, I would like to draw attention to the following:

- retail turnover up 15,5%, with growth in the second half of 18,1%;
- EBITDA at R2,5 billion;
- second half headline earnings per share growth of 24,8%;
- full-year headline earnings per share up 21,3% to 632,3 cents per share;
- final dividend up 24,7% to 212,0 cents per share;
- total dividend of 350,0 cents per share;
- good performance from our retail debtors' book; and
- RCS Group performed well, with profit growth of 22,0%.

TRADING PERFORMANCE

After an encouraging first half performance, all divisions continued to perform well in the second half resulting in 15,5% turnover growth for the year as a whole. Whilst the first half produced turnover growth of 12,5%, the second half gained increased momentum with turnover growth of 18,1%. Our clothing merchandise category had the biggest improvement in the second half with growth of 19,5%, up from 11,7% in the first half.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Retail turnover and growths in the various trading divisions were as follows:

	Number of stores	Retail turnover Rm	% increase
@home	83	679,0	15,5
Exact!	208	932,7	22,7
Foschini division	484	3 719,0	12,5
Jewellery division	381	1 221,1	11,5
Markham	247	1 634,7	20,2
Sports division	324	1 750,0	16,9
Total	1 727	9 936,5	15,5

Same store turnover growth for the second half was at 13,2% with full-year same store growth of 10,8%. Product inflation averaged approximately 1% for the year.

Cash sales as a percentage of total sales increased to 38,5% from 37,4%.

Our **@home division** opened a further six stores and is now trading out of 83 stores, 13 of which are the larger @homelivingspace stores. Turnover grew by 15,5% to R679,0 million. The rate of new store openings has reduced, allowing for greater focus on merchandise efficiencies. Same store turnover increased by 8,3%.

The **Exact! division** increased its store base by three stores during the year to 208 stores. The focus on clothing price points has continued to be very successful since implementation. Clothing turnover increased by 22,4%, with same store turnover growth of 20,2%. Cellphone turnover increased by 24,5%. Total same store turnover increased by 20,4%.

The **Foschini division** comprising Foschini, Donna-Claire, Fashion Express and Luella increased its store base by 30 stores to 484 stores during the year. Performance was substantially better in the second half of the year with growth of 17,7% compared to 7,2% in the first half. Clothing turnover grew by 12,4% for the year with growth in the second half of 19,4%. Same store turnover growth for clothing was 7,6%, cosmetics 5,4% and cellphones 23,3%, whilst total same store turnover grew by 8,3%.

The **Jewellery division** comprising American Swiss, Sterns and Matrix increased its store base during the year by 16 stores to 381 stores. Trading was satisfactory with jewellery merchandise turnover increasing by 10,8% and cellphone turnover increasing by 15,8%. Jewellery same store turnover increased by 6,7% with total same store turnover increasing by 8,0%.

The **Markham division** increased its store base by 13 stores to 247 stores. After a good first half, trading improved in the second half with clothing turnover growth of 23,7% resulting in total clothing growth for the year of 18,8%. Cellphone turnover increased by 28,8%. Clothing same store turnover for the year grew by 15,5% with total same store turnover increasing by 16,9%.

The **Sports division**, trading as Totalsports, Sportscene and Duesouth traded satisfactorily, assisted in the first half by the 2010 FIFA World Cup™, with turnover growth for the year of 16,9% and same store turnover growth of 9,9%. Its store base increased by 33 stores during the year to 324 stores.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

TFG Financial Services manages the group's in-store credit card programme as well as the group's financial service products such as club and associated magazines and our insurance products. This division had an excellent year, increasing profit by 32,9%. The retail debtors' book, which amounts to R3,8 billion, increased by 20,6% during the year reflecting the impact of good account growth, increased credit sales and the increase in the number of 12-month accounts. The performance of our retail debtors' book continues to improve with net bad debt as a percentage of closing debtors' book improving to 9,2% from 9,9%.

RCS GROUP

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. It is structured into two operating business units, namely Transactional Finance and Fixed Term Finance. The Transactional Finance business comprises the RCS general-purpose card and other private label card programmes, whilst the Fixed Term Finance business comprises RCS Personal loans.

Despite interest margin compression because of the interest-capping formula under the National Credit Act, the RCS Group performed well during the year with net profit before tax increasing by 22,0% to R275,6 million. Net bad debt improved significantly with a reduction of 34,4% compared to the previous year. Its debtors' book of R2,9 billion increased by 10% during the year.

Its domestic medium-term note (DMTN) programme launched in March 2010 has been successfully implemented with over R1 billion of funding being raised to date comprising a mixture of long- and short-term paper. It now has surplus funding in excess of R600 million which is available to support its future growth.

Our group's shareholding in this division is 55% with the balance held by The Standard Bank of South Africa Limited.

STRATEGY

The continuing strategic focus across our divisions is to improve our customers' experience through constantly developing our merchandise offering to consistently meet our customers' needs, and by targeted expansion and upgrading of our store base. The two major drivers of this are our supply chain initiatives and our CRM activities.

As part of this process, we recognise the need to ensure that our material sustainability issues are integrated as part of core business strategy. To this end, we have engaged external consultants to assist us in developing a sustainability strategy, which will guide a longer-term process of setting clear sustainability objectives and performance targets. Phase I of this process is well under way. A review of our material issues, and of the relationship between sustainable development and our core value drivers, is provided in our Strategic Agenda section.

Our commitment to promoting sustainable development includes an ongoing focus on building and maintaining shareholder value, demonstrating concern for our employees and the communities in which we operate, promoting broad-based black economic empowerment and ensuring responsible environmental practices.

Our group's current strategic objectives which are detailed elsewhere in this report include:

1. Supply chain optimisation
2. CRM focus
3. Store optimisation
4. Foschini division
5. Expansion and new markets
6. World-class HR capability
7. Transformation

Strategies of the individual divisions are referred to in the divisional review section of this report.

PROSPECTS

All our divisions are in good shape and are well positioned to continue benefiting from our strategic initiatives and the improved economy.

We expect the more positive consumer sentiment to continue into the next financial year. However, we are mindful of the current inflation rate environment, particularly in regard to expected inflation in food and fuel, both of which impact our customers. With increased inflation, interest rate increases are inevitable.

Retail turnover for the first 11 weeks of the new financial year has been encouraging and above expectation. We are aware that we are now facing the 2010 FIFA World Cup™ inflated turnover figures in our base from last year, as well as being up against a far better second half performance in the previous year. Nevertheless, at this early stage in the financial year we are confident that we can again deliver a favourable performance this year.

In line with our strategy, we will continue to open new stores and we anticipate increasing trading space in the new year by approximately 6% with the addition of approximately 100 new stores.

THANKS

After 17 years with our group Howard Godfrey, the retail director of our @home division and TFG Design Centre, will be retiring later this year. Howard has been a valuable member of our operating board, on which he has served since October 1999 and his contribution, insight and humour will be missed. I would like to thank Howard for his immense input to our group and wish him well in his retirement.

Thanks to our chairman, David Nurek, for his effective leadership and to all the members of the supervisory board for their wisdom, guidance and direction.

I'd also like to thank my colleagues on the operating board for their input and support during this past year.

Thanks are extended to the group's 15 600 staff members for their contribution to our performance and success. I extend my sincere appreciation to each and every one of them.

To our shareholders, I extend thanks for their support of the group. I trust that their loyalty will continue to be rewarded.

Finally, I would like to express the group's appreciation to our suppliers, advisers, corporate stakeholders and customers for their contributions to the group's activities and its successes.

DOUG MURRAY

CEO

20 June 2011

CHIEF FINANCIAL OFFICER'S REPORT

AFTER THREE DIFFICULT YEARS FROM 2008 TO 2010, IT SEEMS THAT THE CYCLE HAS NOW TURNED AND THAT THIS YEAR IS THE START OF THE UPTURN. THE GROUP HAD A FAVOURABLE YEAR WITH PROFIT BEFORE TAX OF R2 051,1 MILLION, AN INCREASE OF 19,9%. HEADLINE EARNINGS PER SHARE INCREASED BY 21,3% TO 632,3 CENTS.

OVERVIEW

Turnover of R9 936,5 million grew by 15,5%. Improved consumer spending accelerated particularly in the second half with second half turnover growth of 18,1% and second half headline earnings per share growth of 24,8%.

Our financial services business performed well with profit growth of 32,9%. In addition our 55% investment in the RCS Group also performed favourably with a growth in profit of 22,0%.

RETAIL TURNOVER
R9 936,5m

OPERATING PROFIT BEFORE FINANCE CHARGES
R2 301,2m

HEADLINE EARNINGS PER SHARE
632,3 cents

RONNIE STEIN – CFO

Historical financial performance

Years ended	2002	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
Retail turnover (Rm)	3 289,9	3 880,6	4 410,0	5 279,3	6 432,1	7 230,0	7 668,7	8 089,6	8 605,2	**9 936,5**
Retail turnover growth %	10,4	18,0	13,6	19,7	21,8	12,4	6,1	5,5	6,4	**15,5**
Compound retail turnover growth %						15,9	14,5	13,7	12,5	**12,8**
Operating profit before finance charges (Rm)	348,5	582,0	814,6	1 204,8	1 567,3	1 887,0	1 905,5	2 025,5	1 972,6	**2 301,2**
Headline earnings per share (cents)	87,9	162,2	237,1	359,6	463,0	534,2	547,0	559,5	521,4	**632,3**
HEPS % change	75,4	84,5	46,2	51,7	28,8	15,4	2,4	2,3	(6,8)	**21,3**
Compound HEPS growth %						48,4	40,7	30,3	29,7	**28,9**
Dividends per share	31,0	56,0	94,0	164,0	220,0	270,0	288,0	288,0	288,0	**350,0**

Looking back at the financial performance of our group for the last nine years, we experienced an unprecedented boom between 2002 and 2007 where our operating profit before finance charges increased from R348,5 million to R1 887,0 million. The compounded growth in headline earnings per share during this period was 48,4%. The growth in consumer spending started to decline sharply from 2008, signalling an end to the consumer-led boom referred to above. The period 2008 to 2010 represented an economic down cycle, but during this period our group was able to marginally increase our operating profit to R1 972,6 million. The consumer cycle started to turn during the first quarter of the financial year 2011 and provided there are no external shocks to the economy, it seems probable that this is the first year in the up cycle.

During the previous ten years, compound retail turnover growth was 12,8% with compounded headline earnings per share of 28,9%.

The key financial indicators for the year are as follows and are discussed in more detail elsewhere in this report.

Key performance indicators

	2011	Medium-term target	2010
Turnover (Rm)	**9 936,5**		8 605,2
Turnover growth	**15,5%**		6,4%
Gross margin	**42,0%**		41,8%
Operating margin	**23,2%**	25%	22,9%
Profit before tax (Rm)	**2 051,1**		1 711,1
Profit after tax (Rm)	**1 388,8**		1 162,5
Headline earnings per share (HEPS) (cents)	**632,3**		521,4
HEPS growth	**21,3%**		(6,8%)
Diluted headline earnings per share (HEPS) (cents)	**619,9**		518,2
Diluted HEPS growth	**19,6%**		(6,3%)
Dividend per ordinary share (cents)	**350,0**		288,0
Dividend per ordinary share growth	**21,5%**		–
Return on average equity	**24,3%**	32%	22,5%
Total gearing	**34,0%**	40%	27,1%
Recourse gearing	**16,3%**		11,6%
Net asset value per share (cents)	**2 642,9**		2 399,6
Net asset value per share growth	**10,1%**		11,7%
Stock turn (times)			
– jewellery	**1,9**		1,7
– @home	**2,1**		1,8
– other	**3,7**		3,2

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

ACCOUNTING POLICIES AND STANDARDS

The annual financial statements have been 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 the requirements of the South African Companies Act. The principal accounting policies are consistent with those applied in the previous year except for the adoption of the amended IAS 27 Consolidated and Separate Financial Statements. Whilst IAS 27 has no significant effect on the results of the company, the principal effect is as follows:

- Total comprehensive income of subsidiaries is now attributed to non-controlling interest, even if this results in a deficit balance.

INCOME STATEMENT

RETAIL TURNOVER

Retail turnover of R9,9 billion increased by 15,5% on the previous year, whilst same store turnover grew 10,8%. Turnover growth became stronger in the second half growing by 18,1% with same store growth of 13,2%.

Cash turnover growth of 18,7% grew at a faster pace than credit turnover which grew 13,5%. Only from the month of February 2011 did the growth in credit sales start to outpace that of cash sales.

Retail turnover by merchandise category

	2011 (Rm)	2010 (Rm)	1st half growth	2nd half growth	% total growth	1st half same store growth	2nd half same store growth	2011 total same store growth
Clothing	**6 550,9**	5 660,2	11,7%	19,5%	15,7%	7,6%	14,0%	10,8%
Jewellery	**1 134,2**	1 025,7	10,4%	10,7%	10,6%	7,3%	6,3%	6,7%
Cellphones	**894,8**	707,6	25,5%	27,2%	26,5%	22,0%	25,6%	23,9%
Cosmetics	**677,6**	622,7	5,9%	11,4%	8,8%	3,0%	7,4%	5,4%
Homeware and furniture	**679,0**	589,0	15,9%	14,8%	15,3%	7,9%	8,6%	8,3%
Total	**9 936,5**	8 605,2	12,5%	18,1%	15,5%	8,3%	13,2%	10,8%

The most pleasing part of the second half growth was in our biggest category, clothing, which grew 19,5% with same store growth of 14%.

Jewellery, being a luxury commodity, had a much-improved performance on the previous year and should have further upside as the economy continues to improve.

Cellphone turnover improved significantly now that the supply issues in this category have been addressed.

Cosmetics, which had a poorer first half, started a recovery in the second half with growth of 11,4%.

Homewares and furniture performed well, with pleasing same store turnover growth of 8,3%.

Overall product inflation for the year was approximately 1%.

Retail turnover by division

	2011 Turnover (Rm)	% 1st half growth	% 2nd half growth	% total growth	% 1st half same store growth	% 2nd half same store growth	% total same store growth	Number of stores
Foschini division	**3 719,0**	7,2	17,7	12,5	3,8	12,7	8,3	484
Markham	**1 634,7**	16,4	23,7	20,2	13,2	20,3	16,9	247
Exact!	**932,7**	20,2	25,0	22,7	16,8	23,6	20,4	208
Sports division	**1 750,0**	17,1	16,7	16,9	11,6	8,3	9,9	324
Jewellery division	**1 221,1**	10,9	11,9	11,5	7,8	8,1	8,0	381
@home	**679,0**	16,1	15,0	15,5	7,9	8,7	8,3	83
Group	**9 936,5**	**12,5**	**18,1**	**15,5**	**8,3**	**13,2**	**10,8**	**1 727**
Cash sales	**3 823,7**	18,4	18,9	18,7				
Credit sales	**6 112,8**	9,1	17,6	13,5				
Total	**9 936,5**	**12,5**	**18,1**	**15,5**				

All divisions performed satisfactorily during the year.

Turnover growth in the first half of 12,5% improved to 18,1% in the second half as consumer spending continued to increase.

Same store turnover for the first half was 8,3%, whilst the second half increased to 13,2%, resulting in same store turnover for the year of 10,8%.

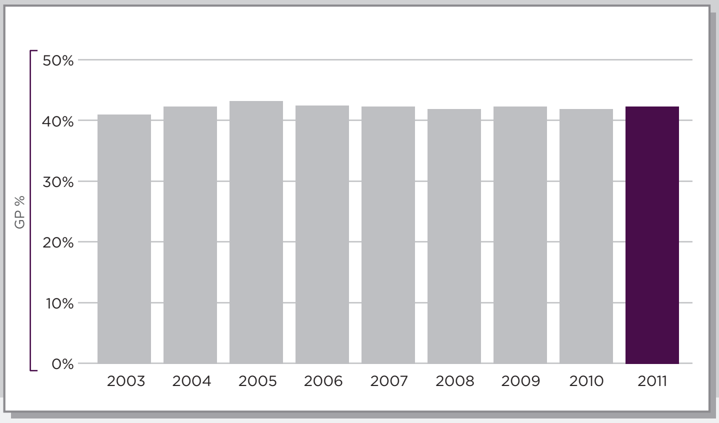
As part of our strategy of investing for the long term, the group added in excess of 100 new stores across all our brands representing a total increase in trading space of 6,3%.

During the year, cash sales as a percentage of total sales increased to 38,5% from 37,4%.

In line with our strategy of driving top-line growth and market share, buying efficiencies achieved during the year were passed on to our customers which has resulted in our gross margin increasing marginally by 0,2% to 42,0%. These buying efficiencies were achieved to a large degree as a result of our supply chain initiatives and were assisted by the strong Rand.

The table below reflects the historic gross margin trend analysis:

GP TREND



INTEREST INCOME

Due to the impact of the National Credit Act capping formula, interest yields on all our receivables were reduced this year. To counter this, our average books were higher with the exception of the loans receivable book in the RCS Group.

Interest received from our trade receivables book increased by 10,8% to R705,2 million. This was driven by a growth in the average book size, as well as the take-up of the 12-month accounts by new customers, which remains popular. Over 90% of new customers opt for the 12-month account. Currently 84,6% in value of accounts are now attracting interest, up from 81,1% last year.

Interest received on the RCS Group receivables decreased by 4,0%, brought down by the reduction in interest received on the loans receivable book. With the availability of new capital, the loans book has started to grow and the interest received next year will improve.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

OTHER REVENUE

Our gross revenue earned by our financial services division increased by 30,4% driven in the main by good performances from:

- Club income
- Insurance products
- One2One airtime products
- Customer charges

EXPENSES

Expenses before bad debts were well controlled at 18,7%. There were a number of non-comparable items which have inflated expense growth. These relate in the main to utility costs which grew 30%, travel costs (as part of our supply chain endeavours) which grew by 30%, costs of opening new accounts and certain costs incurred by the RCS Group relating to rebranding and infrastructure costs. Like-for-like expense growth was managed at around 8%, the balance relating to the opening of new stores and the non-comparable items referred to above.

Depreciation and amortisation grew by 7,0% reflecting the costs associated with new stores as well as enhanced IT systems.

Employment costs of R1 656,1 million are our group's biggest operating cost and increased by 20,3% over the previous year. The increase in these costs is due to normal staff salary increases which this year averaged 8%, as well as the appointment of new staff to service new store openings. Included in these costs are performance bonuses amounting to R67,8 million paid to staff where performance targets were achieved. This is the first time in four years that performance bonuses have been paid. The IFRS 2 charge amounted to R55,9 million, whilst an amount of R43,3 million was recognised as an expense last year.

Store occupancy costs, the group's second largest operating cost, increased by 13,2% to R902,3 million, and as a percentage of sales decreased to 9,1%. Whilst lease escalations average 8%, the balance of this cost is due to the opening of new stores. During the year 114 new stores were opened whilst 14 stores were closed.

Net bad debt and movement in provisions in our retail debtors' book increased by 11,9% to R401,7 million on a 20,6% book growth, reflecting the switch of new accounts to 12-month extended terms from the previous 6-month terms. Due to the economic upturn, the performance of our debtors' book improved substantially with net debts as a percentage of debtors' book reducing to 9,2% from 9,9%. There has been an improvement in both late and early delinquency buckets. In addition, those debtors moving under debt review have now stabilised. The net bad debt and movement in provisions in the RCS Group, which had deteriorated in line with the banking crisis, improved this year by 34,4% and now stands at R231,1 million. This was achieved by better asset quality, portfolio diversification and collections focus. More detail on the group's bad debt and provisions is dealt with in the Financial Services review elsewhere in this report.

Interest paid decreased to R250,1 million from R261,5 million assisted by reduced interest rates. R800 million of our borrowings are at fixed rates which start to unwind during the new financial year, the benefits of which will be felt during the new financial year. It is significant to note that by far the majority of our interest paid relates to the funding of the RCS Group.

OPERATING MARGIN

The group's operating margin increased to 23,2% from 22,9%. As the economy continues to improve and consumer spending becomes more buoyant we would expect our operating margin to gradually increase to 25%, which is our group's medium-term target.

TAXATION

The group's effective tax rate remained static at 32,2%, reflecting normal company tax rates plus STC.

EARNINGS

Earnings attributable to TFG shareholders increased by 19,9% to R1 301,8 million from R1 085,6 million, whilst headline earnings per ordinary share increased by 21,3% from 521,4 cents per share to 632,3 cents per share. Headline earnings per share has been calculated on the weighted average number of ordinary shares in issue of 206,5 million, down from 208,2 million in the prior year.

Diluted headline earnings per share increased from 518,2 cents to 619,9 cents, an increase of 19,6%.

The group's return on equity (ROE) of 24,3% increased from last year's ROE of 22,5%. Whilst this is at a satisfactory level a material improvement is only expected to happen once our RCS Group subsidiary is deconsolidated and adequate gearing introduced to the retail side of our business.

DIVIDENDS

Having regard to our strong financial position and cash flow, as well as future prospects, we increased our final dividend by 24,7% to 212,0 cents per share and together with the interim dividend of 138,0 cents per share, the total dividend for the year is 350,0 cents per share, an increase of 21,5% on last year's dividend.

STATEMENT OF FINANCIAL POSITION

The tangible net asset value per share grew by 10,1% to 2 642,9 cents per share. Total assets now amount to R10 702,5 million and grew by 15,9%.

ASSETS

Property, Plant and Equipment

Property, plant and equipment increased by 9,2% to R1 086,9 million from last year's R995,8 million primarily due to;

- the opening of new stores, store enlargements and refurbishments in line with our strategy to increase our total trading area; and
- the introduction of new IT systems.

Trade Receivables – Retail

The group's net retail trade receivables increased by 20,6% to R3 823,0 million from R3 169,3 million on credit turnover growth of 13,5%. The take-up of 12-month accounts by new customers continues to be positively received with over 90% of all new accounts opting for the 12-month option. This accounts for the growth in the book in excess of the credit turnover growth. In terms of our strategy of actively pursuing new accounts, we were extremely successful this year and opened 590 000 new accounts. As a result our active accounts grew by 10,5%.

Net bad debt as a percentage of credit transactions is 4,7%, whilst the net bad debt write-off as a percentage of the debtors' book decreased to 9,2% from 9,9%. In the current climate, we consider the performance of the retail book to be satisfactory.

The key debtors' statistics are detailed in the TFG Financial Services section of this report.

INVENTORY

Total inventory on hand increased by 20,8% to R1 804,7 million from R1 493,8 million. Stock is at slightly elevated levels at the year-end due to stock being brought in early because of the Chinese New Year and the movement of Easter. Stock turns in our business remain a focus and continue to be addressed through our supply chain initiative. Our stock turn in respect of jewellery merchandise at 1,9 is considered satisfactory in terms of world benchmarks, whilst the group's stock turns on other merchandise categories at 3,7 should improve further over the next few years as a result of our supply chain initiative. Adequate provision has been made for mark-downs, shrinkage and inventory obsolescence.

RCS GROUP

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 RCS Group performed well this year with net profit before tax increasing by 22,0% to R275,6 million. The quality of new business written during the year has continued to improve with arrear debt (60 days plus) as a percentage of total debt improving to 11,1% from 14,4%. Provisions as a percentage of non-performing loans now amount to 112,3%, an improvement from 90,8%. Non-performing loans as a percentage of total debt have improved to 7,3% from 10,1%.

Improvement in the overall asset quality remains a key focus in order to maintain and improve the RCS Group's credit rating.

At the year-end, RCS Group's receivables increased by 9,8% to R2 888,6 million from R2 630,8 million.

The key debtors' statistics are detailed in the RCS Group section of this report.

RCS Group currently represents 13,4% of our group's profit before tax, a marginal increase from last year. It still remains our intention at some future date to reduce our group's holding in RCS to below 50%, which will obviate the need to consolidate this group. We expect this to happen through a separate listing of RCS in the next few years.

Its domestic medium-term note (DMTN) programme launched in March 2010 has been successfully implemented with over R1 billion of funding being raised to date comprising a mixture of long- and short-term paper. It now has surplus funding in excess of R600 million which is available to support its future growth and lessen its reliance on funding from TFG.

EQUITY

The group's attributable equity increased to R5 462,9 million from R5 058,3 million translating into tangible net asset value of 2 642,9 cents per share. At the financial year-end, treasury shares held by subsidiaries including the share trust, amounted to 35,2 million shares.

NON-CONTROLLING INTEREST

The non-controlling interest of R485,6 million relates to the minority shareholding in the RCS Group. At the financial year-end the group's shareholding in this division was 55% with the balance being held by The Standard Bank of South Africa Limited (SBSA).

DEBT PROFILE

	2011 (Rm)	2010 (Rm)
Interest-bearing debt and non-controlling interest loans	**2 561,9**	1 969,5
Less: Preference share investment	**(200,0)**	(200,0)
Less: Cash	**(338,5)**	(284,0)
Net borrowings	**2 023,4**	1 485,5
Less: SBSA loan to RCS Group (non-controlling interest loan)	**(144,3)**	(478,3)
	1 879,1	1 007,2
Less: RCS Group external funding (commercial paper + bank loan)	**(908,0)**	(372,1)
Recourse debt	**971,1**	635,1
Less: TFG funding of RCS Group	**(733,5)**	(804,5)
Retail borrowings (cash)	**237,6**	(169,4)

Our group's operations are financed primarily by means of its own cash flow as well as banking facilities. This debt, off-set by the group's cash and its "near cash" preference share investment of R200 million, represents net gearing of 34,0%, which is below the group's medium-term objective of 40%.

Of this debt, the non-controlling interest loan by SBSA to the RCS Group of R144,3 million, together with the RCS Group's external funding of R908,0 million, has no recourse to TFG. Accordingly, our net recourse borrowings amount to R971,1 million which represents net recourse gearing of 16,3% (2010: 11,6%).

Taking into account the R733,5 million advanced as a loan to the RCS Group, the retail side of our business has extremely low gearing of R237,6 million.

TRADE AND OTHER PAYABLES

Trade and other payables increased from R1 293,8 million to R1 710,7 million. This increase is by and large in line with the additional stock holding and the provision for performance bonuses which were paid after the financial year-end.

CAPITAL EXPENDITURE

Total capital expenditure for the year amounted to R382,8 million, most of which relates to the opening of new stores and refurbishments, as well as investment in IT systems.

In line with our strategy of investing for the longer term, budgeted capital expenditure for 2012 is approximately R450 million. Included in this amount is planned expenditure of approximately R40 million relating to the extension to our head office. Furthermore we anticipate opening in the region of 100 new stores in the year ahead, increasing floor space by approximately 6%.

CASH FLOW

Cash flows from operating activities before working capital changes amounted to R2 630,3 million, an increase on the previous year's R2 237,5 million. Cash generated by operations amounted to R1 806,2 million compared to R1 696,1 million in the previous year. The majority of our spend related to investment in future growth with a R672 million increase in our retail debtors' book and a R258 million increase in the RCS Group debtors' book. Capex, the majority of which relates to new stores, amounted to R382,8 million.

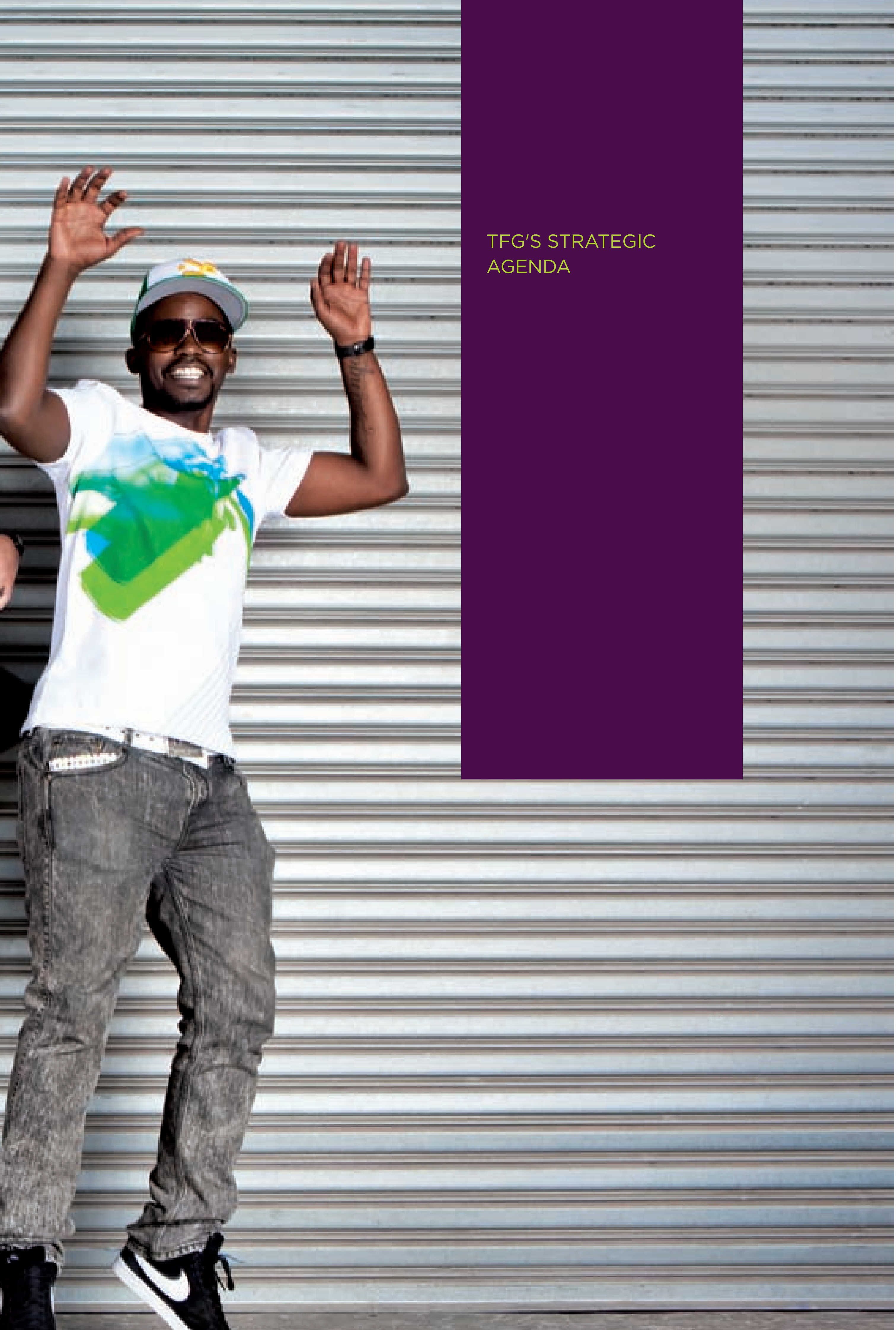
In addition to this an amount of R453,8 million was spent on share buy-backs by the share trust in order to hedge outstanding share options granted to staff.

FINANCIAL TARGETS

Our group's financial targets have been included in the Performance Summary section of this report.

RONNIE STEIN
Chief Financial Officer

20 June 2011



TFG'S STRATEGIC AGENDA

TFG'S STRATEGIC AGENDA

AN IMPORTANT OBJECTIVE OF INTEGRATED REPORTING IS TO ENABLE READERS OF THE REPORT TO ASSESS THE EXTENT TO WHICH THE COMPANY'S EXECUTIVE TEAM HAS APPLIED ITS "COLLECTIVE MIND" IN IDENTIFYING THE FINANCIAL AND SOCIETAL ISSUES THAT IMPACT ON THE ORGANISATION, AND TO EVALUATE WHETHER THESE ISSUES HAVE BEEN APPROPRIATELY PROVIDED FOR WITHIN THE ORGANISATION'S STRATEGY.

In seeking to meet this objective, this section of the report provides an overview of TFG's strategic agenda and outlines the process that we have been following in identifying and responding to the societal issues that have a material bearing on TFG's capacity to create value in the short, medium and long term.

OUR CURRENT STRATEGIC OBJECTIVES

The TFG board sees strategy as integral to the business and believes that the strategic objectives should drive performance over the medium term. Strategy is revisited each year to take stock of progress and to refine rather than redefine the strategic direction of TFG.

1 SUPPLY CHAIN OPTIMISATION

The availability and fashionability of merchandise is a key driver of success and it is therefore paramount that TFG maintains a flexible and sustainable supply base. The ability of TFG to react to changing trends faster and thus provide its customers with the latest fashion, is largely dependent on the reliability of its local supply base.

2 CRM FOCUS

Being a predominantly credit retailer, one of the keys to TFG's success lies in ensuring positive growth in the number of credit customers with active accounts. In addition to this, TFG aims to develop a better understanding of its cash customers. The ultimate aim is to increase the average spend of both credit and cash customers through a compelling merchandise offering, a competitive credit offering and through developing customer loyalty whilst ensuring compliance with consumer-focused legislation.

3 STORE OPTIMISATION

The in-store experience is TFG's primary interaction with its existing and potential customers and it is therefore vital that stores are optimised. Having appropriately skilled and trained staff in-store is essential for customer service and ultimately to improve efficiencies.

4 FOSCHINI DIVISION

In years gone by, Foschini was the major contributor to the group's success. This is no longer the case as TFG has evolved over time and now comprises 14 trading brands, as well as financial services and our 55% share of RCS Group. Foschini nonetheless remains a key division which currently includes Foschini stores, Donna-Claire, Fashion Express and Luella. The focus for the medium term is therefore on ensuring consistency of performance within Foschini stores, bedding down the new Donna-Claire offering and maximising the roll-out potential of Fashion Express.

> WE RECOGNISE THAT PROVIDING AN ATTRACTIVE WORK ENVIRONMENT WITH COMPETITIVE SALARIES AND ASSOCIATED BENEFITS ENCOURAGES GREATER PRODUCTIVITY AND EMPLOYEE LOYALTY.

5 EXPANSION AND NEW MARKETS

In order to deliver increasing returns to our shareholders, it remains TFG's intention to continue to roll out those brands that are currently under-represented, as well as to seek new markets in other parts of Africa where we believe opportunities exist. In addition, we will continue to explore expansion opportunities with our financial services product offerings.

6 WORLD-CLASS HR CAPABILITY

TFG is a "people business" and the success of our organisation is largely determined by the staff that we employ. World-class human resources capabilities are critical to TFG's ongoing success.

7 TRANSFORMATION

As a corporate citizen of South Africa, TFG has a responsibility to play its part in transformation. Meeting our employment equity targets is a key success factor. In addition, transformation of TFG's shareholder base in terms of a potential BBBEE deal remains a long-term objective.

LINKING SOCIAL ISSUES TO OUR STRATEGIC OBJECTIVES

As a retail company in the apparel, footwear, sporting, cellphone and jewellery business we believe that there are various ways in which societal and environmental issues have a material impact on our core business:

- Primarily, there are significant implications for us associated with existing and anticipated **government policy** aimed at addressing societal, governance and environmental challenges. Examples of direct impacts on our business include the recent regulatory focus on protecting consumers' rights (typified by the recent promulgation of the Consumer Protection Act), new requirements relating to corporate governance practices and the various environmental policy measures (relating, for example, to the siting of new stores, energy efficiency and waste management) that may impact on our activities throughout our value chain.
- At a more general level, government policy on social and environmental issues may have broader **macroeconomic impacts** with resulting implications for our business. For example, certain policy measures – such as Treasury's recently-mooted carbon tax – will result in increased prices, leading to reductions in the disposable income of our consumers. Although some areas of our business are less vulnerable than others, a slowing consumer spending environment translates into lower sales growth and a decline in revenue. Adverse macroeconomic conditions could also result in higher-than-forecast bad debt write-offs, which would affect the earnings of our group.
- We anticipate that, in time, growing **resource constraints** will result in increasing raw material and operating costs. Higher energy and fuel costs are seen to be of most material concern to our distribution and purchasing activities, and underline the need for continuing efforts to maximise operational efficiencies. Potential resource constraints and the resulting policy responses may also increase the volatility of the supply and distribution of certain raw materials and products.
- As we begin to see greater competition in the local market – including increased activity from international competing brands in the sports and footwear sector, some of whom have positioned themselves very strongly on sustainability issues – we believe that this will increase the potential for sustainability considerations to provide a source of branding differentiation and competitive advantage, as well as raising **reputational pressures**. While local clothing retailers have not faced the same level of consumer scrutiny on supply chain practices as our international peers, we anticipate that there will be a limited increase in consumer and investor awareness on these issues.
- Finally, we recognise that providing an **attractive work environment** with competitive salaries and associated benefits encourages greater productivity and employee loyalty.

Underlying our commitment to addressing these material sustainability issues is the belief that companies that are more responsive to developments within society tend to be better managed and more successful in the short, medium and long term.

TFG'S STRATEGIC AGENDA CONTINUED

INTEGRATING SUSTAINABILITY INTO OUR BUSINESS STRATEGY

In 2010 we initiated a sustainability strategy process with the aim of ensuring that TFG is responding appropriately to key societal issues. We did so in the context of the following trends that we have been observing:

- a growing interest in sustainability-related issues from our stakeholders;
- an increasing appreciation – globally, locally and within TFG – of the strategic relevance of sustainability issues within the retail sector; and
- the trend, locally and internationally, towards integrated reporting.

This strategy process was facilitated by external consultants and driven internally through a task team involving 23 senior managers from across the group.

The task team reported its recommendations to the operating board in February 2011. Phase I of the process concluded with the development of a three-year sustainability roadmap; Phase II will focus on implementation and integration across the group and will run from July to October 2011.

Overall responsibility for integrating sustainability into TFG's strategy resides with an operating board member.

	PROCESS	OUTCOME
PHASE I STRATEGIC ROADMAP August – November 2010	■ 23-member team ■ Report to operating board ■ Benchmark analysis ■ Value driver analysis ■ Risk and opportunity analysis ■ Dialogue process	■ Shared understanding at executive level ■ Identified seven focus areas ■ Recommended focus: consolidation of existing initiatives and performance management
PHASE II IMPLEMENTATION PROTOCOL July – October 2011	■ six-member core team ■ Internal engagement across all retail brands ■ Focus on consolidation and performance management (objectives and targets, reporting requirements and management structure)	■ Sustainability dashboard ■ Management system structure ■ Enhanced integrated reporting

IDENTIFYING THE MATERIAL RISKS AND OPPORTUNITIES

An important part of this strategy process was to identify the material sustainability-related risks and opportunities facing TFG. This was undertaken through a process of internal evaluation and reflection that was informed by the outcomes of discussions with our stakeholders. A review of our recent stakeholder engagement activities is provided later in this section.

Some of the material issues that have been raised by our various stakeholders, and that were identified through our internal review process, include:

- Building and maintaining shareholder value
- Attracting and retaining staff
- Promoting broad-based black economic empowerment
- Making a positive contribution to the economy by providing employment, generating business for local service providers, paying taxes and supplying affordable quality goods
- Ensuring ethical integrity through transparent corporate governance practices
- Providing a safe place of work that rewards and motivates our employees appropriately
- Promoting sound social and environmental practices throughout our supply chain
- Ensuring product safety and integrity, for example through clear labelling and marketing practices
- Adopting sound environmental management practices in our operations
- Providing resources, time and energy to our corporate social investment programme

POSITIONING TFG ON SUSTAINABILITY ISSUES

The process of internal evaluation and reflection on these risks and opportunities enabled the task team to identify and agree a clear strategic positioning in response to these issues. Through this process, we identified seven focus areas that have clear linkages to our existing strategic agenda.

As we do not envisage a significant demand (over the short to medium term) for products differentiated on ethical or environmental criteria within our sector, our strategy has deliberately focused on prioritising governance, optimisation and efficiency initiatives, broad-based empowerment and employee awareness, and supply chain issues over product-related or "green branding" initiatives.

The table below lists these focus areas, shows how these link to our business strategic agenda and identifies where further information on these issues are provided in the report. A more comprehensive guide on different aspects of our broader sustainability performance may be found in our detailed content index for the G3 Guidelines of the Global Reporting Initiative (GRI) that is available on our website.

FOCUS AREAS	LINK TO BUSINESS STRATEGIC AGENDA
Supply chain resilience	Enhances supply chain optimisation and manages risks in relation to flexibility and security of supply
A culture of transformation and a change of mind-set	Supports our focus on developing world-class capability in human resources, and our commitment to transformation
Enhancing optimisation efforts	Supports our general drive towards increased efficiency, including store optimisation efforts
Strengthening governance systems	Ensures sustainability-related risks and opportunities are adequately managed and reported in accordance with best practice
Contributing to socio-economic development	Enhances our reputation, stimulates innovative thinking on new products and markets, and supports our transformation commitments
Sustainable expansion	Ensure our expansion process takes account of a broad spectrum of societal issues
Responsible credit	Ensure our credit operations align with responsible lending principles

TFG'S STRATEGIC AGENDA CONTINUED

Our focus this year will be on ensuring effective integration of these issues within our existing initiatives and on further developing our sustainability performance management system. This will include consolidating sustainability-related objectives and targets into a single dashboard for the group. We look forward to reporting on the outcomes of our integration activities in our next report.

TFG'S SUSTAINABLE DEVELOPMENT CHALLENGES AND COMMITMENTS

The table below provides an indication of progress achieved against the sustainability challenges and commitments that we identified for the year ended 31 March 2011.

WHAT WE COMMITTED TO ACHIEVE IN 2011	WHAT WE HAVE DONE
A group sustainability strategy will be developed and implemented.	Initiated a sustainability strategy process facilitated by external consultants and driven internally through a task team. A three-year sustainability roadmap has been developed, which will be implemented and integrated across the group during 2012.
Our revised and piloted audit process for suppliers will be finalised and all our primary merchandise suppliers will have been audited within the forthcoming financial year to ensure that contractual obligations are being met.	Our revised audit process was finalised and successfully piloted. In consultation with the various trading divisions, the process is being rolled out.
A successfully piloted supplier scorecard will be rolled out to all local and international suppliers.	Supplier scorecards have been implemented, with the exception of the Jewellery division, which requires individual criteria; this is due to be developed and implemented during the forthcoming financial year.
A comprehensive and fully documented supplier database will be established and maintained to measure and monitor supplier performance. This includes implementing a formalised standard supplier take-on process to ensure consistency throughout the group.	We have completed our supplier database to monitor performance and have monthly, formalised feedback, to assist in assessing and measuring the performance of our suppliers. The official supplier take-on process is on the group website, where any new supplier can easily access it.
Upstream quality assurance (QA) processes will be implemented, both locally and internationally, covering all merchandise categories in which the group trades.	We have established upstream QA processes and measurement thereof, and need to further develop the international aspect.
A recently-appointed utilities manager will oversee and ensure an enhanced process of measuring and monitoring electricity usage at each of our stores, head offices and distribution centres.	We have improved measurement and monitoring of electricity consumption at our head offices and distribution centres. Our store electricity consumption has proved more challenging to record and monitor as, in many instances, supplier invoices reflect only the monetary cost and not the Kw/hours. We are engaging with service providers to issue their invoices in a prescribed standard format to provide us with the information that we require. We do not envisage that this change will be achieved during the 2012 financial year.
To ensure that targets in respect of skills development are achieved, we will launch an initiative called Project 700, aimed at training 700 sales associates.	Due to logistical challenges, the Project 700 initiative was restrategised during the course of the year, to develop skills programmes that are aligned to the W&R SETA skills programmes matrix. The targeted 700 store staff are on track to complete the revised skills programmes and be assessed on their performance within 2012.

STAKEHOLDER RELATIONS

A summary of the group's engagement with its various stakeholder groups is provided in the following table:

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
Employees	■ Regular dialogue and communication sessions ■ Break-aways ■ Team-building exercises ■ Notice boards ■ Newsletters ■ Union meetings ■ Training and development initiatives ■ Intranet ■ E-mail ■ Store visits by senior managers ■ Staff meetings ■ National electronic engagement survey	Requests relating to employee benefits.	Human resources policies are all available to staff through our intranet. Ad-hoc requests are discussed on an individual basis, either in person, telephonically or via e-mail.
Institutional shareholders and investment analysts	■ Presentations arranged through the Investment Analyst Society ■ Regular local and international investor relations meetings with executive directors and senior management	Consistency of trading performance particularly with respect to the Foschini brand.	Performance is improving and the processes being implemented should ensure consistent results in future.
Shareholders	■ Annual reports ■ SENS announcements ■ Profit announcements ■ Annual general meetings ■ Advertisements ■ Group website ■ E-mail	Consistency of trading performance particularly with respect to the Foschini brand.	Performance is improving and the processes being implemented should ensure consistent results in future.
Banks and other financial institutions	■ Regular meetings with senior management	Bank facility reviews and general banking issues.	There are no specific areas of concern.
Customers*	■ Interaction with store and head office staff ■ Customer call centre ■ Through our website ■ E-mail and SMS ■ Monthly statements ■ Advertising ■ Sponsorships ■ Store promotions and competitions	Customers most frequently raise specific issues relating to an in-store experience.	We monitor issues raised by customers via our Customer Services Call Centre, our websites and we are linked to external customer service websites.

TFG'S STRATEGIC AGENDA CONTINUED

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
Suppliers	■ Suppliers participate in task teams and sessions with the group aimed at further developing our supply chain initiatives ■ Communication with store and head office staff ■ Regular site visits ■ Audits and meetings ■ Video conferencing ■ Requests for general and compliance information and supplier fora	Longevity and sustainability of relationships between the group and suppliers. Illegal imports are increasingly impacting on the competitiveness of the local supply base.	TFG Merchandise Procurement division ensures responsible management and quality assurance in procurement practices. Formalised processes are in place to evaluate existing and potential suppliers, and monitor supplier performance. TFG Merchandise Procurement assists suppliers requiring corrective action to be taken in order to ensure compliance. The group meets with SARS and DTI through the NCRF to address concerns around illegal and under-invoiced imports.
Government and regulatory authorities	■ Formal meetings with government departments and business organisations ■ Written and oral submissions regarding relevant draft legislation	On occasion government and regulatory authorities approach the group and/or the Retail Association (of which the group is a member) requesting input on draft legislation. Recently the group has been extensively involved with the drafting and content of the Consumer Protection Act's Regulations and various Notices*; written submissions on the draft Regulations were sent to the Department of Trade and Industry. In addition meetings were held with the Department. We have also submitted comments on draft energy efficiency standards. Business Unity South Africa (the Retail Association is a member) communicates to its members any government and regulatory authority concerns as regards businesses, and also provides opportunities for member organisations to meet with government and regulatory authority representatives, submit comments on draft laws and be represented at formal interactions between business and key government and regulatory representatives.	The group submits comments on draft laws to the relevant government department or authority. The group will also assist the Retail Association with submissions on draft laws. Government representatives may ask for clarification on a submission or ask for suggested wording for draft laws. Where government and regulatory authorities approach the group with a concern or question they may have on the law, we will either meet with the government or regulatory representative in person or submit a written reply.

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
Department of Labour (DoL)	■ Via e-mail ■ Ad-hoc meetings ■ Inspections in stores	Key issues of interest include implementation of employment equity plans, and ensuring compliance with legislation regarding PAYE, COIDA, skills levies, and employment equity.	We engage on a continuous basis with the DoL on various issues, including our employment equity plans. We provide proof that the payments as required by relevant legislation have been completed.
Unions	■ Annual wage negotiation meetings ■ Ad-hoc meetings as per workplace disputes	Issues pertaining to wage negotiations. Workplace disputes.	We strive to gain consensus in terms of wage demands, and we manage any workplace disputes and determine an agreement. Where it is policy related, this could necessitate a policy change.
Community	■ Community social investment initiatives undertaken by the group and by staff members ■ Meetings with social investment representatives ■ Sponsorships ■ Advertisements ■ Website and media releases	The most frequent questions we deal with are (a) requests for information on how we fund, from external stakeholders wanting to apply for funding; and (b) questions from internal stakeholders wanting to know more about our CSI activities.	NGOs requesting CSI funding are referred to our CSI website for information. If they believe that their application meets our funding criteria, they can submit an application. These applications are screened by the CSI department. Shortlisted projects are visited before a final decision is made. All successful and unsuccessful applications are acknowledged in writing. Funding is usually allocated for a maximum period of three years. We engage with our internal stakeholders via annual communication campaigns involving various channels of communication. From time to time, staff are also invited to participate in or support CSI activities.

TFG'S STRATEGIC AGENDA CONTINUED

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
Retailer's Association	■ Monthly meetings ■ Correspondence via e-mail	Common issues relevant to the members of the association; this could be of a legislative or socio-economic nature that could have a direct impact on our business.	Active engagement on how to approach these matters as they will impact our business in order to determine whether a collaborative/ business-only approach should be implemented.
Retail and Wholesale SETAs	■ Monthly meetings ■ Correspondence via e-mail	Common issues relevant to training and development within the wholesale and retail sector; this could be of a legislative, socio-economic nature and could have a direct impact on the skills levy refunds received by our business.	Continuous engagement with the SETA regarding mandatory and discretionary skills levy refunds and requests for the approval of learnerships.
CCMA	■ Meetings in the form of a conciliation/ con-arb or arbitration process ■ Telephonic queries ■ Written correspondence regarding referrals sent to the CCMA/ TFG	Issues referred to the CCMA are that of dismissals, retrenchments or any disciplinary process where the employee is dissatisfied with the outcome.	Defend the matter with specific focus on the substantive and procedural issues pertaining to those dismissals/disciplinary actions.
Labour Courts	■ Advocate representation at the Labour Court	Review of arbitration awards as set down by the CCMA and the merits pertaining to that case; defence of the award as set down by the CCMA.	Reasons for the dismissal of the award received at the CCMA; response to the applicant in defence of the award received at the CCMA.

*IMPLICATIONS OF CONSUMER PROTECTION ACT

The Consumer Protection Act became effective on 31 March 2011. TFG reviewed all its business processes and practices to ensure compliance with the Act. In line with TFG's values and ethics, the Act reflects TFG's aim of upholding customers' rights and honouring the customer protection afforded in terms of the Act. Compliance with the Act affects almost all areas of TFG's business, ranging from selecting suppliers, marketing, providing safe and quality end-products to consumers, rendering services of exceptional standards, ensuring that TFG's customer service obligations extend beyond marketing, customer selection and purchase of products or services, to customer service after making a purchase. Complying with the Act and embracing its principles is a cornerstone in maintaining our sustainable business model.

MANAGING OUR ENVIRONMENTAL IMPACTS

The operational impacts on the environment associated with TFG's retail and financial service activities are relatively low. In terms of direct impacts, the group's activities consume resources, energy and water, and contribute to the generation of product and packaging waste. While the environmental impacts do not have significant financial implications for the business, the group recognises that environmental responsibility is part of good business practice and to this end is committed to developing ways to reduce its impacts more systematically. The group is a relatively small purchaser and hence its ability to promote and influence greater environmental awareness and responsible environmental practices amongst its suppliers, is limited.

We continue to focus our efforts to mitigate our environmental impact in the areas of activity where we have the greatest opportunity to make a significant difference to our performance: energy efficiency, packaging waste and merchandise transport. Further information on our activities and environmental performance is available through our website.

Recognising the increasing interest shown by analysts and SRI investors around environmental performance issues, the group commissioned a third annual carbon inventory (or "carbon footprint") assessing the greenhouse gas (GHG) emissions generated through its business activities. This provides a useful analysis of the group's performance, as it seeks to reduce the GHG emissions associated with its activities. The key efforts to reduce our GHG emissions focus on reducing our energy demands and reducing waste production through carton reuse.

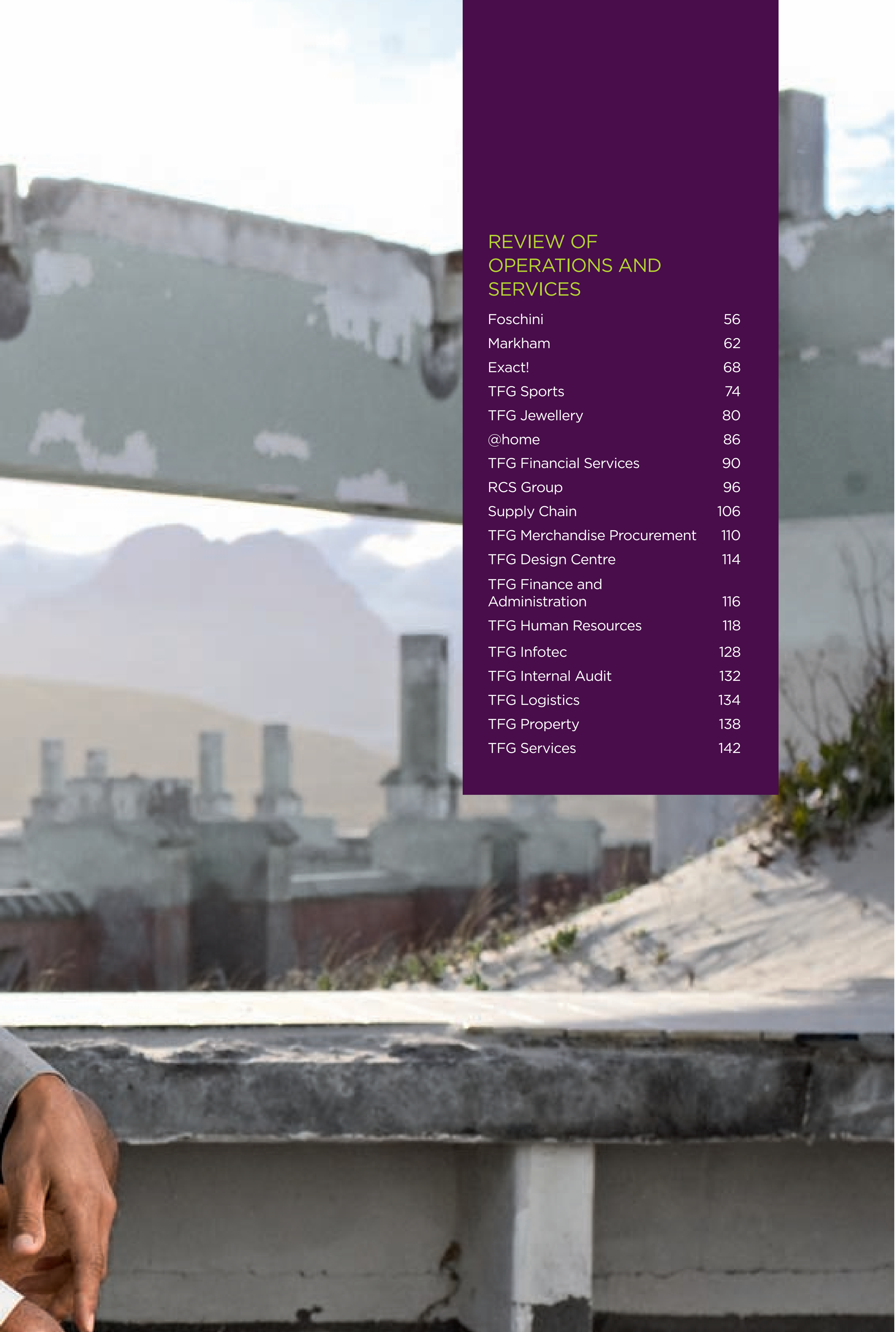
A high-level overview of our carbon footprint for each of the last two years is provided in the consolidated performance summary table in the appendices section of this report. A complete breakdown and analysis of our carbon footprint is available through our website.

CONTRIBUTING TO SOCIO-ECONOMIC DEVELOPMENT

Through our CSI initiatives, we contribute towards socio-economic development for the benefit of the group's employees, customers and the communities within which we operate. TFG's CSI activities are funded through the TFG Foundation, an independent charitable organisation established in 2006, which draws its funds from group resources and direct donations from staff members. The market value of the investments under the Foundation's control at the end of 2011 increased to R90,6 million. This represents a 6% increase on R85,1 million last year, attributed to current market improvements. Donations made by the Foundation during the past year totalled R5,3 million, which is 16% more than last year's R4,5 million expenditure. Merchandise donations for the benefit of The Feel Good Project aimed at skills development totalled R23 million. Additional donations to the value of R1,8 million were made by various divisions of the group in cash, sundry equipment, merchandise and services. Of their own volition and from their own resources, staff members and business partners of the group contributed an additional R22 260.

Collectively, we have invested in more than 50 projects in 2010 and made charitable donations to more than 100 national and local non-governmental organisations, with our primary focus areas being education (allocated 17% of total funds); skills development (7% of funds); arts, culture and the environment (7% of total funds); special projects, including bursaries (46% of funds); and combating HIV/AIDS (23% of funds), with specific emphasis on women and children, and to the disabled.

Further information on our CSI activities is available through the group website.



REVIEW OF OPERATIONS AND SERVICES

RETAIL TURNOVER

R3 719,0m

NO. OF STORES

484

"AFTER A SOFT START TO THE YEAR THE DIVISION PERFORMED BETTER IN THE SECOND HALF AND FINISHED THE YEAR WITH FULL-YEAR TURNOVER GROWTH OF 12,5%."

FOSCHINI DIVISION

THE FOSCHINI DIVISION REMAINS THE PRIMARY WOMENSWEAR FASHION DIVISION IN THE GROUP.

POSITIONING

The Foschini division is the womenswear fashion division in the group, comprising the Foschini, Fashion Express, Donna-Claire and Luella chains of stores.

Foschini offers affordable fashionable clothing, footwear and cosmetics to women with a target market of 18 to 35 year olds in the LSM sectors 6 to 10. Foschini stores are located in prime shopping centres and CBDs.

Fashion Express is the value chain, supplying clothing and footwear for customers in the LSM 5 to 9 categories. Its stores are located in CBD environments in both large and small towns and in both small and regional shopping centres.

Donna-Claire supplies fashionable clothing for larger-sized women of all ages. The target market is the LSM 6 to 10 categories. Most of the stores are located in prime shopping centres, with a recent roll-out to secondary malls and some CBDs.

Luella, a relatively new chain, is devoted to footwear and handbags, offering reasonably priced products in a modern international store format. Luella stores are all in key shopping centres.

REVIEW OF THE YEAR

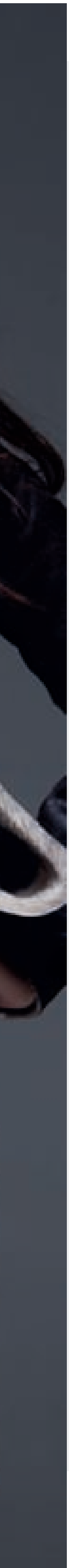
After a soft start to the year the division performed better in the second half and finished the year with full-year turnover growth of 12,5%.

In total 36 new stores were opened across the division's four chains. In addition, 14 stores were enlarged or relocated.

During the year a Foschini and a Fashion Express store were opened in Zambia – the division's first stores in this country and the first beyond the common southern African customs union (which includes Namibia and Botswana). A number of key lessons were learnt in the process, and as a result of the good performance of these stores four new stores are planned for the next year.

ABIGAIL BISOGNO

		2011	% change	2010
Turnover (R million)	Foschini	**2 833,5**	10,7	2 560,4
	Fashion Express	**497,4**	25,3	396,9
	Donna-Claire	**349,1**	12,6	310,0
	Luella	**39,0**	0,8	38,7
	Total	**3 719,0**	12,5	3 306,0
Number of stores	Foschini	**228**	2,2	223
	Fashion Express	**148**	17,5	126
	Donna-Claire	**90**	2,3	88
	Luella	**18**	5,9	17
	Total	**484**	6,6	454
Floor area (gross m²)	Foschini	**164 934**	3,5	159 343
	Fashion Express	**43 064**	16,9	36 836
	Donna-Claire	**24 469**	2,2	23 949
	Luella	**2 501**	3,1	2 426
	Total	**234 968**	5,6	222 554
Number of employees	Foschini	**4 111**	1,3	4 059
	Fashion Express	**759**	21,2	626
	Donna-Claire	**519**	3,2	503
	Luella	**82**	(7,9)	89
	Total	**5 471**	3,7	5 277
Most significant countries from which merchandise is imported		**China**		China



FOSCHINI DIVISION

More than 12 000 square metres of retail space were added during the year and, together with enlargements, the total retail space grew by 5,6%.

The most substantial developments were in the following locations:

Manda Hill Centre – a new mall in Lusaka, Zambia

I'langa – a new regional centre in Mbombela

Goldfields Mall – a new regional centre in Welkom

Brits Mall – a new regional centre in Brits

Durban West Street – a major update of an existing Foschini store

Stores were also opened in smaller shopping centres, including Mamelodi Crossing, Randridge Mall and Chris Hani Mall in Vosloorus.

Whilst economic conditions were more favourable during 2011 than in the previous year, consumers remained cautious. Reductions made in interest rates boosted consumer confidence and spending. Whilst the good spirits generated among the public by the 2010 FIFA World Cup™ boosted the economy overall, there was only a minimal impact on the division's brands.

The division has however benefited from the group's supply chain initiatives which have had a significant impact throughout all merchandise processes.

Consumer research indicated that pricing in the Foschini chain had risen beyond the reach of many consumers in the target market and price tiering became a key part of the product strategy. The buyers in this chain put additional focus on providing good ˝opening price points˝ in all key departments and this was achieved without affecting margins. Research indicators suggest that consumers now perceive the Foschini chain to offer very good value.

COSMETICS

The Foschini cosmetics range brings together a number of major international brands including MAC, Estée Lauder, Clinique, Clarins, Elizabeth Arden, Revlon and L'Oreal. In most of the new-format stores in shopping centres the cosmetics departments have their own entrance, creating a standalone ambience. It has once again been shown that this layout increases footfall and benefits the other departments of the Foschini stores.

Annual turnover in cosmetics grew by 8,8% and is now close to R700 million. Although the first half provided a challenge in meeting stronger demand from consumers for value propositions, an update in merchandise strategy yielded a much stronger performance in the last two quarters, and by the year-end this department was trading above market growth.

CELLULAR PRODUCTS

Cellphones had a much improved year after a weak performance in the previous year. This upturn was attributable in part to improved stock levels of MTN products, and also the roll-out of Vodacom products to more stores.

With the creation of the group's Retail Technology division, the cellular department within the Foschini division is managed centrally.

> "MORE THAN 12 000 SQUARE METRES OF RETAIL SPACE WERE ADDED DURING THE YEAR AND, TOGETHER WITH ENLARGEMENTS, THE TOTAL RETAIL SPACE GREW BY 5,6%."

FOSCHINI

Clothing sales in the Foschini chain grew by 10,5% year on year, with comparable store turnover up 8,5%. While trading in the first half was more difficult increasing by 3,0%, the second half was substantially better with turnover growth of 18,2%.

An important factor in breaking through to acceptable levels of growth was a correction in the ratio of "casual to smart" stock largely as a result of carrying an excessive quantity of "smart" stock at the end of the previous year. The ratio was corrected in the first quarter.

The "casual to smart" ratio was in good balance after the winter of 2010 and the summer stock assortment was welcomed by the market, which was also pleased by the improved value on offer. These factors had a positive effect on the season's turnover and ushered in a generally better performance in the second half of the year.

The total turnover of the Foschini chain in the full year, including its cosmetics and cellular departments, grew by 10,7%.

Seven new Foschini stores were opened during the year, the most significant of these being I'langa Mall in Mbombela, Manda Hill in Zambia and Cavendish Square in Cape Town.

The performance of the Manda Hill store has been very encouraging and additional stores will be opened in Zambia in the coming year.

The opening of a Foschini store in the Cavendish Centre in Cape Town was a milestone for the Foschini brand and a new store design was created for the event. The reaction it received from both customers and staff was so positive that this store has formed the basis of a new concept which is being rolled out to new stores. As is the case with all new stores, variations and enhancements are made continuously.

An enlarged Foschini store will open in Sandton City, Gauteng, in November 2011 with a store concept that is showing exceptional promise.

FASHION EXPRESS

This value chain is now well established in the market-place and it had another good year of trading. It is built around the concept of "express yourself for less" and offers fashionable garments to customers in a pleasant shopping environment at prices that rival those of traditional cash retailers.

Total turnover grew by 25,3%, with comparable store turnover rising by 14,1%. Sales in the Fashion Express chain were consistently buoyant throughout the year, the increase being 23,6% in the first half and 28,7% in the second.

During the year 21 new stores were opened, and the initial target of reaching 150 stores was achieved. The chain has now set its sights on reaching the 200-store mark within the next three years.

In addition to the new stores opened, all the old-format Fashion Express stores received a renovation and the chain now has a consistent image across all locations.

DONNA-CLAIRE

The Donna-Claire chain grew sales for the full year by 12,6%. Sales improved in the second half of the year with growth of 21,6%, which has continued in the early weeks of the next year.

The chain opened six new stores during the year, a relatively low figure historically, as a decision had been taken to focus on getting optimal merchandise assortments into the stores rather than merely pursuing growth in the store footprint.

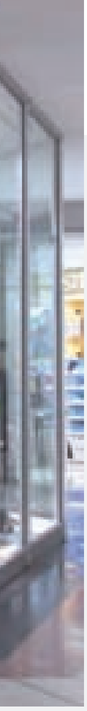
By limiting the number of new stores the chain was able to moderate its expenses and improve its profitability. The performance of the chain was further enhanced by achieving savings in mark-downs as a result of better stock clearances.

The slogan "fashion to celebrate your curves" encapsulates the essence of the new Donna-Claire brand, with the goal of supplying consistent ranges of fashionable products that will appeal to all South African women with fuller figures. There is a strong emphasis on improving the fit of garments as well as implementing appropriate pricing policies. The objective is to ensure that Donna-Claire shops become and remain the preferred shopping destination of the fuller-figure customer.

Historically the Donna-Claire chain served a relatively small niche market of older customers with largely conservative tastes in fashion. With the repositioning that has occurred, it is now appealing to a wider group of customers,

Mark-down statistics

	2007	2008	2009	2010	**2011**
Mark-down value (Rm)	371,0	450,6	380,8	410,4	**411,2**
% of sales	15,1	17,4	15,0	15,2	**13,5**



FOSCHINI DIVISION

including young adults who can expect to find well-tailored garments in appropriate fashion styles. There will be a drive to grow market share and take the brand to a higher level of awareness and appeal.

LUELLA

Whilst the total sales in the Luella chain showed little growth on the previous year, the second half was far better with turnover growth of 15,9%. Progress was made in reducing the volume of discounts which resulted in an improvement in profitability, which has continued into the early part of the next year.

During the year one unprofitable store was closed and two new stores were opened. This takes the chain to 18 stores at the year-end, all of which are in key shopping centres.

There is further scope to improve the fashion level of the products supplied by the Luella chain which has the potential to become a 50-store chain.

A start has been made on incorporating Luella stores into Foschini stores and early results have been positive.

STOCK LEVELS AND MARK-DOWNS

The overall ratio of mark-downs to sales improved during 2011 to 13,5%, which is still above the target. Stock levels at the year-end were within an acceptable range.

The medium-term goal of the division remains to reduce clothing and footwear mark-downs to between 10% and 12% of sales, and to increase stock turn significantly.

SUPPORTING LOCAL INDUSTRY

The quantity of units produced by the group's in-house manufacturing division, TFG Design Centre, for Foschini division grew substantially during the year as a result of closer collaboration with that division and its CMT (cut, make and trim) factories. TFG Design Centre expanded its casualwear capabilities by employing experienced designers for Foschini, Donna-Claire and Fashion Express, as well as increasing focus on additional product categories such as childrenswear and sleepwear. Through greater use of TFG Design Centre, the Foschini division has been able to achieve shorter lead times, faster responses to repeat orders, and at the same time provide support to local industry.

STRATEGY AND PROSPECTS

The division's ongoing involvement in supply chain initiatives and its continuing investment of capital in its programme of new store openings and the refurbishment of existing stores is part of a long-term strategy to capitalise on South Africa's proven pattern of economic growth. In the next year the division will open more than 30 new stores and will continue to upgrade existing stores, more particularly CBD stores.

The division is currently implementing initiatives to improve lighting efficiency throughout its stores as part of efforts to reduce the group's environmental footprint and increase the energy efficiency of its stores.

The most significant store projects in the year ahead are:

Mall of the North (Polokwane) – a new mall in which all chains of the division will open stores

Sandton City – enlargement of Foschini and new Donna-Claire stores

Zambia – new stores in both Lusaka and Kitwe

Renovations of major CBD stores in:

Johannesburg (Eloff Street)

Pretoria (Church Street)

East London and **Newcastle**.

Store statistics

					Current	Projection	
	2007	2008	2009	2010	**2011**	2012	2013
Foschini	207	211	217	223	**228**	235	240
Fashion Express	97	100	115	126	**148**	168	185
Donna-Claire	64	70	82	88	**90**	92	95
Luella	18	19	18	17	**18**	20	22
Total No. of stores	386	400	432	454	**484**	515	542
Closures	3	5	2	5	**2**	3	2
Floor area (m^2)	178 206	191 787	210 659	222 554	**234 968**	247 000	260 000

RETAIL TURNOVER

R1 634,7m

NO. OF STORES

247

MARKHAM DIVISION

INTERNATIONALLY INSPIRED MENSWEAR OF GOOD QUALITY AND VALUE.

POSITIONING

Markham is the largest men's fashion retail chain in southern Africa. Markham stores are located in most major shopping centres and towns in this territory. In its endeavour to make its customers **"feel great, look good, and share our passion for style"**, Markham provides up-to-date, internationally inspired menswear of good quality and value, suitable for all occasions and daily experiences. This is done from conveniently accessible stores, most of which offer a full range of menswear, while in others the emphasis is on fashion casualwear.

While the division targets the LSM 6 to 10 range, the LSM 3 to 5 categories are also buyers of its stylish apparel and cellphone products. Increasingly, shoppers tend to be younger men, often in the age group 19 – 25.

REVIEW OF THE YEAR

While the general economy is still at a delicate stage in its recovery from the trough of the recent past, the Markham division had a successful trading year, particularly in the latter half, and annual turnover was 20,2% higher than in the previous year. In apparel the rise was 18,8% and in cellphones 28,8%. In comparable stores growth was 16,9%. Turnover growth in the first half of the year was 16,4% and in the second half 23,7%.

Cellphones and related accessories and services are a smaller but significant part of the division's business. Cellphones accounted for 15,5% of the division's turnover.

Performance exceeded expectations in all product categories. Casualwear, denim (Relay) and smartwear (Cignal) all performed well, and a strategic decision to focus on men's fashion accessories was vindicated.

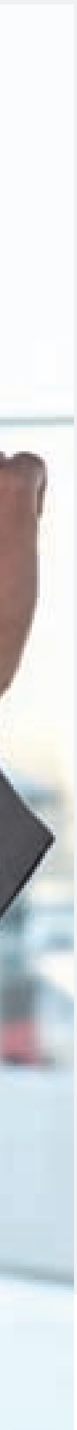
Branded denim had a good year and there was good growth from the Guess and Levi's ranges of branded denim products. Guess is widely seen as an aspirational brand with considerable appeal to the division's target market.

MANIE MARITZ

	2011	% change	2010
Turnover (R million)	**1 634,7**	20,2	1 359,6
Number of stores	**247**	5,6	234
Floor area (gross m²)	**76 250**	6,9	71 303
Number of employees	**1 683**	11,4	1 511
Most significant countries from which merchandise is imported	**China, Mauritius, Bangladesh**		China, Mauritius, Bangladesh

> A RECENT INNOVATION IS THE "STORE NAVIGATION" FACTOR, WHICH INCORPORATES A PROCESS OF RATIONALISATION OF THE LAYOUT AND VISUAL INDICATORS OF A STORE. THIS ENABLES A CUSTOMER ENTERING THE STORE TO READILY AND QUICKLY FIND THE ITEMS WHICH HE IS SEEKING AND DEPART IN THE KNOWLEDGE THAT HE HAS SEEN ALL THAT WAS RELEVANT TO HIS SEARCH.

MARKHAM DIVISION



From the in-house brands, Relay (jeanswear) and Cignal (smartwear), there was excellent performance.

Although the price of merchandise remained effectively constant, changes in the product mix resulted in a modest degree of product inflation.

Several factors contributed to the success of the year's operations. Among them was the process started some two years ago of introducing a distinctly modern "look and feel" in the division's stores. This format is now well known to customers and has been favourably received by them. At the year-end, 27 stores had received the overall "new look" renovation within a period of some 18 months. The parallel "brand wrap" process, which is also a form of visual restatement discussed in more detail below, has been applied to 30 stores within an 18-month period.

A recent innovation is the "store navigation" factor, which incorporates a process of rationalisation of the layout and visual indicators of a store. This enables a customer entering the store to readily and quickly find the items which he is seeking and depart in the knowledge that he has seen all that was relevant to his search.

These processes are continuing.

The 2010 FIFA World Cup™ football event received wide participation from the South African public and there was a modest spin-off for Markham.

A fashion trend that was noted is for men to wear a combination of smart and casual clothes, such as denim jeans with a blazer or sports jacket. In all these categories sales were pleasing. Denim jeans are clearly an acceptable item of workwear even in relatively formal professional environments and the division is making the most of this trend.

Close control of mark-downs and of costs was maintained, with encouraging gains in profitability.

Mark-downs made up 7,5% of sales, reflecting a small improvement on the previous year. The current level, considering a five-year history, represents substantial progress towards a stable and optimal target.

The five-year process of repositioning the Markham brand has been completed. There is now a pleasing modernity and coherence about the visual features of the division's stores and its online persona, and the impact of this process is already yielding positive results. This should be sustained well into the future. The Markham Relay stores, a small-format model which stocked only casualwear, have now been converted into Markham stores which include a selected range of smartwear in their offerings.

The "brand wrap" process, amounting to a modernisation and rationalisation of visual display elements, has been extended from the initial test site in the Canal Walk centre outside Cape Town to 30 stores located throughout South Africa, and its popularity with customers has been established. It has been the key to easing customer navigation in directing shoppers to the items which they are seeking when they enter the stores. The brand wrap process furthermore maximises the inherent characteristics of the space in which the store operates, and is flexible and economical in its application.

During the year 12 new stores were opened and a further nine were relocated or enlarged. One of the new stores is in Zambia, where trading results were satisfactory and where two further stores will be opened in the next year.

Markham already has a digital element to its operations and this is gaining in importance. A Facebook page which customers can consult for product information is being increasingly utilised, and feedback from their usage can be incorporated into the planning of the division's strategy. Clearly, rapidly growing numbers of customers now go online before buying their apparel in order to check out what is available and what they find appealing. This greatly enhances the efficiency and pleasurability of their shopping experience when they arrive at a Markham store.

Mark-down statistics

	2007	2008	2009	2010	**2011**
Mark-down value (Rm)	99,2	97,1	94,3	101,8	**119,4**
% of sales	10,5	9,8	7,5	7,9	**7,5**

STRATEGY

The repositioning of the Markham brand mentioned above has the objective of ensuring that Markham remains a relevant, aspirational brand, recognised for delivering fashion and style in a sophisticated shopping environment. This process is almost complete but will inevitably require periodical updating and alignment with market needs and trends. Smartwear continues to be in demand and growth in this area is again being targeted.

The number of new stores which are planned for the next year is upwards of 12. This follows a year in which extra space was gained in Eastgate, Gateway, Promenade, Rustenburg, Highveld Mall, Southgate and Umlazi.

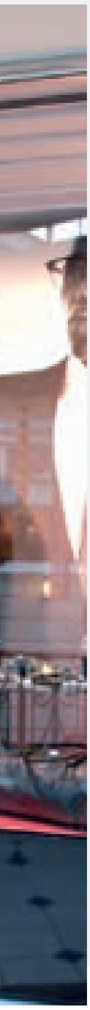
Alongside the roll-out of new stores there will again be strong emphasis on cost controls in a drive to enhance profitability. Training programmes for all staff members will be continued in order to ensure that customers receive insightful and efficient service, and that the Markham reputation is enhanced.

Store statistics

					Current	Projection	
	2007	2008	2009	2010	**2011**	2012	2013
Total No. of stores	191	201	223	234	**247**	259	268
Closures	29*	–	–	–	**–**	–	–
Floor area (m^2)	58 230	61 298	67 889	71 303	**76 250**	79 850	82 100

* Relates primarily to RJL stores

MARKHAM DIVISION



The division is benefiting from the group's supply chain initiative to reduce lead times for merchandise procurement and enhance the efficiency of distribution, hence improving stock turn. This process turns to a large extent on the division's ability to allocate stock closest to demand in terms of garment sizes. One of the elements now reaching fruition is the concept of "hold-back" in the dedicated Markham distribution centre. Its effect is that a quantity of stock ordered in any season is held back initially and then allocated at appropriate times to stores where sales of the relevant items have been strongest, so maximising speed of reaction to customers' purchases. Its ultimate effect is to boost turnover and assist in the minimisation of mark-down.

The division is now able to fulfil better than before customers' size requirements for garments they seek, utilising for this purpose the group's size-management software which is designed to ensure that the size ranges of stock arriving at a store will correspond to historical sales. There are opportunities in providing garments for smaller customers than had been traditionally catered for. "Tops and bottoms" in extra small size are accordingly being increasingly stocked in geographical areas where the demand for them is concentrated.

The men's fashion arena has limited local manufacturing capability, but there are fortunately a few sizeable firms in the Western Cape and KwaZulu-Natal with whom good relationships exist and from whom good volumes of the division's supplies can be obtained.

The division's efforts to develop closer relationships with domestic suppliers in order to increase the level of local production will continue. Greater reliance on local manufacture implies reduced vulnerability to adverse changes in the exchange rate of the Rand, and this is a longer-term goal.

Replenishment stock, which replaces items recently sold, accounts for 19% of the division's turnover and emphasis is being increasingly placed on replenishment as a strategy. Weekly meetings are held to analyse sales figures and trends. The division's quick response programme allows it to get back into stock during the season which has been favourable for turnover.

Increasing effort will be placed on maximising the online presence of Markham so that the tech-savvy element of the customer base can gain the best available information and can plan its budgeting and shopping in an efficient and sophisticated manner.

As one of its environmental initiatives, the division is making strenuous efforts to optimise the illumination in its stores while aiming to reduce the usage of electrical power. A saving in these power costs has been achieved in the Canal Walk shop outside Cape Town at no loss to the appeal of the store to customers. In fact, lower lighting in some areas can enhance the subtlety and attractiveness of the displays of merchandise.

PROSPECTS

Menswear has recovered to some extent from the poor economic conditions which prevailed in the period 2008 to 2010, when smaller towns as a result of retrenchment, were in particular severely affected. The recovery is not yet robust or universal and many customers continue to feel the pinch. However, the continuing roll-out of Markham stores and the other strategic steps outlined above in this report should help to sustain the momentum developed in the past year.

A new replenishment system will be introduced and there will be continued entrenchment of the division's quick response programme.

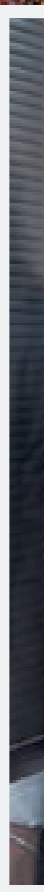
The digital strategy referred to above will increasingly be used to achieve performance in the next year.

RETAIL TURNOVER

R932,7m

NO. OF STORES

208



"THE DIVISION'S TURNOVER GREW BY 22,7%, WITH SAME STORE GROWTH BEING 20,4%. THE AREA OCCUPIED BY THE DIVISION'S STORES, IN CONTRAST, GREW BY 3,0%. THIS PERFORMANCE CONFIRMS THAT THE STRATEGIES IMPLEMENTED LAST YEAR IN SUPPORT OF EXACT!'S VISION TO PROVIDE "SURPRISINGLY AFFORDABLE FASHION TO THE MODERN FAMILY", WERE HIGHLY EFFECTIVE."

EXACT! DIVISION

CONTEMPORARY FASHION FOR SOUTH AFRICAN FAMILIES.

POSITIONING

The Exact! division provides modern, contemporary clothing for South African families in the LSM 5 to 7 groups. Carefully selected ranges including footwear and accessories are stocked in the division's stores, with particular emphasis on clothing and footwear for women and men aged 30 and upwards, as well as clothing and footwear for children aged between three and 12 years.

The concept of value for money is entrenched in the positioning of the brand. This is evidenced by surprisingly affordable prices, a level of quality intrinsic in the product and a shopping environment which is stylish and desirable for customers.

Cellphones complete the product range.

Exact! stores are located in shopping malls, high streets and rural areas, and customers are offered a consistent shopping experience wherever they choose to shop.

REVIEW OF THE YEAR

The division's turnover grew by 22,7%, with same store growth being 20,4%. The area occupied by the division's stores, in contrast, grew by 3,0%. This performance confirms that the strategies implemented last year in support of Exact!'s vision to provide **"surprisingly affordable fashion to the modern family"**, were highly effective. The implementation of these strategies, coinciding with an upturn in the general economy and heightened consumer confidence, led to an increase in the number of new accounts, which in turn added a multiplier effect to the benefits of the better trading environment.

Sales of cellphone products increased by 25%, maintaining the proportion of this category of products to the overall revenue of the division.

SUZANNE ANNENBERG

	2011	% change	2010
Turnover (R million)	**932,7**	22,7	759,8
Number of stores	**208**	1,5	205
Floor area (gross m²)	**64 907**	3,0	62 988
Number of employees (including those on flexitime)	**1 244**	6,4	1 169
Most significant countries from which merchandise is imported	**China, India, Bangladesh**		China, India, Bangladesh

Store location

	% of turnover	**% of m²**
Shopping malls	**48,4**	**49,6**
High streets	**28,0**	**24,8**
Rural areas	**23,6**	**25,6**

A breakdown of sales by product category in the Exact! stores in the 2011 year is set out in the following table:

Womenswear	23%
Menswear	18%
Footwear (for men, women and children)	22%
Childrenswear	14%
Accessories	3%
Smalls	3%
Cellular	17%

EXACT! DIVISION

Throughout the year, the Exact! division placed a strong focus on avoiding increases in prices and even, to the extent possible, lowering prices. Considerable success was achieved in this drive through enhanced price architecture and changes to the product mix. The strength of the Rand throughout the year was a supporting factor.

In line with the group's strategy, the division made significant progress in the implementation of its supply chain initiatives. Improved speed to market is enabling the division to provide customers with more of the right merchandise where and when it is most needed, thus improving customer service.

Womenswear achieved an outstanding turnaround with sales growth in excess of 27%. Menswear performed to expectation. Sales of footwear grew off a strong base. Boyswear enjoyed yet another year of outstanding performance while girlswear increased sales by 50%, reinforcing the potential cited for this category in last year's report.

Good progress was made in securing efficient and reliable sources of supply, sufficiently flexible to meet the division's requirements.

Substantial improvements were made in mark-downs, proving the acceptability of the division's clothing ranges to customers.

Exact! continued to support local clothing manufacturing through a strong collaborative effort between its buying teams and the group's manufacturing arm. Local procurement remained at a similar level to the previous year.

While the division did not stock products which benefited directly from the 2010 FIFA World Cup™ tournament, a sense of optimism was palpable at that time and clearly extended to the public's willingness to spend.

During the course of the year the division opened seven new stores, relocated two, renovated five and closed four. Enlargements of the stores in Queenstown, Greenacres and Makado have proved particularly successful.

In line with the group's overall policy, the Exact! division implemented a number of initiatives to increase the efficiency of artificial lighting in its stores, so reducing electricity consumption.

The division's development activities for staff members continued to focus on training programmes for store, area and developing store managers, who play a key role in its relationships with customers. Merchant training also continued to be a key focus area.

Staff members supported the Sive Nathi Home for mentally and physically disabled children by contributing their time and raising funds for the home.

Mark-down statistics

	2007	2008	2009	2010	2011
Mark-down value (Rm)	91,0	104,3	105,3	146,3	**105,4**
% to sales	14,3	15,8	15,2	20,3	**12,0**

STRATEGY

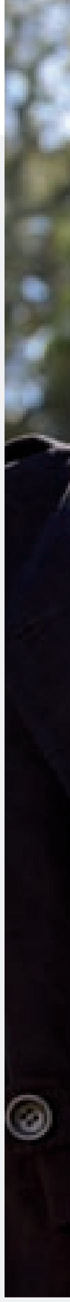
The division's strategy has been designed to grow revenue and entrench customers' confidence in the value they receive by shopping at its stores. Specific areas of the business have been identified for exploitation on this basis.

Supply chain initiatives will be expanded in order to reap the benefits of speed to market. Quick response programmes and in-season trading will be enhanced and extended across the business.

The Exact! division is firmly committed to its involvement with the group's "fast fashion cluster" project which has been initiated in conjunction with the Department of Trade and Industry. This cluster-based intervention aims to develop a local fast fashion capability at its key in-house supplier, TFG Design Centre, and six of its core cut, make and trim (CMT) operations that principally supply womenswear. The project will commence in the next year and is intended to attain its objectives over the next three years.

Through the measurement of every aspect of suppliers' performance, the division expects to see an improvement in the reliability and efficiency of its supply base.

A new location strategy has been formulated and new stores will be opened extensively over the next four years. During the next year there will be 13 new stores and at least five will be enlarged or relocated, focusing on sites where mass shopping takes place. Two stores in Zambia will be opened. Additional opportunities in Africa will be pursued.



Store statistics

	2007	2008	2009	2010	Current 2011	Projection 2012	2013
No. of stores	180	182	198	205	**208**	222	240
Closures	1	1	–	3	**4**	–	–
Floor area (m^2)	51 386	52 831	58 789	62 988	**64 907**	68 987	74 387

Strategies to ensure that customers will continue to receive good value for money have been put in place and marketing activities will reinforce the principle of giving customers more than they expect to get for less than they expect to pay. Shop window and in-store branding programmes have been designed to give effect to these concepts.

It remains an objective of the division to provide rewarding careers to all employees, with particular emphasis on people from previously disadvantaged communities.

PROSPECTS

Signs of improved consumer confidence are evident and the division is optimistic about the year ahead. However, rising costs of electricity and transport as well as the current inflation rate environment could place pressure on consumers' spending.

The Exact! brand places emphasis on the quality of products and the value which customers receive in the division's stores. Growth in the division's stores makes these benefits available to expanded numbers of customers, and the division remains well positioned to appeal to its target customers and ready to take advantage of the expected further upturn in the economy.

The division aims to keep its stores stocked at all times with optimally selected and stylish "fashion solutions" (combinations of related clothing, footwear and accessories) selling at moderate prices, designed to appeal to customers aged 30 and upwards and their children.

EXACT! DIVISION

RETAIL TURNOVER

R1 750,0m

NO. OF STORES

324

"THE DIVISION HAD A SUCCESSFUL YEAR, ACHIEVING OVERALL TURNOVER GROWTH OF 16,9% AND SAME STORE GROWTH OF 9,9%. THESE RESULTS CONFIRMED THE DIVISION'S ABILITY TO MAINTAIN ITS POSITION AS A MARKET LEADER. SAME STORE GROWTH IN THE FIRST HALF WAS 11,6% AND IN THE SECOND HALF 8,3%."

TFG SPORTS DIVISION

THE SPORTS DIVISION CONTINUES TO OCCUPY A LEADING POSITION IN ITS SPACE IN THE RETAIL SECTOR.

POSITIONING

TFG Sports comprises the Totalsports, Sportscene and Duesouth chains. Most of the stores of these chains are to be found in major shopping centres and high streets throughout South Africa. Totalsports is the largest chain in turnover and number of stores.

Totalsports focuses on football, running, fitness and rugby, with a broad range of apparel, footwear and equipment for these sports and selected items for others. It is the premier sportswear retailer in the country, stocking the products of leading branded suppliers such as Nike, Adidas, Puma and Asics, complemented by own-brand Fusion sports lifestyle products.

The Sportscene chain offers a blend of street-credible sports and fashion brands, including in-house brand, Redbat. These labels appeal to a youthful and fashion-conscious market in which tastes and trends change rapidly.

The Duesouth chain caters for modern high-tech outdoor enthusiasts who prefer to shop in a specialised modern retail space suited to their lifestyle, where they find apparel, footwear, equipment and accessories for the outdoors. This chain targets the mid- to upper-income groups.

REVIEW OF THE YEAR

The division had a successful year, achieving overall turnover growth of 16,9% and same store growth of 9,9%. These results confirmed the division's ability to maintain its position as a market leader. Same store growth in the first half was 11,6% and in the second half 8,3%.

In total 34 new stores were opened.

The division's mark-downs have remained well controlled and at acceptable levels which are now in the single digits.

DONALD GEDYE

		2011	% change	2010
Turnover	Totalsports	**1 053,7**	19,9	878,5
(R million)	Sportscene	**565,1**	10,5	511,4
	Duesouth	**131,2**	22,8	106,8
	Total	**1 750,0**	16,9	1 496,7
Number of stores	Totalsports	**169**	14,2	148
	Sportscene	**124**	8,8	114
	Duesouth	**31**	6,9	29
	Total	**324**	11,3	291
Floor area	Totalsports	**45 516**	16,0	39 226
(gross m^2)	Sportscene	**28 961**	9,6	26 436
	Duesouth	**9 675**	6,0	9 128
	Total	**84 152**	12,5	74 790
Number of employees		**2 719**		2 144
Most significant countries from which merchandise is imported		**China**		China


YLS
PUMA

Mark-down statistics

	2007	2008	2009	2010	**2011**
Mark-down value (Rm)	133,8	160,8	152,0	176,2	**193,6**
% of sales	11,1	12,3	10,3	10,3	**9,8**

Turnover received a significant boost in the period of the 2010 FIFA World Cup™ tournament, particularly in the Totalsports chain.

Further progress has been made in the implementation of the group's supply chain initiative, which aims to increase the efficiency of the group's operations through increased speed and flexibility in the supply and distribution of merchandise. Good supplier relationships are now entrenched and were enhanced with the key branded suppliers by being their partner of choice during the 2010 FIFA World Cup™ tournament.

Usage of new merchandise systems are continually improving, resulting in benefits.

Market share in branded footwear increased significantly from 19,4% to 25%.

TOTALSPORTS

Totalsports achieved turnover growth of 19,9% for the year, with same store growth of 11,3%. The expansion policy continued with the opening of 21 new stores. Several stores were relocated and or enlarged.

A strategy has been implemented to off-set the once-off nature of the turnover derived from the 2010 FIFA World Cup™ tournament. This includes introducing new product categories and expanding existing categories, with the key opportunity areas being childrenswear, men's and women's apparel, equipment and technology. This strategy continues to provide rewards.

A start was made on a long-needed revision of the format of the Totalsports stores and the image which they project. The logo, the store look and feel, and the in-house brand, Fusion, are being modernised.

SPORTSCENE

Sportscene achieved turnover growth of 10,5% for the year, with same store growth of 5,8%. The expansion policy continued with the opening of 11 new stores. One store was closed.

Sportscene benefited from the 2010 FIFA World Cup™ tournament through sales of football lifestyle products from the big sports brands. The lack of newness from the big brands in their other product and the down-trending of surfing as a category hampered sales during the year. Own-brand Redbat products grew well, particularly in accessories where sales exceeded expectation.

The ongoing roll-out of the newly-revitalised Sportscene stores continued with 12 new-format stores. These stores consistently yield sales growth in excess of the chain's average. Smaller Sportscene stores, primarily offering footwear, are being opened as second stores in large malls and in new locations where there is opportunity. Two of these stores have been opened to date and are trading above expectation, and a further 46 potential sites have been identified.

DUESOUTH

The chain's turnover grew by 22,8% with same-store growth of 16,3%. Two new stores were opened, with a total of 31 stores trading at the year-end.

An expanded range in both camping equipment and picnic gear was introduced in the summer, resulting in excellent growth in these categories. The reintroduction of key strategic lines in navigation was well received and led to significantly increased sales. The outdoor accessory range was also expanded and this too was popular with customers.

The 2010 FIFA World Cup™ tournament event provided a significant boost for sales of winter products in June and July. The introduction of additional media opportunities such as Duesouth TV resulted in greatly increased participation in own-branded events.

STRATEGY

The continued roll-out of the new, revitalised brand format will be a key focus for Totalsports. This project includes an update of store fronts in existing stores, introducing new layouts in certain stores, and providing new marketing material to all the stores in the chain. This strategy is expected to increase the chain's standing in the eyes of the market and to maintain the goodwill gained from the 2010 FIFA World Cup™ tournament.

Larger format stores are being sought with the objective of stocking greater product ranges. The first store in this format will open its doors in January 2012.

Cellular products are being introduced in Totalsports in the next year.

Totalsports will ensure that it remains close to its customers by participating in local sports events and national event sponsorship. The popular Totalsports Women's Road Race will now take place in three cities for the first time and will bring about added awareness in the market-place. In addition, Totalsports has now partnered with Virgin Active and Adidas to exploit opportunities in the fitness area.

In the Sportscene chain, the continued roll-out of the new brand format will increase store performance following its successful introduction in 2010.

Duesouth will continue to seek further sites, including some in partnership with Totalsports, to create an emporium in which the offerings of both chains are available to customers.

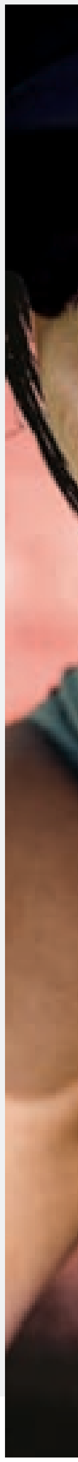
Sponsorship of the Duesouth Xterra Multisport event continues and includes a DueSouth television programme. Key international sport ambassadors have been contracted to further the brand personality.

The division will again participate actively in the group's supply chain initiative with the objective of bringing products into the stores still faster than at present, and thus improving efficiency and raising stock turn.

Good expansion opportunities have been identified throughout southern Africa and the division intends to open 42 new stores in the new year. Of these, 21 will be Totalsports stores, 16 Sportscene and five Duesouth stores. Opportunities for further space acquisitions in good locations are being pursued.

PROSPECTS

Despite being up against significant 2010 FIFA World Cup™ tournament sales, turnover growth will be achieved through a combination of new store growth, the introduction of additional product lines and exploitation of current product lines.



Store statistics

					Current	Projection	
	2007	2008	2009	2010	**2011**	2012	2013
Totalsports	106	112	134	148	**169**	190	210
Sportscene	86	90	105	114	**124**	140	160
Duesouth	16	19	25	29	**31**	36	41
Total No. of stores	208	221	264	291	**324**	366	411
Franchise stores	1	2	2	–*	**–**	–	–
Closures	–	3	2	–	**1**	–	–
Floor area (m^2)	48 858	54 338	67 325	74 790	**84 152**	92 632	100 982

* Now consolidated

"GOOD EXPANSION OPPORTUNITIES HAVE BEEN IDENTIFIED THROUGHOUT SOUTHERN AFRICA AND THE DIVISION INTENDS TO OPEN 42 NEW STORES IN THE NEW YEAR."

RETAIL TURNOVER

R1 221,1m

NO. OF STORES

381

"AMERICAN SWISS AND STERNS HAVE EACH TRADED SUCCESSFULLY FOR MORE THAN 100 YEARS AND AS A RESULT HAVE BUILT UP LARGE AND LOYAL FOLLOWINGS IN THE MARKET-PLACE."

TFG JEWELLERY DIVISION

THE LEADING PLAYER IN THE MASS MIDDLE MARKET FOR JEWELLERY AND BRANDED ACCESSORIES.

POSITIONING

The vision of TFG Jewellery is "To own the mass middle market in southern Africa for affordable luxury accessories". The division is currently the leading player in this market and has attained this position by offering attractive and inviting retail environments, extensive product ranges, desirable brands and outstanding service. Measured by number of stores, American Swiss Jewellers is the largest jewellery chain in southern Africa, followed by Sterns. American Swiss and Sterns have each traded successfully for more than 100 years and as a result have built up large and loyal followings in the market-place. The AMPS survey of 2010 and the Sunday Times Annual Top Retailer Awards for 2010 confirm American Swiss and Sterns as No. 1 and No. 2 jewellery brands in southern Africa.

In-house credit accounts for 56% of total sales.

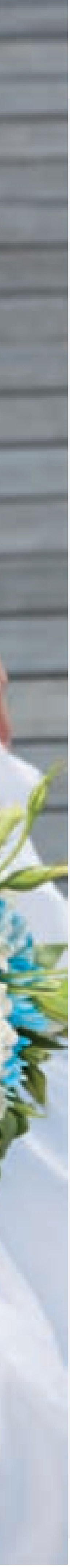
The division strives continually to differentiate the products it stocks in order to offer real choice to customers. Merchandise is obtained from all parts of the world, including products designed and manufactured locally for the southern African market, so ensuring that there is ongoing innovation and trend-setting.

The division subscribes to the Kimberley Process, aimed at ensuring that all diamonds have been purchased from legitimate sources not involved in the funding of conflict, in compliance with United Nations resolutions.

The American Swiss brand is positioned to appeal to the fashion-forward and image-conscious customer, and offers consumers in the growing middle market appropriate products and brands to express their status. The American Swiss brand is highly visible in shopping centres and in the media, making its fashion statements with confidence and flair.

ADRIENNE KLEINMAN

		2011	% change	2010
Turnover (R million)	American Swiss	**741,9**	11,6	664,6
	Matrix	**46,3**	24,8	37,1
	Sterns	**432,9**	10,0	393,6
	Total	**1 221,1**	11,5	1 095,3
Number of stores	American Swiss	**211**	2,9	205
	Matrix	**24**	9,1	22
	Sterns	**146**	5,8	138
	Total	**381**	4,4	365
Floor area (gross m^2)	American Swiss	**14 945**	2,5	14 586
	Matrix	**709**	8,7	652
	Sterns	**9 555**	2,7	9 300
	Total	**25 209**	2,7	24 538
Number of employees	American Swiss	**850**	(2,1)	868
	Matrix	**67**	6,3	63
	Sterns	**536**	(2,0)	547
	Total	**1 453**	(1,7)	1 478



TFG JEWELLERY DIVISION

Sterns is a contemporary and classic jeweller well known to the market for its quality and welcoming service, offering beautiful and meaningful jewellery. Sterns is focused on quality diamonds and jewellery for the mass middle market.

Matrix, the division's sunglasses and cellphones chain, caters for the brand-savvy and image-conscious consumer who aspires to designer labels.

REVIEW OF THE YEAR

The division's sales grew by 11,5% over the previous year. The year was divided into three phases, with the initial months still feeling the lingering effects of the global economic downturn. In the second phase the 2010 FIFA World Cup™ football tournament created strong positive sentiment which gave a marked boost to sales. The improved sentiment continued after the 2010 FIFA World Cup™ event, albeit at a slower pace, and this coincided with a partial recovery in the general economy. This caused sales to continue to grow in the remainder of the year.

An objective of the division was to grow market share by increasing unit sales. Attainment of this goal was assisted by a relatively stable Rand price of gold during the year, resulting in low product inflation. This enabled the division to maintain prices while growing unit sales by 17%. The price spike at the end of the financial year in both gold and silver did not affect prices during the year under review, but will pose a challenge for the next year if this trend persists.

Divisional expenses were well controlled and while gross margin was slightly down on last year as a result of a planned change in product mix, the result was growth in overall net profit for the year.

The mark-down to sales ratio was maintained at 11,6% for the year.

Stock turn improved from 1,7 last year to 1,9 because of well-controlled stock levels and improved trading conditions.

Closing stock at the year-end was tightly managed to ensure a good starting position for the next year.

The division opened 18 new stores (seven American Swiss, nine Sterns, two Matrix) compared to 17 in the previous year. Two under-performing stores were closed (one American Swiss and one Sterns).

The division has opened 61 new stores over the past three years and remains confident about the future and its prospects for continued expansion.

Trading densities improved to R48 000 per square metre from R45 000 in the previous year.

STRATEGY

The division expects the slow recovery in demand for luxury items to continue and therefore expects that trading conditions in the next year will continue to be challenging. The division's customer base will however benefit from real wage increases awarded over the past year. In addition, as indicated above, commodity prices in general, and gold, silver and diamond prices in particular, increased dramatically during the first quarter of 2011. This will no doubt result in jewellery price inflation that will in turn put pressure on unit sales growth, but the division has proved itself adept at product innovation and adjusting the product mix to limit the impact of inflation.

The division will continue to rely on the strength of each of the American Swiss, Sterns and Matrix brands in its drive to continue growing their market shares.

There has been major growth in the division's digital customer base during the early months of the current year, and a drive will take place to achieve further growth throughout the year. The digital platform gives customers online brand exposure that facilitates interactive communication and ultimately drives customers into stores.

In addition to cultivating the digital customer base, the division will focus on growing the credit database and several initiatives have been put in place to achieve this.

Mark-down statistics

	2007	2008	2009	2010	**2011**
Mark-down value (Rm)	96,5	119,4	113,6	127,3	**141,3**
% of sales	9,4	9,9	10,1	11,6	**11,6**

The American Swiss new-concept stores have proved successful in shopping centres and a pared-down format has now been successfully tested in smaller stores. As a result, the division intends to continue this roll-out in the next year.

Sterns is undertaking a brand audit to establish a cohesive modern branding plan and ensure alignment of the brand with purchasing strategy, customers' in-store experience, advertising and store design. Once finalised, the brand strategy will provide long-term direction for the Sterns chain.

The jewellery division considers that customer service is one of its key differentiators. The division's commitment to training is reflected in the fact that more than 300 store staff members are enrolled on its accredited product knowledge correspondence course in the current year. The division also tested a new selling skills training programme during the year and will be implementing this during the next year. In addition, the division is continuing to improve the other training programmes used in its stores and at the group's head office in order to ensure that all staff members are aligned with

TFG JEWELLERY DIVISION

the division's customer focus and its core values.

Supply chain management continues to be a key focus within the group and the division has launched several initiatives that will, over the next few years, build a supplier pipeline that has greater flexibility and more responsive lead times than have prevailed in the past. This should result in improved decision-making and operational efficiency.

Locations in new and existing shopping centres where the division's stores are under-represented have been identified, and new stores will be opened in prime positions. Great care is taken in ensuring that new stores are appropriately sized. A measured view of expansion is taken, in line with the core strategy of seeking long-term growth in sales and profit. Sterns has additional potential to grow as locations have been identified where this chain is not yet represented but is likely to prosper. These opportunities are being actively pursued. Several good sites for Matrix have been identified in major shopping centres that will allow for growth over the next years.

The division's store location strategy includes the continuous monitoring of performance trends, and where economic factors so dictate, closures or consolidation will take place.

PROSPECTS

As has been indicated above, the division expects that trading in the next year will be challenging, but it is confident that the strength of its brands, the positive cash flow of the group and the expertise of staff members will enable the division to grow its turnover and market share, with benefits to overall profits and profitability.

Store statistics

					Current	Projection	
	2007	2008	2009	2010	**2011**	2012	2013
American Swiss	181	187	199	205	**211**	216	222
Sterns	121	122	132	138	**146**	155	163
Matrix	14	19	19	22	**24**	26	28
Total No. of stores	316	328	350	365	**381**	397	413
Closures	4	7	4	2	**2**	2	2
Floor area (m^2)	22 029	22 519	23 992	24 538	**25 209**	26 099	26 989

RETAIL TURNOVER

R679,0m

NO. OF STORES

83

"AT THE YEAR-END THE @HOME DIVISION HAD 83 STORES OPERATING IN SOUTH AFRICA'S LEADING SHOPPING CENTRES AND SUPPLYING PRACTICALLY EVERYTHING NEEDED TO EQUIP AND DECORATE A STYLISH MODERN HOME."

@HOME DIVISION

SELLS A COMPREHENSIVE RANGE OF HOMEWARES AND FURNITURE.

POSITIONING

At the year-end the @home division had 83 stores operating in South Africa's leading shopping centres and supplying practically everything needed to equip and decorate a stylish modern home.

The @home stores serve the LSM 8 to 10 groups with an offering comprising a full range of homewares. In the @homelivingspace stores, which are larger, averaging about 2 000 square metres in area, there is a homewares range and in addition a comprehensive offering of contemporary furniture. Both categories of store are housed in regional or nodal shopping centres throughout the urban areas. There are also franchised @home stores in the Middle East and in Mozambique.

The store tally in South Africa is divided between 70 @home stores and 13 @homelivingspace stores. There are nine franchised @home stores, seven being located in the United Arab Emirates (UAE), and one in Bahrain, where it is associated with the Al Tayer Group LLC. The remaining store, the latest to be opened, is in Mozambique, operated by Mares LDA.

REVIEW OF THE YEAR

Turnover in the @home division grew by 15,5% over the previous year, assisted by the opening of six new stores. Same store growth was 8,3%. One store was closed. Of the new stores, one is in the @homelivingspace format, located in the I'langa Mall in Mbombela.

A management decision was taken to spend the past year on consolidation and optimisation of the in-store activities of each of the stores in the large-format @homelivingspace segment of the chain, and particularly in settling down the pipeline for new product, and ensuring that the product ranges were optimised. This was undertaken in order to align the stores' activities with the needs of the market as identified by in-house and external research.

HOWARD GODFREY

	2011	% change	2010
Turnover (R million)	**679,0**	15,5	587,8
Number of stores	**83**	6,4	78
Floor area (gross m^2)	**52 966**	6,8	49 587
Number of employees	**1 011**	5,9	955
Most significant countries from which merchandise is imported	**China, India, Brazil, Vietnam, Europe**		China, India, Brazil, Vietnam, Europe

This table excludes nine franchised stores in Dubai, Bahrain and Mozambique.


HOME
MALCOLM GLADWELL


@home
THE HOMEWARE STORE
you
are
invited
birthday
celebrate
father's
day
19 june

@HOME DIVISION

The stores which received this attention showed a marked improvement in turnover over the period under review and it is pleasing to report that both the @home and @homelivingspace components gained market share during the year.

As part of ongoing efforts to ensure responsible supply chain management for all its wooden outdoor furniture, the division endeavours to acquire timber only from factories that are certified by the Forest Stewardship Council (FSC) especially if the timber is teak or balau. An important development in the past year was the introduction of a revised auditing process for suppliers, aimed at ensuring that all contractual obligations are being met, including compliance with all legal, ethical, environmental, labour, and health and safety requirements.

Details of the nature of the group's supply chain management and auditing activities are provided in the Supply Chain and TFG Merchandise Procurement reviews.

The markdown factor returned this year to a single-digit percentage, namely 8,4%, and strenuous efforts are being made to reduce it still further.

Trading density for the past year in comparable stores was R17 010 per square metre as against R16 200 in the previous year.

STRATEGY

The @home division will limit new stores to six in the next year in order to focus on training and customer service needs at existing stores across the chain, with the aim of increasing same store growth. In addition costs will be held to a minimum which should boost the division's profitability.

As the majority of the division's furniture sales take place in the northern part of South Africa, a state-of-the-art furniture distribution centre will be opened in Gauteng in the next year. This will enable the division to make faster deliveries to customers in that region.

The division's management team will continue to source optimal products at best prices, in its drive to provide the best possible service to consumers in the homewares arena.

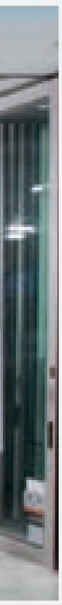
This division will continue to protect its margin while at the same time seeking to gain further market share in the next year.

PROSPECTS

The Rand remains strong and orders for the division's purchases have been placed through to the end of the year. This should ensure that the division's pricing remains competitive with price stability from the viewpoint of customers.

The retail environment is showing positive signs of revival which should assist trade in the next year.

The division continues its participation in the group's supply chain initiatives which have made good progress locally and internationally.



Mark-down statistics

	2007	2008	2009	2010	**2011**
Mark-down value (Rm)	39,3	47,3	46,5	72,4	**65,1**
% of sales	8,3	9,0	8,0	10,7	**8,4**

Store statistics

					Current	Projection	
	2007	2008	2009	2010	**2011**	2012	2013
@home	49	58	65	66	**70**	75	80
@homelivingspace	2	3	7	12	**13**	14	15
Total No. of stores	51	61	72	78	**83**	89	95
Franchise stores	–	2	6	7	**9**	10	12
Closures	–	–	–	1	**1**	1	–
Floor area (m^2)	21 906	27 605	38 766	49 587	**52 966**	56 466	60 470

PETER MEIRING

"DESPITE CONTINUED UNCERTAINTY IN FINANCIAL MARKETS, IT IS PLEASING TO REPORT THAT OVER THE YEAR AS A WHOLE THERE WAS POSITIVE IMPROVEMENT IN THE QUALITY OF THE DEBTORS' BOOK AS WELL AS A SIGNIFICANT INCREASE IN THE REVENUE GENERATED FROM THIS BOOK."

TFG FINANCIAL

SERVICES DIVISION

TFG Financial Services is the custodian of the group's customer database. In this capacity it looks for opportunities to retain and grow that base whilst providing a range of products and services that strengthen the group's relationships with its customers. These products and services are generally of a financial services nature and include credit, insurance, publishing and cellular products. The division operates four large call centres employing a total of 1 100 agents.

The division is made up of four specific business units:

- Retail Technology;
- Credit Services;
- Publishing and Insurance; and
- Group Marketing, Communication and Customer Relationship Management (CRM).

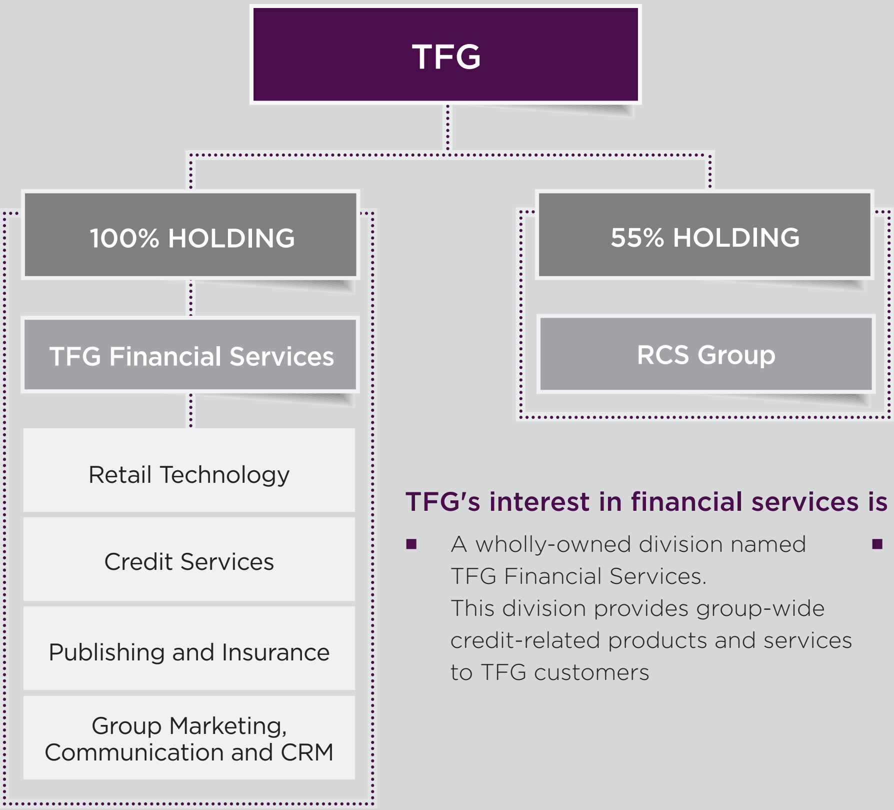
Retail Technology unit

This unit focuses on making contemporary mobile devices, accessories and related connectivity available to the group's customers. This includes all forms of mobile technology such as cellphones, tablets and navigation products as well as accessories and network connections. The group has a relationship with both MTN and Vodacom, which provide the bulk of the products and connections.

In the previous year the group offered mobile technology to its customers through 1 040 of the group's stores. This was increased in the past year to 1 160.

Credit Services unit

This unit manages the group's in-store credit card programmes, which consist of 14 different card formats. Its function includes managing the acquisition of new accounts, customer services, debt collection and recoveries, as well as all associated support services such as forensics and risk analysis.



TFG's interest in financial services is vested in two areas:

- A wholly-owned division named TFG Financial Services. This division provides group-wide credit-related products and services to TFG customers
- A controlling interest in a company that provides financial products and services to retailers and customers external to TFG

Publishing and Insurance unit

This unit oversees the group's interests in the Club, a facility which offers customers of the group a range of benefits including automatic insurance, medical help lines, promotional discounts, monthly draws and bursaries to the value of R2 million annually. A further range of insurance products offered to customers of the group is also managed by this unit. These products include policies related to card loss, cellphone loss, personal protection and jewellery loss.

Group Marketing, Communication and CRM unit

This unit is responsible for all communication with all of the group's customers. This involves increasing the awareness of the group's 14 brands with its customers and promoting shopping across these brands. Group-level marketing campaigns and customer acquisition drives also form part of this unit's responsibility.

Following the successful launch of the group's mission, values and corporate identity (CI) by this unit, it retains responsibility for the ongoing execution of the CI throughout the group and to external parties.

The above-mentioned units represent the group in a number of forums which include the Consumer Providers Association (CPA), The National Debt Mediation Association (NDMA) and the Direct Marketing Association (DMA).

All units are pleased to report that there were no incidents of non-compliance with regulations and voluntary codes controlled by these associations during the year under review.

REVIEW OF THE YEAR

Despite continued uncertainty in financial markets, it is pleasing to report that over the year as a whole there was positive improvement in the quality of the debtors' book, as well as a significant increase in the revenue generated from this book.

Whilst the impact of the 2010 FIFA World Cup™ football tournament on sales was eagerly awaited, it was uncertain how this event would affect the payment behaviour of customers. A number of additional communication processes were put into place and it is pleasing to report that there was no disruption to payments during this period.

If anything, buoyed by the additional cash coming into the country, payment efficiencies improved and growth in the percentage of cash sales for the period outstripped that of credit sales.

Further improvement in the control of the debt review process under the National Credit Act (NCA) has seen payments from this source stabilise and the number of new matters has reduced. At year-end the total value of business under debt review amounted to R95,8 million.

During the early part of the year many of the recovery agents whom the division uses for processing its charged-off debt reported poor performances. This caused the division to review some of its strategies and to look at ways to improve the yield from this source. Sales of slow-paying debt were discontinued and the debts were moved into agencies that had shown an ability to effectively collect this debt. This strategy, coupled with a focus on the division's own debt collection agency, PSA, has worked well and recovery performance improved toward the end of the year.

There were two interest rate cuts during the year, bringing the annual weighted average interest rate under the National Credit Act (NCA) down to 23,4% from last year's 26,0%. Because of the gearing of the NCA rate to the repo rate, a reduction of this nature has a significant impact on interest revenues. Fortunately, the book growth of 20,6% ameliorated some of the margin loss.

One of the key objectives assigned to the Credit services unit for the year was to grow the active account base by 10%. The strategy used to carry this out involved a combination of writing new business, the reactivation of accounts, a reduction in charge-offs, and the prevention of attrition in the base. Month by month this was carefully monitored and strategies were adjusted to achieve the goal. By year-end this effort was rewarded by a record 10,5% growth in the active account base. New accounts totalling 590 000 were opened during the course of the year.

A review of the group's new account evaluation processes was also carried out. Certain operational changes were introduced to improve customers' experience when opening a new account. In addition, over the past period, the quality of the information that is received from the credit bureaus has improved. These bureaus produce a score for each customer on their database. These scores now incorporate microloan information from the national loans register maintained under the NCA.

Tests were conducted over several months to ascertain the impact of these new scores, coupled with the Credit services unit's own profit scores, on new account decisions.

TFG FINANCIAL SERVICES

It was determined that there were profitable segments that were being turned down, and certain other segments that the group should be rejecting. The revised scores were then introduced into the group's day-to-day operations. The acceptance rate has risen, leading to a significant improvement in new account profit for marginal additional risk.

RETAIL TECHNOLOGY UNIT

The process of consolidating all the group's cellular trading activities into one centrally-controlled unit in the form of the Retail Technology division has produced good results. The centralisation of the planning activity, the rationalisation of orders, and the more appropriate range selection for each trading division has led to fewer stock-outs and to improved stock turn ratios.

During the year the group sold more than 1 000 000 handsets and increased annual sales by 26,5%. The Sports division commenced selling cellular products, bringing the total stores in the group involved in cellular trading to 1 160.

CREDIT SERVICES UNIT INTEREST INCOME

The group's credit offering gives customers the option of paying for their purchases over 6 to 18 months. On the 6-month product, customers who pay the required monthly instalment are charged no interest. All other payment options attract interest. Currently 40,9% of customers make use of the 6-month product. In the previous year the figure was 47,8%. A total of 74,0% (2010: 70,7%) of customers are paying interest on balances of 84,6% (2010: 81,1%) of the value of the total book.

During the year there were two interest rate reductions. The gearing impact of these reductions according to the NCA formula reduced the weighted average annual interest rate by 2,6%.

Despite this rate reduction, interest income grew by 10,8% primarily as a result of the book itself growing by 20,6%. This book growth took place on the back of strong credit sales, a large volume of new accounts opened, and a marginal increase in the number of accounts selecting the longer-term payment products.

OTHER INCOME

Other income, which consists of Insurance, Club and One2One products and services offered to customers of the group, grew in aggregate by 32,2%

INSURANCE

During the year a "Men's Only" insurance product was introduced to the customer base. This product offers cover specifically for dread diseases that afflict men. It also provides further cover for accidental and natural death. The "Men's Only" offer is further enhanced by an outsourced legal helpline that allows customers to get legal answers to questions of concern. The product, which is sold primarily through telemarketing, has been well received by the market.

Net income from insurance activities grew by 25,6%.

PUBLISHING

The group offers a number of publications to its customer base through the Club concept. These publications, which are of a lifestyle nature, include titles such as Club, Sport, Soccer, Kidz, ClubX and Livingspace. Accordingly they cater for a wide variety of readers. Some of the magazines host their own Facebook pages which give Club members a platform to interact with one another as well as to give the division feedback on content.

Net income from publishing grew by 36,0%.

ONE2ONE

The success of the One2One product continued into this year. It is essentially an airtime contract over 24 months that is charged to customers' TFG account. The offer is exclusive to MTN and is an attractive proposition for many customers. Currently, from as little as R15 per month customers can receive airtime to the value of R50. Airtime is automatically topped up monthly.

The product is sold through telemarketing. During the year the number of accounts billed for One2One grew by 35,9%.

NET BAD DEBT AND PROVISIONS

The net bad debt situation improved in the year. Although it is clear that many consumers

Profitability

	2011 Rm	% change	2010 Rm
Interest income	**705,2**	10,8	636,4
Other income	**285,5**	32,2	215,9
	990,7	16,2	852,3
Net bad debt	**(401,7)**	11,9	(359,1)
Credit costs	**(248,1)**	4,8	(236,7)
Profit before tax	**340,9**	32,9	256,5

remain under pressure from excessive debt incurred in the past few years, the infusion of cash from the 2010 FIFA World Cup™ tournament and above-inflation wage increases have no doubt assisted customers to improve their credit positions. It seems that a recovery is in progress, but it will be a steady process over an extended period of time. Net bad debt grew by 11,9%, much reduced from the previous year's 37,3% growth. As a consequence of these improvements the debt ratio is more favourable, with net bad debt to closing debtors reducing to 9,2% from the previous year's 9,9%. Debtors in arrears reduced to 20,7% from 22,1%.

There was some stabilisation in the number of accounts going under debt review and the cash flow from these debtors also improved.

Post charge-off recoveries was another area that came under pressure. The trend has continued into the early part of the next year. However, toward the latter part of the year yields started to pick up and this recent improvement is encouraging.

The increased incidence of fraudulent activity on credit applications remains a disturbing trend for the consumer credit industry. This fraud is often perpetrated by syndicates. During the year 69 syndicates were closed down with several arrests, this largely as a result of concentrated effort in the forensics unit.

The group continues to provide for doubtful debts on a recognised accounting basis that takes cognisance of actual payment performance. The provision ratio reduced to 8,7% (2010: 8,8%) and now totals R365,8 million.

CREDIT COSTS

Credit costs increased by 4,8% during the year despite a substantial investment in the customer relationship management programme. Credit cost containment was assisted by the recoupment of collection fees on arrear debt.

PROFIT

The divisions profit for the year increased by 32,9% (2010: 16,4%).

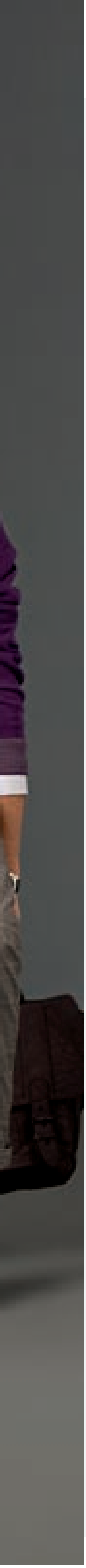
GROUP MARKETING, COMMUNICATION AND CRM

The three-year CRM strategy devised in 2008 focused on three core objectives – customer acquisition, customer growth, and customer retention. The campaigns implemented to meet these objectives have exceeded expectations and have contributed to the group's sales growth.

Salient statistics

	2011	2010
Number of active accounts ('000s)	**2 278**	2 062
Credit sales as a percentage of total retail sales	**61,5**	62,6
Net debtors' book (Rm)	**3 823,0**	3 169,3
Arrear debtors as a percentage of debtors' book	**20,7**	22,1
Net bad debt write-off* as a percentage of credit transactions	**4,7**	4,8
Net bad debt write-off* as a percentage of debtors' book	**9,2**	9,9
Doubtful debts provision as a percentage of debtors' book	**8,7**	8,8
Percentage able to purchase	**82,0**	81,7

* Including VAT, excluding movement in provision



TFG FINANCIAL SERVICES

CUSTOMER ACQUISITION

The target of acquiring 300 000 new customers in the year through invitational mailing was attained. This was significantly more than the 166 000 attained in the previous year. This growth was achieved through the use of a combination of marketing channels. The investment in new customers will continue to benefit the group in the future.

New accounts drives in the stores also contributed significantly to the growth of the account base. Their success benefited from a focused approach across all the retail brands, a consistent in-store message and targeted magazine advertising.

CUSTOMER GROWTH

Gift-giving events were used as triggers to promote cross-shopping into a wider range of the group's retail brands. The ability to cross-shop on a single account across 14 retail chains remains one of the group's biggest differentiators in the retail market.

Overall the initiatives resulted in an average incremental lift in spend for these campaigns of 15,3% and an average return on investment of 1 062%.

CUSTOMER RETENTION

The number of dormant customers dropped from 12,5% of the book to 11,0%. This was achieved through campaigns targeting dormant customers at specific points in their cycle.

The implementation of SAS Analytics, a leading software package, will further enhance the division's ability to determine the optimal point at which to incentivise dormant customers and hence reduce attrition.

An integrated voucher tracking system was implemented which has enabled accurate tracking and return on investment calculations for all offer-driven campaigns.

The group once again received Assegai Awards at the Annual Direct Marketing ceremony in recognition of excellence in its direct marketing campaigns.

COMMUNICATION

The group's change of corporate identity to "TFG", accompanied by the work associated with the group's mission and value statement, was undertaken by this division.

The division's "iamme" student campaign continues to gain attention on student campuses and at selected graduation fairs nationwide. The campaign's objective is to position TFG as an employer of choice.

Gift cards, which went live in November 2009, have seen very positive take-up by customers. Gift card sales for the financial year amounted to R74 million.

PROSPECTS AND STRATEGY

The focus of the division will continue to be on expanding the number of customers with whom the group does business. The current economic climate, coupled with new legislation, presents numerous challenges in acquiring new customers.

Cash customers, who account for 38,5% of the group's retail business, are a group that will receive particular attention this year. The division intends to provide these customers with a means of identifying themselves whenever they purchase. In so doing it will be possible to better understand these customers' spending patterns and merchandise preferences, and it will create the opportunity to promote cross-shopping. In addition, it will ensure that the division maintains regular communication with this important group of customers.

The promotional benefits that are made available to cash customers will also be gradually rolled out to the credit customer base.

It can be expected that there will be continued gradual improvement in customers' ability to service their debt. Ordinarily this would translate into ratio improvements in bad debt. However, given the orientation of the group's scoring process to profit as opposed to pure risk and the more expansive customer acquisition process that has been embarked upon, the division is comfortable to favour sustained bottom-line improvement in a trade-off with improved bad debt levels.

During the next year the division will expand the group's credit offering to its stores in Botswana and Lesotho, and also look at how payment alternatives can be offered to stores and customers in Zambia, which are currently trading on a purely cash sales basis.

The division will introduce a new insurance product and a new Club format early in the year and explore opportunities to expand the reach of the Club by developing third-party relationships that will provide access to more customers whilst rendering service to these customers and third parties alike.

Cellular and mobile technologies now include a variety of internet-connected devices and this is seen as a growth opportunity. Until now the group's offering has been confined largely to cellular handsets sold through its chains of stores. Going forward, the opportunity exists to expand the product range as well as the sales channels used to provide connected hardware and services. During the year the division will experiment with some of these options to determine what best suits the needs of the customer base whilst also tying in with the group's lifestyle offering.

SCHALK VAN DER MERWE

"THE RCS GROUP IS STRUCTURED INTO TWO OPERATING BUSINESS UNITS NAMED TRANSACTIONAL FINANCE AND FIXED TERM FINANCE. THE OPERATING UNITS ARE SUPPORTED BY A NUMBER OF SHARED SERVICES. IN ADDITION, THE RCS GROUP HAS AN INVESTMENT INTEREST (60%) IN AN INDEPENDENT DATA MANAGEMENT COMPANY NAMED EFFECTIVE INTELLIGENCE."

RCS GROUP

The RCS Group is an operationally independent consumer finance business that provides a broad range of financial services under its own brand and in association with a number of retail entities in South Africa, Namibia and Botswana. The RCS Group is majority owned by The Foschini Group (55%) with Standard Bank holding the balance of the shares (45%).

The RCS Group is structured into two operating business units named Transactional Finance and Fixed Term Finance. The operating units are supported by a number of shared services. In addition, the RCS Group has an investment interest (60%) in an independent data management company named Effective Intelligence.

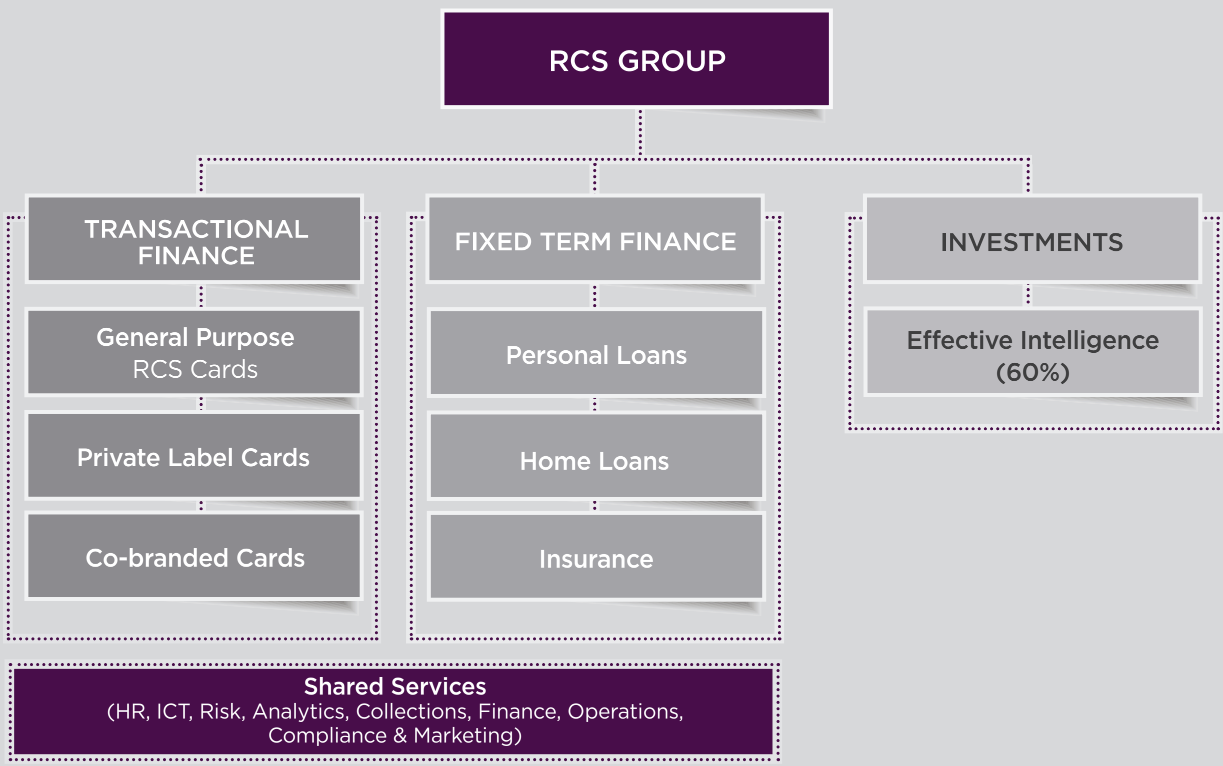
The Transactional Finance business unit is focused on facilitating credit sales for retailers at point of sale. Retail credit sales are supported in one of two ways:

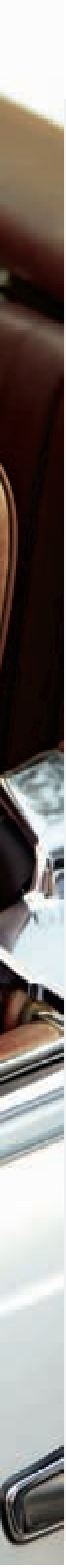
- through an own-branded general-purpose card known as the RCS Card that is accepted at 14 000 retail outlets countrywide; and
- by managing private label and co-branded retail credit programmes for retailers under their own brands on an outsourced basis.

Currently the private label portfolio consists of the Queenspark card, the Game card, the Dion Wired card and the newly-launched builders card. The co-branded card programmes include retailers such as AD Spitz, Cape Union Mart, Tiger Wheel and Tyre, Galaxy Jewellers and the Busby Group VIP card.

The Fixed Term Finance business unit provides personal loans, home loans and insurance products under the RCS brand to existing RCS group, TFG and external customers through direct marketing methods.

The RCS Group is functionally separate from TFG Financial Services and it has its own governance structure, branding, field of operation, management team, infrastructure, budgets and profit models. The decision to differentiate the businesses was taken at the establishment of the RCS business in 1999 in order to ensure that the focus of TFG on its traditional trading activities was maintained, and that all profits and costs associated with the RCS business would be clearly ring-fenced.





REVIEW OF THE YEAR

The RCS Group delivered satisfactory full-year results despite the continued challenging market conditions, against a backdrop of high levels of consumer indebtedness, muted credit demand and slow but steadily growing economic activity.

PROFITABILITY

The overall performance of the group resulted in an increase of 22,0% in pre-tax profit, which represents an improvement on published results at the half-year. The profitability breakdown is as follows: on the RCS Group's portfolio. The impact of the drop in interest rates was countered by a 10% growth in the size of the book which off-set some but not all of the dip in the interest revenue. Other income grew positively by 11,5% year on year because of an increased number of new accounts on book and enhanced insurance revenue.

The primary cause of the increase in profitability for the year as a whole was an improvement in asset quality, resulting in a decrease of 34,4% in bad debts year on year. The net bad debt value includes increased provisions to ensure that RCS maintains an acceptable restructuring of some of the RCS Group's divisions. On a comparative cost basis expenses are well under control and within the required operating parameters. The cost-to-income ratio showed some deterioration year on year but it is anticipated that this ratio will improve in future years.

Capital market fund-raising activities associated with the RCS Group's domestic medium-term note (DMTN) programme contributed to a lowering in the cost of funds for the RCS Group as a whole.

RCS Group profitability

	2011 Rm	%	2010 Rm
Interest earned	**772,1**	(3,3%)	798,4
Other income	**383,3**	11,5%	343,8
TOTAL CREDIT INCOME	**1 155,4**	1,2%	1 142,2
Net bad debts	**(231,1)**	(34,4%)	(352,4)
Operating costs	**(448,6)**	17,0%	(383,5)
EBIT	**475,7**	17,1%	406,3
Interest paid	**(180,5)**	(2,6%)	(185,4)
PROFIT BEFORE REVENUE SHARE	**295,2**	33,6%	220,9
Revenue sharing	**(19,6)**	(491,0%)	5,0
PROFIT BEFORE TAX	**275,6**	22,0%	225,9

RCS Group profitability statistics

	2011	2010
Interest as a percentage of total revenue	**67%**	70%
Cost-to-income ratio	**39%**	33%
Profit before taxation as percentage of average debtors (net margin)	**9,9**	8,4%

Overall, revenues grew marginally year on year by 1,2%. The 3,3% drop in interest income arose through the cumulative impact of decreases in the repo rate, totalling 1%, during the full financial year. The interest rate capping formula of the National Credit Act (NCA) translated the 1% drop in the repo rate into a 2,2% interest rate drop non-performing loan coverage rate. This resulted in an increase in the cover for non-performing loans compared with prior years.

Operating costs showed a 17,1% increase year on year. There are a number of non-comparable costs included in this value, the chief of which are costs related to the

On a number of programmes the RCS Group enables revenue-sharing with its retail partners if certain performance benchmarks are met. During the course of the year some of the programmes reached the performance benchmarks set for revenue-sharing to occur, with the result that R19,6 million was shared.

The combined effect of the increases in total revenue, bad debts and cost of funds was that the overall margin, when measured against average assets, improved by 1,1% for the year. A divisional breakdown of profits achieved shows that the Transactional Finance business continued a trend of strong growth in profits. The key driver for this increase was the continued improvement in the net bad debt cost, the continued application of risk-based pricing models across the Transactional Finance portfolios, and positive book growth in the private label and co-branded card portfolios.

The Fixed Term Finance business showed modest profit growth compared to previous years. During the second half of the previous year the group had to curtail the advance of new loans in order to manage cash resources during the peak retail trading period of November 2009 to January 2010. As a result, personal lending activities only restarted in earnest in April/May 2010. During the restart phase a decision was taken to switch the business formula from a mail-based direct marketing model to a telemarketing model. It has taken management some time to settle the new telemarketing operations and to achieve a consistent pattern of monthly advances. With this business in a more settled pattern it is anticipated that there will be stronger growth in the next year.

The insurance business remains a key contributor to the growth of profit in this division.

Other investments show a decline in profits because prudent provisions were made for commitments under the home loans joint venture.

Overall, management is pleased with the growth in profit achieved during the year and with the profit growth trend which has again been maintained.

ASSET QUALITY

One of the key reasons for the improved profitability of the group over the year was the continued improvement in the asset quality of the portfolios under management. Improved asset quality continues to remain a key strategic focus for the group. The table below reflects some of the key statistics relating to asset quality.

Despite an improving NPL percentage, management felt it prudent to increase the level of provisions for doubtful debt. The NPL coverage was accordingly raised from 90,8% in the previous year to a level above 100%.

The RCS Group has set a target of a minimum NPL coverage of 80% and will review this target annually in line with changes in portfolio composition. This supports a strategy to manage the asset quality in line with the expectations of investors in any of the RCS Group's fund-raising programmes, as well as to maintain and strengthen the group's existing credit rating.

Asset quality statistics

	2011	2010
Number of active accounts ('000)	**665**	643
Net debtors' book (Rm)	**2 889**	2 628
Arrear debt as percentage of total debt[1]	**11,1%**	14,4%
Non-performing loans as percentage of total debt[2]	**7,3%**	10,1%
Net debt write-off as percentage of turnover (cards)	**6,0%**	9,3%
Doubtful debt provision as percentage of debtors' book	**8,2%**	9,2%
Provisions as percentage of non-performing loans	**112,3%**	90,8%
Percentage of applicants granted credit on cards portfolio[3]	**44,4%**	45,7%

1 Arrear debt defined as 60 days+
2 Non-performing loans defined as 90 days+
3 Current and prior year include the MDD portfolio

All the key measures for the quality of the debtors' book showed positive trends year on year. These include:

- currency level (i.e. up-to-date accounts as a percentage of total book value);
- improved arrears;
- reduced level of non-performing loans (the NPL percentage); and
- lower percentage of write-off to turnover on the cards portfolios.

FUNDING

During March 2010 the RCS Group launched its DMTN programme to augment the current shareholder funding and to position the balance sheet for future growth. During the year the group had three successful issuances. Collectively more than R1 billion has been raised by these issuances with all issuances being

RCS GROUP

oversubscribed. The group raised a mixture of short-, medium- and long-term paper during these issuances including one successful rollover event.

The credit rating of the group, as issued by Moody's, was also favourably adjusted during the year from a long-term rating of Baa1.za (negative outlook) to Baa1.za (stable outlook).

It is worth noting that the spreads paid on the notes have improved on each issuance with a favourable assessment of the rating adjustment by potential investors.

As a result of fund-raising activities the RCS Group has in the region of R600 million in available cash for growth. The group has also set a strong cash flow base with cash inflows now measuring between R250 – R300 million per month, depending on seasonality. The group maintains a healthy debt to equity ratio of 62% compared to 63,5% in the previous year, and currently maintains capital adequacy of 36% to cover any system or asset risks.

> "ONE OF THE KEY REASONS FOR THE IMPROVED PROFITABILITY OF THE GROUP OVER THE YEAR WAS THE CONTINUED IMPROVEMENT IN THE ASSET QUALITY OF THE PORTFOLIOS UNDER MANAGEMENT. IMPROVED ASSET QUALITY CONTINUES TO REMAIN A KEY STRATEGIC FOCUS FOR THE GROUP."

DIVISIONAL OVERVIEW

TRANSACTIONAL FINANCE

Overall the Transactional Finance unit had a good year with growth in total account numbers, turnover and book size.

Three categories of portfolios are managed in the Transactional Finance business: the RCS card portfolio, the group's private label card portfolio, and co-branded card portfolios.

The RCS card portfolio experienced some decline in numbers, turnover and book size compared to the previous year. The slight decline in RCS card numbers was the result of a deliberate strategy to apply more stringent qualification criteria to the opening of accounts. The decline in book size resulted from lower numbers of accounts. It must however be noted that accounts that remain on the portfolio represent much lower risk. They are in a better buying position with a higher increase in the average number of transactions and higher average purchase value than in the past.

During the year the merchant network was again expanded and the general-purpose RCS card and co-branded cards are now accepted nationally in 14 000 merchant outlets across a variety of industries.

The growth in the private label portfolios remains a strategic asset of the group. Currently the RCS Group manages and owns the Queenspark, Game, Dion Wired and Massbuild private label card portfolios.

The Queenspark portfolio continues to perform well, with good growth in account numbers, turnover, book size and margins.

The group's programmes with Game and Dion Wired have been very successful, with the result that RCS was recognised as the supplier of the year for the Massdiscounters' division for 2010.

The pilot phase of the Massbuild portfolio was launched in March 2011 with acceptance in the three Massbuild' chains – Builders Warehouse, Builders' Trader Depot, and Builders' Express. Through the launch of the Massbuild programme the group extended its partnership with the Massmart group.

The co-branded card portfolios of AD Spitz and Cape Union Mart are also showing good growth in account numbers, turnover and book size, while delivering acceptable portfolio risk. The co-branded card portfolio was extended by the launch of the Busby Retail group's VIP card and the Tiger Wheel and Tyre card that was launched late in March.

It is expected that the private label and co-branded card portfolios will see the addition of a number of new programmes during the next year.

FIXED TERM FINANCE

The Fixed Term Finance Unit (FTF) focuses on the term lending and insurance portfolios. The unit provides personal loans, home loans and complementary insurance products to existing RCS customers, and to the market at large. It primarily operates on a direct marketing basis. Customers are attracted by the convenience and simplicity of the RCS offering, with a large part of the sales process being handled telephonically.

The high level of cross-selling and repeat business attests to the efficacy of this business model.

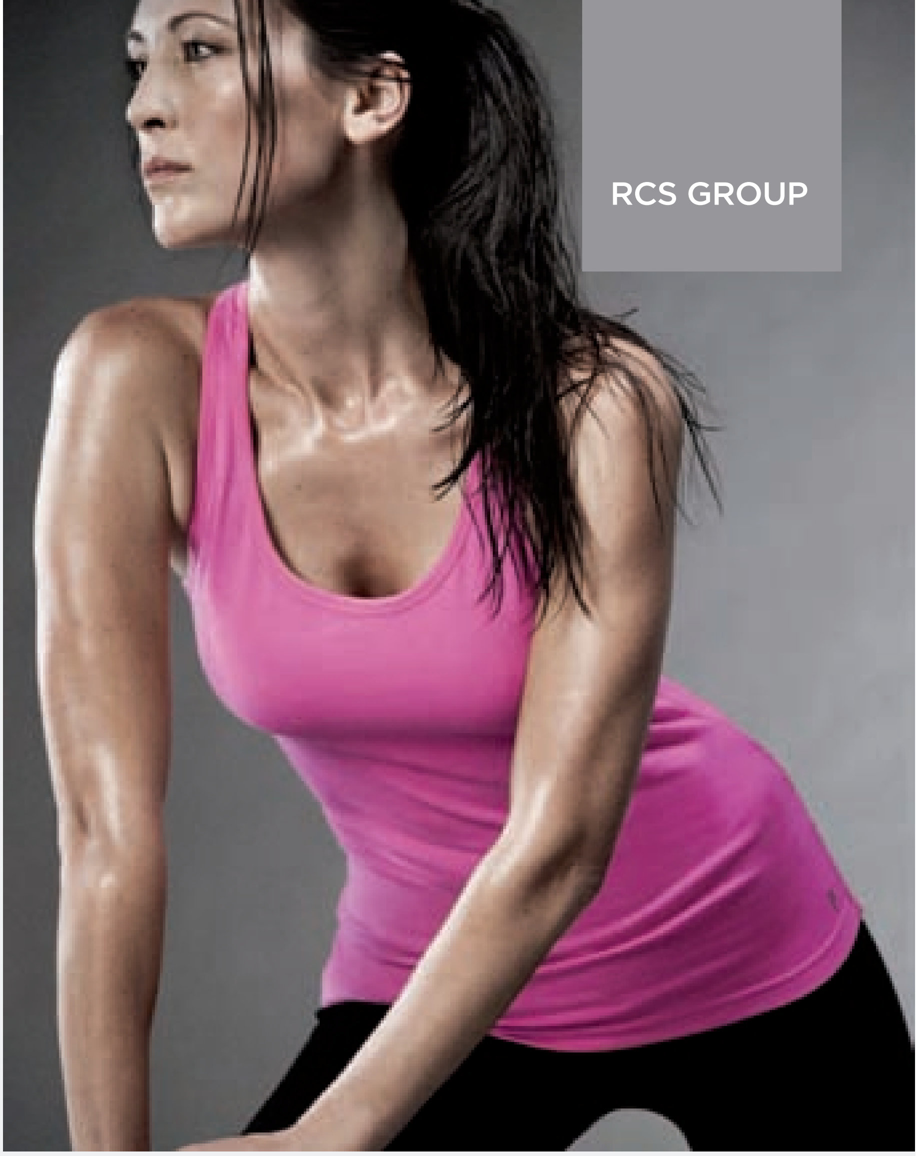
The personal loan portfolio showed a slight decline in account numbers, but maintained book size year-on-year. As is indicated in the profitability section, this portfolio was relaunched during April/May 2010 after a period of curtailed advances. Part of the relaunch entailed a change in the business model from a mail-based direct marketing business to a telemarketing operation. The first half of the year was spent bedding down the telemarketing model and building sufficient capacity to handle anticipated business volumes. During the second half the model was more fully deployed and this resulted in a more consistent advances flow for the business. The loan product offering was also changed and loans of up to R100 000 are now offered with a maximum term of 60 months.

The home loan business is an origination model in partnership with SA Home Loans and is an extremely small component of the overall business. Origination activities for home loans remain on hold for the moment.

The insurance business primarily consists of credit life insurance products that are sold in conjunction with the various credit products offered by RCS. The insurance portfolio has shown good growth year on year through the introduction of a number of new credit life offerings. The claims history on all insurance portfolios remains well within industry limits. It is anticipated that there will be steady expansion of this portfolio during the next year.

PROSPECTS

Despite the positive gains made during the year a number of broader market challenges are still present:



- the budgets of mass middle-market consumers remain under the strain of a high debt servicing burden, resulting in growing but muted credit demand;
- the competitive landscape intensifies as the pool of available creditworthy customers gradually declines; and
- current pricing limitations seem set to continue, given the interest rate outlook, because of the NCA's interest-capping formula.

Against this backdrop RCS' management anticipates that the business will continue to show positive growth in the next year. The gains made in asset quality will be maintained, and more operational efficiencies will be achieved as both the Transactional Finance model and the Fixed Term Finance distribution model are leveraged to their full extent.

SUSTAINABILITY

The RCS Group's sustainability reporting is based on the JSE's Social Responsibility Index and takes into consideration King III triple bottom-line reporting requirements. This report reflects initiatives undertaken in the financial year under review.

EMPLOYMENT EQUITY (EE)

Employment equity targets continue to be monitored and employment equity is considered whenever a vacancy arises.

The table below sets out a breakdown of the RCS Group's EE statistics as reported to the Department of Labour.

Workforce EE% distribution

	African	Coloured	Indian	White	**Total**
Female	36	29	2	9	**76**
Male	8	10	1	5	**24**
Total	**44**	**39**	**3**	**14**	**100**

Implementing EE targets continues to pose a challenge for the RCS Group as it finds itself struggling to find suitable candidates, especially for the strategic areas of the business, where the required skills are either hard to find or are at a premium to affordability.

OCCUPATIONAL HEALTH AND SAFETY IN THE WORKPLACE

The presence of an occupational health and safety facility on-site has seen an increase in the extent of staff utilisation of the service for both occupational and primary health visits. This is mainly the result of increased awareness of occupational health issues and the provision of periodic occupational health evaluations. This service seeks to prevent situations that will lead employees to stay away from work because of illness or injuries sustained as a result of poor seating or other work-related ailments.

ENVIRONMENTAL PERFORMANCE

In the year under review the RCS Group measured its carbon footprint with the help of environmental consultants. It was found that electricity consumption is the biggest source of greenhouse gas emissions. As a result of this the RCS Group has embarked on a programme to reduce electricity usage in the next financial year. In conjunction with the electricity reduction programme the IT infrastructure department of the RCS Group is reducing the number of stand-alone printers in the business as these add to the wastage of paper and electricity.

Recycling initiatives are being successfully implemented and all IT machines and consumables are disposed of through certified and registered recycling companies. Certificates of proper disposal of such equipment are being received and monitored. Work continues in increasing awareness about the RCS Group's environmental impact and how employees can play a role in reducing it.

Community involvement

The RCS Group continues to be involved in community development projects as part of its responsible corporate citizenship initiatives. Upwards of R1 million was expended on corporate social investment in the year under review. The projects undertaken include the following:

- R140 000 was spent in supporting employees with bursaries for school-going children. The objective of this support is to ensure that primary education is a reality for these children. Bursaries are made available for students in multiple years up to grade 12. Of the beneficiaries, all except 4% are from previously disadvantaged groups.
- TSiBA, a free university institution which provides financial literacy to communities, remains a flagship project. Financial assistance of R650 000 was provided to it during the year.
- The RCS Group's partnership with Gugulethu Athletics Club continued during the year. It involved sponsorship for athletes of this club and participation in the Gugs Reconciliation Race which takes place on 16 December every year.
- Support was again provided to the JAG foundation. The Karl Westvig Bursary Fund, which receives funding from the RCS Group, helps talented child athletes involved with the JAG Foundation to succeed in their sporting ambitions.
- The RCS Group's annual Habitat for Humanity building programme has operated for five years, and staff time and resources were donated this year to complete two houses.
- During the festive season the RCS Group joined forces with Food Bank to feed more than 2 000 needy children.

RCS GROUP

MARTIN MENDELSOHN

"TFG'S SUPPLY CHAIN INITIATIVE HAS NOW BEEN UNDER WAY FOR SOME THREE YEARS AND PAY-OFF FOR THIS PROJECT IS BEING REALISED IN VARIOUS WAYS."

SUPPLY CHAIN

Like many retail groups internationally, TFG has sought in recent years to apply rigorous modern thinking to the supply chain which begins with the placing of an order for merchandise with a supplier and ends with the arrival of merchandise in a store of one of the group's chains.

By adopting a supply chain which is agile and highly efficient but flexible enough to bring about changes at short notice, significant benefits can be achieved through better utilisation of capital, greater responsiveness to customers' needs, the elimination of wastage of time and materials, and reduction of adverse impacts on the environment.

TFG's supply chain initiative has now been under way for some three years and pay-off for this large project is being realised in various ways.

The project has involved the collaboration and commitment of all the trading and service divisions of the group and equally it promises to yield results which are widespread and of major significance to the success of the entire group.

Much of the activity in the project has been channelled through TFG Logistics division, where measurement of the extent of achievement in improving key aspects of the supply chain involving the physical movement of merchandise is part of that division's normal functions. Accordingly readers should turn to the report of TFG Logistics for those aspects of the supply chain topic. Other key steps involving the building of relationships with suppliers of merchandise in the attainment of an ideal supply chain have been channelled through TFG Merchandise Procurement division, and its report too should be read for an appreciation of the scope of the project and of progress achieved so far in the fields encompassed by the operations of that division. A third division, TFG Design Centre, which is concerned with local manufacture, also has a key role and its report should also be read for a full understanding of the implications of the project for local industry and the group's attempts to boost local entrepreneurship and provide work opportunities in local factories. Comments about the impact of the supply chain initiative on their operations are also contained in some of the reports of the individual trading divisions.

There is no dedicated supply chain division or other individual entity in the group which plans and executes the supply chain initiative, since its scope is so extensive and so many processes and activities in the group are involved. However, because of the wide-reaching nature of the initiative, TFG found it necessary to establish an umbrella multi-divisional committee to plan and co-ordinate the initial phases of the initiative. At this stage, the organisational structure has evolved into a series of forums which are again multi-divisional and which meet quarterly to review progress and provide material for cross-fertilisation of concepts. Responsibility for implementation of the remaining steps has largely devolved on to the individual trading divisions, where customised solutions for problems are worked out and implemented, but communication between all participants remains essential and channels exist for this to occur.

The keynotes of the current phase of the initiative are optimisation and continuous improvement, and those concepts will underpin the activities of all concerned in the immediately forthcoming years.

One of the main indicators influenced by the efficiency of the supply chain is stock turn. Essentially it expresses the number of times per year in which the capital of the group is cycled through turnover. A rising stock turn is thus highly desirable.

In the year under review overall stock turn for TFG rose to 3,2 from 2,7 in the previous year, a gain of 18,5%. Further gains can be expected in future years although a similar rate of increase will not be sustainable in the long term.

Other significant accomplishments in the supply chain initiative, some of which are explained more fully in the relevant divisional reports, are as follows.

SUPPLIER RELATIONSHIP MANAGEMENT

The original objective of providing a supplier measurement system to govern future sourcing decisions has been completed. A scorecard system has been applied to the apparel and @home divisions.

Conformance to the scorecard by the group's suppliers improved from 77% in the previous year to 91%. The responsibility for co-ordinating continued enhancement of measurement processes for suppliers' conformance to agreed standards now resides entirely with TFG Merchandise Procurement.

PIPELINE

Significant gains in in-season trading capability within the Exact! and Foschini trading divisions were achieved, with some departments being able to react to customer demand in a single season to the extent of more than 50% of inventory purchased. This has a direct impact on turnover and on mark-down. A software system, I-Sync, has been acquired for production planning and the management of fabric and trims. Implementation and training will be supported by the Fast Fashion Cluster project which is described below.

REPLENISHMENT AND HOLD-BACK

A forecasting and replenishment system, Logility, is being installed for the group. All divisions using replenishment strategies should have Logility in operation by December 2012.

LEAD TIME

Throughput time in the distribution centre for the Jewellery division was reduced from 20,9 to 8,9 days, while in the apparel divisions there was a reduction from 4,9 to 3,9 days.

STRUCTURING ARRANGEMENTS

From April 2011 the supply chain initiative will be restructured into a development programme within the TFG organisational framework, consisting of various projects to be reviewed and advanced at quarterly forums of the main participants and quarterly development meetings of the trading divisions.

FAST FASHION CLUSTER PROJECT

Financial backing to the extent of 75% of the cost has been obtained from the Industrial Development Corporation for the establishment and operation of a Section 21 company to devise a programme by which greater quantities of garments than in the past can be designed and manufactured locally for the Foschini and Exact! divisions. The intended manufacturing processes will be channelled through TFG Design Centre and a number of local CMT (cut, make and trim) manufacturers, and will operate on the basis of rapid turnaround in the factories so that stock can be supplied in the season in which it is ordered. This meets the "fast fashion" criteria. The project is expected to take three years to complete and when implemented will have a target to create approximately 1 000 jobs in local factories.

SUPPLY CHAIN

SELWYN EAGLE

"GOOD WORKING RELATIONSHIPS HAVE BEEN MAINTAINED WITH ALL GOVERNMENTAL AGENCIES AND THE DIVISION HAS BEEN PROACTIVE IN ASSURING COMPLIANCE WITH ALL LOCAL AND INTERNATIONAL LEGISLATION."

TFG MERCHANDISE

PROCUREMENT DIVISION

POSITIONING

The Merchandise Procurement division is an entity interposed between the trading divisions of TFG and its suppliers of merchandise, whether local or foreign. It supervises transactions between the trading divisions and these suppliers, and it nurtures the relationships which exist between them.

The division as a separate entity was created in 2009 and the past year was the first complete financial year in which the division has been in operation.

The broad objective of the division is to optimise the group's relationships with its suppliers so that merchandise, once ordered, can enter the group's distribution network with the minimum of delay and with the utmost reliability.

To reach this goal requires effort in a number of spheres. In essence they encompass:

- Stability in the relationships, so that both TFG and the suppliers have a base of knowledge and experience to allow them to predict events affecting their transactions and to take action timeously and effectively to meet commitments and overcome any obstacles along the way.
- Cultural alignment, regardless of differences in background and geography, so that understanding and trust can flourish and common interests can be cultivated.
- A proper balance must be maintained between local and foreign suppliers so that undue reliance on any one zone is avoided, and so that the benefits of the group's buying power are judiciously spread.
- "Hard" criteria must be developed and constantly updated to measure the performance of suppliers in an objective and fair manner, so that the quality of goods and services supplied is properly assessed and the auditing of suppliers is conducted rigorously but transparently and equitably.

Experience has shown that it is not desirable for TFG to be either the sole customer of a supplier or that the supplier be TFG's sole supplier of any merchandise. (Minor exceptions are possible in TFG's relationships with local CMT suppliers.) To establish a desirable balance in this regard requires patience and hands-on experience.

Three years of work in the division and in predecessor units of the group have been expended in developing an audit form which is opened when a supplier is first contracted and which is then regularly updated as transactions are executed and the supplier's track record is established. The end-point is a scorecard in which the outcome of the audit processes is recorded and which then determines how the supplier is rated.

Both the audit form and the scorecard now exist as completed proprietary documents. When they are used, the output is a fully objective and independent assessment which immediately reveals the strong points and any weak points of a supplier's performance. Every transaction with the supplier is analysed and is added to the supplier database.

The Jewellery division, which will be integrated into the supplier performance appraisal in the next year, is the last of the trading divisions to which the process will be applied.

The division's established role of controlling both the group's shipping and quality assurance functions continues. An export arm has been added to the shipping unit to cater for all offshore requirements as the group expands into Africa and beyond.

Service providers to the group sit on the shipping unit's floor to facilitate the forwarding and clearing of all imported goods.

The division has also reviewed and acquired a new courier service for in-house operations.

In quality assurance, the division has fully aligned both process and structure in the past year. This has achieved seamless decision-making on day-to-day issues and a much-enhanced team dynamic. Fabric quality is now dealt with at group level and this has enabled synergies to be achieved by each division in learning from the experience of others.

The division has been active in supporting the official national goal of retaining and growing employment in South Africa. Several promising initiatives are under way in this regard.

A decision has been taken to examine import possibilities from a wider region than has been traditional, and this will continue into the future both locally and offshore.

REVIEW OF THE YEAR

The more extensive use of the supplier measurement system led to a marked improvement in supplier behaviour since the system is transparent and the causes of both favourable and unfavourable events are easily identified. Areas of particular improvement were conformance with distribution centre procedures, the accuracy of invoicing and greater consistency of the quality of products. Work remains to be done on the delivery of merchandise in full and on time.

The key objective in quality assurance has been to entrench the new "quality ethos" aimed at creating a more structured flow of process, improved decision-making and moving quality control as far upstream as possible. There has been success on all fronts in this regard, with positive benefits in the collaboration between internal buying units and the outside supply base.

The shipping unit had an active year, one of its tasks being the introduction of a new computerised treasury control system that gives management greater control and visibility. Another has been the setting up of an export division that is responsible not only for moving merchandise but ensuring that customs compliance is achieved and legislative requirements are met in all transactions with the group's franchise partners in Dubai and Mozambique and with the group's own external stores in Zambia.

Good working relationships have been maintained with all governmental agencies and the division has been proactive in assuring compliance with all local and international legislation. The division is conscious that it has a wide responsibility for meeting labour and environmental requirements and observing ethical codes wherever the group operates.

This programme of activities requires a high calibre of staff resources and the well-being of employees receives high priority. Succession and EE planning and retention, recognition, and reward processes and procedures are firmly in place.

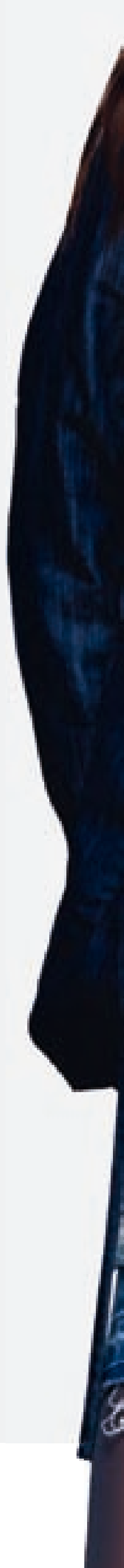
Efforts to rekindle large-scale local manufacturing in the clothing industry are still at a delicate stage, but among the year's successes was the fact that a substantial part of the group's requirement for knitwear, once made locally but taken over some years ago by foreign manufacturers, was brought back to local factories.

STRATEGY

The division's strategy for the next year is to consolidate the progress made in the recent past and to continue to support the trading divisions in their fast fashion goals. For this to be possible the division must maintain and optimise the group's supply base. The ultimate benefits will be improved lead times for merchandise, increased stock turn, greater flexibility and agility in procurement, reductions in costs and waste, and increased visibility for the group.

It is important for these objectives that the division promotes integrity and trust in all dealings with suppliers, and to have partnerships with suppliers that incorporate good ethics and fairness in all transactions. The way in which measurement and feedback are carried out is structured and factual and consistent across the supplier base.

The division looks continuously at its talent and succession planning with a view to having structures in place to develop, coach, assess and measure all staff members.



TFG MERCHANDISE PROCUREMENT DIVISION

TFG DESIGN CENTRE

TFG Design Centre (formerly TFG Apparel Supply Company) serves the trading divisions of the group by interfacing with local manufacturers in securing merchandise for the group, pursuing the objectives of fast fashion, own design and lean retailing that are now at the centre of the TFG strategy. The aim of TFG Design Centre is to set a dynamic path for local design and manufacturing with a group-wide vision.

TFG Design Centre applies modern design concepts combined with modern electronic design technology to boost the design content of products procured locally for the group's stores while maintaining costs. TFG Design Centre outsources manufacturing operations to a number of local manufacturers, chiefly cut, make and trim (CMT) factories in South Africa and nearby African countries, while working with them on a highly co-ordinated basis to ensure that there is maximum efficiency and flexibility in the overall manufacturing operation.

Design teams formerly working within the Foschini and Exact! divisions were combined and integrated into TFG Design Centre on a basis which allows their experience in the trading divisions to be utilised to the full.

A unit known as the Fashion Studio focuses on trend research together with textile and graphic design. It interfaces with both the design and retail functions of the trading divisions.

Design capability and versatility have been enhanced so that the division can provide complete ranges and product development for all brands and lifestyles, including casualwear.

The teams dealing with fabric, trim and outwork have been centralised so that the division can procure materials on a more rational and comprehensive basis than in the past.

There has been significant improvement in lead times from the start of styling to delivery on most of the ranges of products produced locally, with the aim of enabling the trading divisions to increase in-season trading in all brands. This means that orders are placed only a few months before delivery, as against an entire six-month or one-year period as in the past.

These changes have improved the competitive advantage of the division and purchases from local manufacturers increased by 12% in value as compared with the previous year. Further improvements are expected in future years, along with improvements in design creativity and the uptake of modern technology.

TFG Design Centre has increased its CMT capability, versatility and quality to include new brands and lifestyles. Its cost structures have been reduced and its geographical reach now extends to all provinces in South Africa and neighbouring countries.

Sample room capacity has been raised and the introduction of night shifts will raise flexibility and productivity. There is now a steady 130-day lead time from commitment to a particular fabric to delivery of finished stock to the distribution centres.

The main focus in the next year will be to reduce lead times still further and to increase volume by 25% whilst ensuring that deliveries are made on time and in full.

Emphasis is being placed on enhancements to IT systems that are designed to integrate electronic data so that every garment manufactured is managed and monitored electronically from the moment design commences to the time of delivery to the group's distribution network.

As mentioned in the Supply Chain report (which appears elsewhere in this report) the group commenced a three-year project in conjunction with the Department of Trade and Industry to raise the level of local manufacturing capability in the local clothing industry. TFG Design Centre will play an active role in this project. One of its expected benefits is job creation in a revitalised clothing industry.

> "THE MAIN FOCUS IN THE NEXT YEAR WILL BE TO REDUCE LEAD TIMES STILL FURTHER AND TO INCREASE VOLUME BY 25% WHILST ENSURING THAT DELIVERIES ARE MADE ON TIME AND IN FULL."

TFG FINANCE
AND ADMINISTRATION DIVISION

TFG's Finance and Administration division is a centralised service division that provides support to the other divisions in the group. It is made up of several departments, mentioned below, which attend to specialised functions. Overall, the division's functions cover the following areas of responsibility:

GROUP ACCOUNTING AND REPORTING

This department is responsible for:

FINANCIAL ACCOUNTING AND CORPORATE REPORTING

- collating data and producing the group's interim and annual financial statements;
- undertaking corporate communications and shareholder reporting;
- ensuring compliance with all applicable accounting standards and statutory requirements; and
- undertaking liaison with external auditors.

MANAGEMENT ACCOUNTING

- controlling the group's financial accounting systems and internal checking procedures;
- co-ordinating and consolidating all the group's financial planning, including annual budgets and quarterly reprojections;
- carrying out divisional financial reporting to enable accurate management decision-making; and
- carrying out all operational financial reporting at store, area, regional and divisional level.

GENERAL FINANCE AND ADMINISTRATION

The division's functions under this heading comprise:

- processing and paying all merchandise costs, expenses and rental charges
- ensuring that all stores deposit the correct amounts daily
- administering store and head office inventory and claims.

FINANCIAL SYSTEMS ADMINISTRATION

The maintenance and development of the SAP financial system is included in the division's responsibilities. The division intends to continue to investigate the use of other modules within SAP in order to obtain the full benefits of the integration capabilities of the system.

The support of SAP users and systems in conjunction with Group Accounting is also critical to the efficient running of the suite of systems in the group.

The department is also involved in any changes made to the group's information technology systems that ultimately interface into the SAP financial system. This ensures that accounting standards and internal controls are stably maintained throughout the group.

TREASURY

This department is responsible for managing the group's foreign exchange and funding policies. It ensures that the group's funding needs are provided for with adequate credit lines and appropriate financial instruments at the lowest cost, and that daily cash management is optimised. Investments and interest rate risk are managed in consultation with the chief financial officer within the parameters laid down by the board. The department acting in conjunction with the taxation department, assists with various commercial initiatives that affect the group.

TAXATION

This department is responsible for all aspects of the group's taxation compliance. By its nature, it is staffed by highly skilled experts who constantly remain abreast of current and pending legislation.

SECRETARIAL AND ADMINISTRATION

This department is responsible for:

- maintaining the group's statutory records;
- administering TFG Retirement Fund;
- administering the group's trade marks;
- exercising the group's compliance function; and
- providing legal assistance and advice to other divisions of the group.

RISK MANAGEMENT

The risk management department is responsible for the following functions:

- managing and controlling the risk management process, as defined by the group's risk committee and as required by the Code of Corporate Practices and Conduct;
- obtaining and maintaining appropriate insurance for the group;
- administering all group insurance claims and compiling comprehensive loss statistics;
- administering claims for insurance products offered to customers; and
- exercising control over the group business continuity planning process.

A detailed risk analysis is contained in the Risk Report later in this report.

PROCUREMENT OF SERVICES

The group procurement process ensures that best practice is followed in all areas of the purchasing process throughout the group. Quarterly procurement reports are made to the procurement committee, comprising four members of the operating board and two senior managers. In addition, the procurement manager ensures that the BBBEE procurement strategy as defined by the transformation committee is implemented. Further details of initiatives in this regard are contained in the Transformation Report.

SHANI NAIDOO

"TFG'S CULTURE IS BASED ON THE PRINCIPLES OF PARTICIPATION AND TEAMWORK, AND A STRONG EMPHASIS IS PLACED ON INTERNAL DEVELOPMENT, SKILLS DEVELOPMENT AND TEAMWORK ACROSS BOUNDARIES."

TFG HUMAN RESOURCES DIVISION

It is a strategic objective of TFG to have world-class human resources (HR) capability expressed through well-developed HR solutions and the delivery of high-quality HR consulting services throughout the organisation. The effective management of HR issues in alignment with the group's strategic agenda has a material bearing on the group's capacity to create and sustain value.

The HR division has wide-ranging functions in the group, ranging from defining, propagating, and maintaining the ethical values of the group, to maintaining the integrity of employee data and ensuring the rigorous management of the group's payroll for its more than 15 600 employees.

It is the HR division's explicit purpose to live the group's values and mission in all it delivers. These values, namely Professionalism, Resilience, Integrity, Dignity and Respect, Empowerment and Excellent Service, guide everything the division does from policy-writing to employee well-being.

In order to achieve its objectives, the HR division has been structured into focused group roles known as "Centres of Expertise", as well as operational HR roles as follows:

Centres of Expertise provide group-wide as well as company-specific expert guidance in the areas of:

- central resourcing and the provision of psychometric assessments;
- talent management, performance management and talent planning;
- talent development;
- employment equity, transformation and employee relations;
- organisational development, structure management and change management;
- employee reward and benefits;
- payroll and policy development;
- corporate social investment, employee wellness, and sustainability; and
- HR information management and systems.

In addition, each business unit in the group has dedicated operational HR professionals who deliver on company-specific as well as group HR strategies, and who provide day-to-day operational HR assistance and guidance to their business units. Company-specific HR is represented on all management teams across all business units in the group.

Company-based HR teams ensure that the implementation of the group's employment policies and standards are adhered to throughout all the business units of the group in South Africa and in other countries where it trades. They are focused on promoting high standards of customer service and delivery, with the ability to tailor their input because of their intimate knowledge of the business units in which they work. HR delivery is sufficiently versatile to adapt to geographic differences, for instance the particular circumstances and characteristics across African territories that could affect HR practices.

Close liaison and co-ordination is ensured between group HR and company-specific HR through regular group-wide HR meetings and through dotted-line reporting lines into group HR executive managers.

One of the division's priority functions is to devise and implement policies to develop and retain key staff members at all levels in the executive ranks of the group.

Another priority is to promote transformation in the racial composition of the workforce in order to reach long-term statutory targets. In the senior grades, this requires the early identification, development and retention of talented individuals.

A review of the group's employment equity performance is provided in the Transformation Report which appears within the Governance Profile section of this report.

It is also essential to have appropriately skilled and trained staff in the stores of all the chains making up the trading divisions of the group. This allows the group to provide the highest possible standards of customer service, which means that there will be not only satisfied customers but efficient businesses in the group. Hence much effort is devoted to in-store training and the selection and development of future store managers.

The group is developing a new store intranet-based information portal to facilitate direct communication of key information and metrics between store management, field management and head office. The portal can be effectively used for the education of store management and provides a means to enable it to focus its efforts on achieving key operational metrics.

WORKFORCE PROFILE

The total staff complement of the group at the year-end is set out in the table below.

Employee statistics

	2011	2010
Permanent employees	**11 289**	10 821
Flexitime employees	**3 632**	3 233
Contract employees	**741**	550
	15 661	14 604
Casual employees	**202**	182
	15 863	14 786

During the year the group increased its permanent and flexible staff complement, driven in the main by store expansion and business demands for flexibility. Various forms of flexible staffing arrangements are used to facilitate these business requirements.

The proportion of women in the group's workforce remains consistent, at approximately 76%. The workforce has a relatively young age profile, with 84% being under the age of 40 years and the average age being 27 years.

STAFF TURNOVER

The total staff turnover for the group was 30%. This represents a decrease from 33% in the previous year and the division aims to reduce it further.

Using company-wide engagement surveys, the division has gathered sufficient data to understand the factors responsible for staff turnover and steps are being taken to lessen its incidence and to reduce the ill-effects of the departure of talented individuals. A number of staff retention tools will be used, including incentivisation, flexible work practices, improved remuneration and enhanced talent development opportunities. Improving the attractiveness of their jobs to them is a key task of the HR division in its relationships with employees.

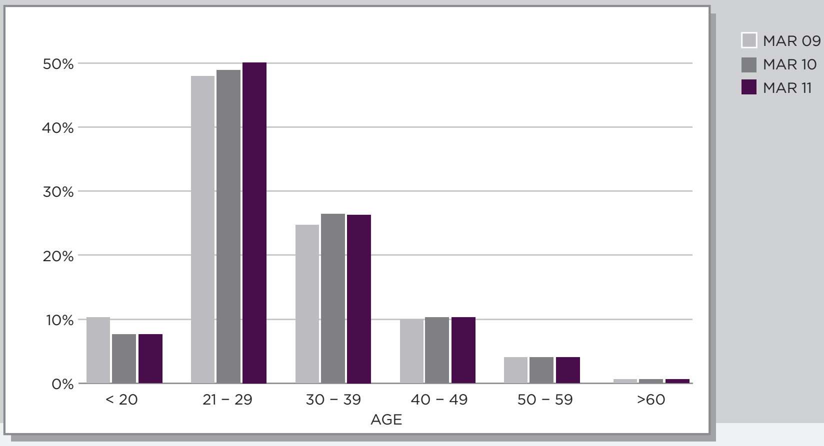
GROUP CORPORATE IDENTITY AND VALUES

During the year the group embarked on a launch of the new TFG logo and an associated education process. This involved extensive internal communication and training of 3 100 employees across the country. Employees received training in understanding and adopting the group's values, mission and code of behaviours. These behaviours exemplify the group and are expected to govern all employee conduct in the workplace. The acronym PRIDE[2] was used to assist in memorising and understanding the values and behaviours. Readers are referred to the section "Introducing TFG" for further details.

EMPLOYEE ENGAGEMENT

TFG's culture is based on the principles of participation and teamwork, and a strong emphasis is placed on internal development, skills development and teamwork across boundaries. A positive corporate culture translates directly into a positive customer experience and is therefore fundamental to achieving bottom-line success.

AGE DISTRIBUTION



It goes without saying that employees will be more engaged in their work and in furthering the aims of the organisation when they are working in an environment that illustrates a number of "engagement drivers" which have been internationally researched and documented. With this in mind, TFG conducted its first group-wide employee engagement survey in order to measure employees' perceptions of the factors which contribute directly to levels of employee engagement and commitment. The survey was conducted electronically using an international survey company and results were compared against international benchmarks.

TFG enjoyed a 50% response rate (7 400 staff members) from across the group. The results reflected a 70% positive response against a global benchmark of 71,5%. Empowerment (81% positive response), commitment (74%) and performance management (72%) fared particularly well and are indicative of the group's prevailing corporate culture. Reward (52%) fared worst and is an area that is receiving attention in the current year, and will continue to be a priority focus for the division. Other topics that have been highlighted for particular attention as a result of the survey include leadership and work-life balance.

The division plans to repeat the engagement survey exercise during the next year. It is anticipated that the follow-up survey will reflect a significant increase in levels of employee engagement in response to the internal branding initiative which has been aimed at fostering a greater commitment to the group values.

EMPLOYEE RELATIONS

Particular attention was given in the past year to ensuring that the group's employee relations policies and procedures are aligned to the legislation that forms part of the labour relations framework. As part of this process, additional training was conducted relating to the management of workplace conflict and associated disciplinary procedures and remedies. The objective was to ensure that all persons who are responsible for managing staff are competent and equipped to handle all transgressions that might occur in the workplace and the related disciplinary measures. A total of 700 line managers, mainly in the group's stores, were trained in these interventions.

Initiatives of this kind directly influence the number of referrals received from the Commission for Conciliation, Mediation and Arbitration (CCMA). Workplace disputes and referrals received during 2010 totalled 182 and of this number only 77 were arbitrations. Of the arbitrations, 64 were successfully concluded (a 90% success rate). The conciliation phase yielded a 59% settlement rate.

The officially recognised trade union in South Africa, SACCAWU, lodged a collective bargaining dispute against several retailers including TFG. As yet, this matter remains unresolved. Arising from this dispute, SACCAWU embarked on a national strike in late November 2010. It had negligible impact on productivity and staff attendance within TFG.

Within TFG's workforce, 8% of employees are unionised, a figure unchanged from the previous year. The bargaining unit comprises 11 041 employees, amounting to approximately 70% of the total workforce.

EMPLOYEE BENEFITS

TFG offers an extensive spectrum of employee benefit schemes totalling more than 80. Most of these are made available only to the group's full-time employees as they entail longer-term commitments and processes that are only appropriate for full-time permanent employees. The group strives continuously to improve, enhance or enlarge this offering.

A summary follows of some of the key initiatives.

MEDICAL AID

TFG Medical Aid Scheme is an in-house subsidised medical scheme designed to best suit the needs of most employees. Membership of a medical scheme is voluntary except for employees at a grade where they qualify for a car allowance. The scheme has approximately 2 800 principal members but covers approximately 5 900 lives as members' dependants are entitled to benefits.

The scheme is administered by the Metropolitan Health Group and is fully compliant with the Medical Schemes Act. The board of trustees of the scheme is responsible for all aspects of its operations, which are reviewed by both the TFG medical aid audit committee and external auditors.

The accumulated funds ratio of the scheme at 31 December 2010 was 50,29% which is well in excess of the officially required minimum of 25%, but not excessive for a small in-house scheme that will be subject to greater volatility than the norm as a result of sporadic large claims.

The high claims experience of the scheme necessitated average increases of 14,8% and 14,5% respectively for the two benefit plans available for 2011, compared to 19,5% and 15% for the previous year.

Employees based in Namibia may elect to join a medical scheme that is similarly funded by the group.

All permanent staff of the RCS Group are required to become members of a medical plan of their choice offered by Discovery Health.

RETIREMENT FUND

All permanent staff of the group's wholly-owned subsidiaries are required to join TFG Retirement Fund. Despite the volatility of financial markets the fund achieved an overall performance return of 13,2% during its financial year. The total market value of the assets of the fund at 31 March 2011 was R2,98 billion, which is R0,28 billion higher than the figure for the previous year.

Pensioners were awarded an increase of 6,5% effective from 1 January 2011, which is in line with the pensioner increase policy of the fund to award at least inflationary increases, subject to affordability.

Apart from retirement benefits, the following are provided by the fund:

- A funeral benefit of R10 000 on the death of the principal member or her/his spouse and a lesser benefit on the death of a dependent child.
- A death benefit of four times annual salary as well as the member's gross equishare is made available to provide benefits to dependants and beneficiaries in the event of death in service. Where the death is accidental, a further benefit of twice annual salary is payable.
- In cases of disablement, an insured disability benefit is provided to qualifying staff members, equating to 75% of pensionable salary earned at the time of becoming disabled. This is payable until attainment of normal retirement age (subject to continued disablement), after which the normal retirement benefit becomes effective.

Employees of RCS Group are not members of TFG's Retirement Fund but receive comparable benefits from the Liberty Life Provident Fund.

Where required, employees of subsidiaries trading outside South Africa belong to umbrella funds that comply with the legislation of the relevant country.

EDUCATIONAL ASSISTANCE

To assist employees with tertiary education costs for their children on an annual basis, TFG offers a low-interest educational loan which is payable over a two-year period.

SPONSORSHIP

Employees of TFG who wish to further their education in a field that relates to their career may apply for the benefit of sponsorship which amounts effectively to the refunding of certain levels of educational costs. Once sponsored on this basis, employees are required to achieve the relevant qualification in order to qualify for a full refund. Currently 849 of those employees receiving sponsorship are previously disadvantaged individuals, representing 85,6% of the total number sponsored.

The group also offers sponsorship of a one-year intensive retail diploma which is provided by UNISA. Sponsorship amounting to R165 000 was provided during the review period for this purpose.

OCCUPATIONAL HEALTH AND SAFETY

The group is committed to ensuring a safe and healthy environment for all its employees and customers. It complies with all relevant legislation, one of the chief items of which is the Occupational Health and Safety (OHS) Act of 1993. To ensure optimum management of occupational health the group utilises the services of an external service provider.

This service provider runs full-time as well as satellite clinics on the head office campus of the group. Occupational as well as primary health care services are offered free of charge to employees. In addition, psycho-social support is offered to all employees via a helpline, as well as limited face-to-face counselling. This service will be extended in the next year.

Extended time off from work as a result of injury or ill health is minimised through a case management programme, and disability insurance in the form of an income replacement benefit is available to all permanently-employed staff in South Africa.

The group's OHS performance remained consistent with that of previous years. The majority of incidents reported were minor and there were no fatalities.

The statistics for reported incidents involving staff members of the group in the past year are as follows:

Occupational injuries and diseases	Three days or fewer	Four days or more	Total
Number of days lost	178	1 093	1 271
Number of incidents	312	96	408
Average cost per incident	R195	R1 019	R1 214
Total cost	R60 799	R97 842	R158 641

MANAGING HIV/AIDS

The group's approach to managing the impact of HIV on its employees is firstly to encourage all employees to undergo regular HIV tests so that they can establish what their HIV status is. HIV testing is available free of charge to all employees, as is a comprehensive HIV disease management programme for all employees who are HIV+. A comprehensive HIV policy is in place.

Free and confidential HIV testing is outsourced, as is the disease management programme. Testing is available by appointment during working hours at the group's clinics as well as on-site on each Health Day and World AIDS Day. In addition, TFG collaborates with five other large national retailers in a programme which brings HIV testing to employees working in stores in shopping centres.

In the year under review, a total of 345 of the group's employees volunteered to take an HIV test through one of the facilities offered. Of these, 22 tested HIV-positive.

The number of employees enrolled in the company's disease management programme increased by 79% from 43 to 77. Currently there are 54 on the programme to receive ARV treatment and a further 24 employees are receiving treatment from the public health service.

According to annual risk assessments commissioned by the group from Health Monitor Company, the HIV-positive prevalence rate within the group is estimated to be in the region of 6% to 7%. The direct measurable annual cost to the group as a result of HIV infection in its South African operations is currently R437 251, which represents a 38% increase on the last year's corresponding figure of R317 103. An increase of this order was to be expected in view of the increase in the number of participants in the disease management programme.

PROMOTING EMPLOYEE WELL-BEING

In addition to ensuring health and safety in the workplace and promoting personal growth through skills development, the group offers a wide range of benefits and services aimed at promoting the general well-being of the workforce. Some have been summarised in an earlier section of this report.

A formal employee assistance policy is in place and a variety of "wellness initiatives" are undertaken for employees throughout the year.

Employees are encouraged to make use of a company helpline for general counselling and specialist needs are outsourced to external providers. All cases are actively followed up to ensure successful resolution. Face-to-face counselling is available on a limited basis by appointment. The helpline also co-ordinates support to stores that have been the site of armed robberies. Trauma counselling services and ongoing telephonic support are part of this service.

Three blood donor clinics were hosted, and one "wellness event" was held at the head office and another at the regional office in Isando. The group also held three "Retailers Uniting Against HIV AIDS" events as on-site HIV testing campaigns for store employees in shopping malls.

Free eye testing services were provided at the group's head office over a three-week period and also at the regional office in Isando.

This year the division facilitated a retirement planning workshop for employees in and around Cape Town who are close to retirement age. This one-day event, held in alternate years, aims to raise levels of awareness and understanding of the need to prepare financially for the future and to manage finances accordingly.

RESOURCING

In the past year 695 permanent and 230 short-term contract placements were made in the head office and field operations, inclusive of call centre agent placements. The corresponding figures for the previous year were 426 permanent and 440 short-term placements. A further 3 405 staff members were employed in stores. A total of 4 330 appointments were therefore made. Of those hired externally, 84% were equity candidates, compared to 72% last year.

The database of CVs posted on the group's e-recruitment website increased during the year from 32 000 to 48 500.

TFG continues to explore new avenues to increase the pool of applicants, particularly in areas of scarce skills and equity candidates. Use is being made of international websites, social networking sites and job boards. The division is also in contact with a number of international recruitment agencies and receives from them CVs of expatriates who wish to return to South Africa.

The biggest requirement for head office staffing continues to come from the group's call centres. Their needs stem from expansion in this area of the business as well as the relatively high staff turnover which is inherent in call centre operations. In the past year 392 call centre agents were recruited, which is a figure similar to that for the previous year. Of these, 91 positions are attributable to expansion of the call centres. Active measures have been put in place to minimise staff turnover in this area, including alignment of salaries, implementation of performance management processes and obtaining the active participation of staff members in employee forums to shape their working environment. The positive effect of these initiatives is being experienced through lower levels of staff turnover in the business units in which they are employed.

Graduate recruitment was again successful with 53 placements being made, of which 45% were for trainee buyer and trainee planner positions. Graduate recruitment is a critical talent pipeline for management levels across the group and is a key driver of employment equity. Of the candidates hired 67% were equity placements and 36% of the graduates placed were recruited from within the group, thus providing valuable internal career development opportunities. Relationships with key tertiary institutions have continued to be a focus and our brand awareness has been enhanced by career fairs, presence on campuses and contact with faculties. This focus has been successful, as recognised by SAGRA (South African Graduate Recruiters' Association) in their independent research reports.

A critical focus in the future will be the resourcing of store manager roles, focusing both on speed and quality of the appointments in this area.

TALENT MANAGEMENT

The ongoing management of talent remains a key priority. There is intense competition for talent in the retail industry and it is critical to match supply with demand. Staff members must furthermore be motivated in their roles and the business must be able to assess their performance accurately. Performance management systems are therefore of the utmost importance.

Against this background, talent reviews are made twice annually and appropriate retention and development strategies are initiated.

The division continues to monitor trends in employee departures to enable the group to react proactively to any identified risks to staff retention.

TFG's total expenditure on talent development was R100,8 million for the year under review, representing an increase of 14% on the figure of R88,4 million in the previous year.

The tables below detail the training statistics for the year.

TRAINEE DEVELOPMENT PROGRAMME

This is a structured programme available to new and young talent in the group. It comprises technical and generic measures to build the capacity of trainees in the areas of buying, design, pattern-making, merchandise planning, logistics, financial services, marketing, area management and human resources. The programme is supported by individual technical coaching. The trainees enjoy a high level of exposure to and interaction with senior management throughout this programme.

MERCHANT ACADEMY

The curriculum for this institution offers existing merchants various technical programmes designed to support the building of their technical competencies. The subjects covered include merchandise planning, range building, shipping, logistics, the retail cycle, retail mathematics, fabrics and product knowledge, garment construction and costing, world-class manufacturing, and supply chain. The curriculum is based on an integrated approach, yet allowing flexibility for customisation across the divisions. The programme harnesses the existing talent within the group by using subject-matter experts who are also trained as in-house facilitators, so encouraging multi-skilling and the use of best practices by all merchants.

RETAIL MANAGERS' DEVELOPMENT PROGRAMME

This is a specifically tailored transformational programme available to the group's high-potential black talent. It focuses on the leadership competencies required to assist participants to make a smooth transition to the next leadership level in the organisation. It combines generic leadership development, facilitated discussions on topical issues, exposure to senior business leaders and technical development.

The group's leadership development training is based on

	% change	**2011**	2010
Total number of employees trained#	(1,1%)	**129 733**	131 166
Total number of black employees trained#	(0,6%)	**112 708**	113 373
Total number of black female employees trained#	(13,0%)	**94 189**	108 309
Overall cost of training (Rm)	14,0%	**100,8**	88,4

	Total number of black employees trained 2011	**Total number of black female employees trained 2011**	Total number of black employees trained 2010	Total number of black female employees trained 2010
Number of employees who attended workshops#	**9 452**	**6 019**	8 168	5 094
Number of employees who attended EMT* sessions#	**103 256**	**88 170**	105 205	103 215
Total trained	**112 708**	**94 189**	113 373	108 308

* Early morning training in stores

Refers to attendees and not individual employees

the leadership pipeline model and is supplemented by assessment and coaching.

GROWING BLACK TALENT

The following programmes were initiated to grow and support our black talent in the group:

- **Retail managers' development programme (RMDP):** In all, 18 black area managers and senior area managers participated. There are 14 black buyers and planners on the current programme.
- **Accelerated retail development programme (ARDP):** A total of 55 African store managers undertook this programme.
- **Field Academy:** A total of 104 area and senior area managers participated, of whom 54 were African employees who received a full field curriculum.
- **Graduate programme:** A total of 53 graduates were appointed in the past year, the retention rate being high at 80%.

STORES OPTIMISATION

The division has again given high priority to the development of the group's store, area and divisional managers in the technical sphere, as well as in leadership and management competencies.

The following will be focused upon in the future:

- New methods of communicating to stores will be piloted, including the use of DVD technology and voice-over-powerpoint.
- Developing technology solutions for stores, such as scanners, store manager dashboards and area manager toolkits.
- Improving PC literacy in both stores and field management requires strengthened training (including the use of tools such as Outlook, dashboards and scanners).
- "One port of call approach" i.e. technology access through dashboards, portals and similar tools, also requires training.

During the year the division attended to the training of 2 042 store managers in ten training locations and introduced 22 long-distance training programmes.

BRENT CURRY

> "TFG INFOTEC USES BEST-PRACTICE METHODOLOGIES FOR SYSTEM DELIVERY AND SUPPORT VIA THE ITIL SERVICE DELIVERY FRAMEWORK, THE COBIT MODEL FOR I.T. GOVERNANCE, AND IT UPDATES AND TESTS DISASTER RECOVERY PLANS ON A REGULAR BASIS."

TFG INFOTEC
DIVISION

POSITIONING

TFG Infotec is responsible for the information and communication technology (ICT) function of the entire group. It employs 240 full-time staff members and its workforce is supplemented by contract and outsourced personnel to the extent of, at any time, a further one-third of that number.

TFG Infotec is run as a cost centre and is separated into a number of functional units as follows:

- infrastructure;
- development centre;
- project office;
- service management centre for technical support and business relationship management;
- enterprise architecture;
- governance and ICT security management; and
- administration functions.

OBJECTIVES

The level of IT activity during the past year and the planned future activity provide an indication of the group's strategic intention to take full advantage of the benefits that technology can offer a complex modern retail business. By doing so TFG wishes to ensure that it can become technologically competitive with its peers anywhere in the world and will rank as a world-class business in all respects.

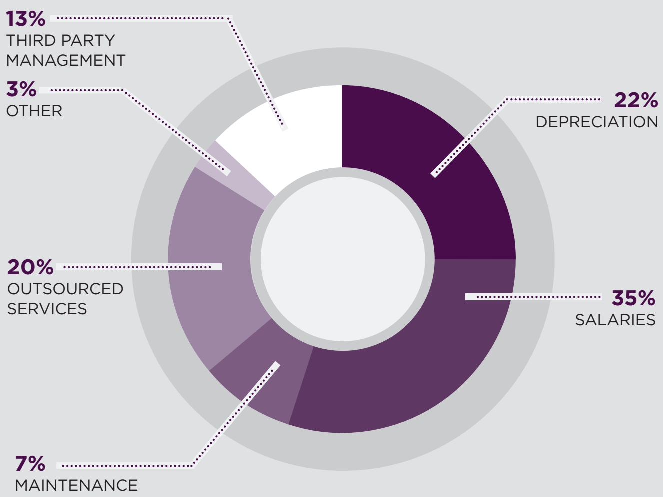
A simple example of the benefits which IT can bring to a group such as TFG is the fact that a customer seeking to open an account in one of the group's stores may now make the application in the store, and receive approval for the account in less than 15 minutes, and sometimes within four minutes. This speed of response does not in any way compromise the integrity of the numerous checking and processing steps that are taken before approval is given for the opening of a new account.

ACTIVITIES IN THE PAST YEAR

Total ICT capital expenditure in the year under review amounted to R85,2 million, with operating expenses of R230,8 million. The combination represents 2,3% of the group's revenue. By international benchmarks this leaves scope for a degree of expansion in expenditure in the coming years.

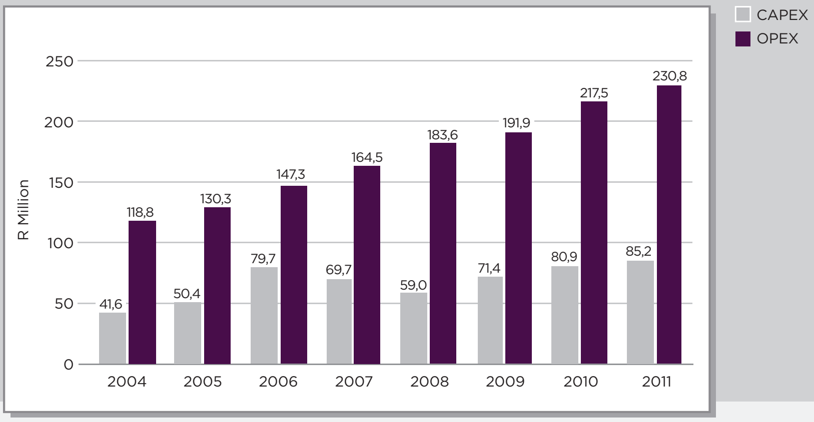
Operating costs in the past year were broken down into the sectors illustrated in the pie chart below:

BREAKDOWN OF OPERATING COSTS



The graph below illustrates the group's ICT expenditure (capital investment plus operating expenses) over the past eight years:

ICT EXPENDITURE



Cost synergies were again extracted for the group through continued application of the policy of consolidation, rationalisation and collaboration on common IT standards and platforms. This policy is being progressively implemented throughout the group, leading to the seamless sharing by the group's divisions of infrastructure and of services provided by outsourcing partners.

The year was a rewarding year for TFG Infotec. Among the chief advances made were the following:

- The time and attendance system project at store level was completed.
- The new Manhattan warehouse management system was implemented in the Foschini and Sports divisions. It is expected that installation of the system will take place rapidly through the other divisions. The @home and Jewellery divisions are likely to have it in place by the end of the next year.
- The next phase of the group's supply chain management initiative was successfully carried out. Implementation of this project at this stage is being done by Infotec's business intelligence systems team.
- In selected @home stores, interactive product information kiosks were introduced for the benefit of customers, enabling them to find and study technical and comparative information on products of interest to them. Similar kiosks are planned for the Markham division and a more general roll-out may follow.

In addition, TFG Financial Services division was supported with various strategic system-related initiatives.

STRATEGIES

With a clearly-defined IT strategy in place, the division's key initiatives for the next year centre on:

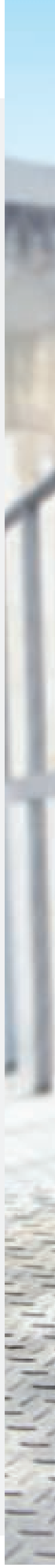
- upgrading the group's digital local area network (LAN) and its wide area network (WAN);
- implementing a group enterprise knowledge and collaboration platform, based on the Microsoft Sharepoint solution;
- implementing a customer relationship management tool named SAS for the TFG Financial Services division; and
- commencing the implementation of a replenishment and forecasting system named Logility across the group's trading divisions. Those likely to receive Logility in the next year are the Markham, Exact! and Foschini divisions.

The group's reliance on ICT for its day-to-day operations means that IT security, risk management and corporate governance (including compliance with King III-defined principles) are key focus areas for the division.

TFG Infotec uses best-practice methodologies for system delivery and support via the ITIL service delivery framework, the Cobit model for IT governance, and it updates and tests disaster recovery plans on a regular basis.

Further steps towards the attainment of its goals in the next few years include the implementation and upgrading of intrusion prevention and IT security tools on the group's networks and devices.

The main constraint on achieving the division's goals is, and for some years has been, the scarcity of suitably qualified potential employees. The pool of potential IT professionals is fundamentally kept small by the low quality of mathematics teaching in the bulk of South African schools. This means that it has been necessary to look further afield and fortunately several Zimbabwean post-graduate candidates have presented themselves in recent times. At senior levels it has also been fruitful to recruit South Africans living abroad but willing to return to South Africa and six employees in this category were engaged in the past year. There are, however, indications that this source of skilled candidates is on the point of depletion.



TFG INFOTEC DIVISION

TFG INTERNAL AUDIT DIVISION

The primary responsibility of TFG Internal Audit is to support the group's commitment to strong corporate governance and sound internal control. While management at group level is responsible for the development, implementation and monitoring of effective control systems, the internal audit division assists management in fulfilling this commitment. This is done by evaluating the adequacy and effectiveness of controls to support management in its pursuit of sustainable achievement of business objectives. The division's function includes the appraisal of performance measures, the assessment of the reliability of management information and operational controls, and the safeguarding of assets.

The 23 staff members in the department are responsible for the audits of all group operations.

An internal audit charter, approved by the audit committee of the board, determines the scope and mission of the division's activities. The charter conforms to the International Standards for the Professional Practice of Internal Auditing as defined by the Institute of Internal Auditors. The internal audit division reports to the audit committee.

HEAD OFFICE AND INFORMATION SYSTEM

The head office and information system audit teams co-operate closely to provide internal audit services for the group's head office operations. These include financial areas, such as accounts payable and credit operations, as well as non-financial areas, including shopfitting, risk management and distribution centres.

In addition, the information system audit team conducts technical reviews of key IT infrastructure areas, such as operating system configuration, database administration and networks. The audit teams make extensive use of technology such as automated scanning and data interrogation tools to improve assurance reporting to management. A standalone facility is used to support the testing of sophisticated audit tools in a controlled environment. Auditors also often become involved when new computer systems are developed to ensure that cost-effective controls are considered at both the system design stage, prior to implementation, and during system implementation. In this way the risk of business interruption is reduced.

STORE AUDITS

Store audit coverage for the past year was 20% of group stores, representing approximately 23% of the turnover of all stores. As usual, leverage was maximised by ensuring that at least 85% of all area managers experienced a minimum of one audit during the year. Stores spread across 136 areas were subject to an audit. An area represents a cluster of (typically) 10 to 15 stores.

The store audit team has developed a scoring system that enables management to evaluate the administrative health of stores both within and across trading divisions. This means that an audited store's administrative performance can be benchmarked against that of other stores. Given the geographic spread of stores, as far afield as Zambia, Namibia and Botswana, the planning of visits is crucial in ensuring that the planned coverage is met. The experience and professionalism of the store auditors has contributed significantly to the success of the store audit team.

GOALS

The internal audit division is committed to providing high-quality internal audit services at a competitive cost. This is done by measuring and monitoring audit productivity and other performance factors, and keeping abreast of international trends. Specific action plans are developed for key strategic objectives.

Divisional projects to increase the automation of audit processes by implementing an electronic working papers (EWP) system and to provide internal auditors with a mobile work environment were successfully completed. As a result, all audits are now conducted using EWP.

In addition, key areas were reviewed to assess the feasibility of implementing continuous monitoring and auditing tools. More frequent tests were implemented in selected areas in the finance division, thereby providing independent assurance on these selected key controls throughout the year. It is planned to apply a similar approach to other areas in the group.

The store audit team, in conjunction with divisional operations management, is reviewing the metrics used to evaluate the administrative health of stores. This is to ensure that the scoring system is still focused on key risk areas.

The increased use of data analytics is also being investigated. It is anticipated that this will provide a cost-effective way to increase assurance coverage, utilising existing group data sources.

TFG LOGISTICS DIVISION

STRUCTURE AND FUNCTIONS

TFG Logistics is responsible for managing stock received from suppliers and distributing it to the group's stores efficiently and on time.

The group's distribution centres (DCs) are based near the head office in Cape Town. The group's entire stock distribution function, including receiving, storage, picking, packing and despatch, takes place from these DCs.

The DCs together with the divisions or operations they serve are as follows:

- **Tygerberg DC:** Foschini, Donna-Claire and Fashion Express footwear; @home and returned goods
- **@homelivingspace DC:** @home furniture
- **Ndabeni DC:** Exact! and Markham
- **Sports DC:** Totalsports, Sportscene and Duesouth
- **Foschini DC:** Foschini, Donna-Claire and Fashion Express apparel
- **Jewellery DC:** American Swiss, Sterns, Matrix and Foschini division jewellery
- **Cloth Store DC:** Fabric for local production of apparel
- **Shopfitting DC:** Shopfitting stock for the group

FEATURES OF THE PAST YEAR

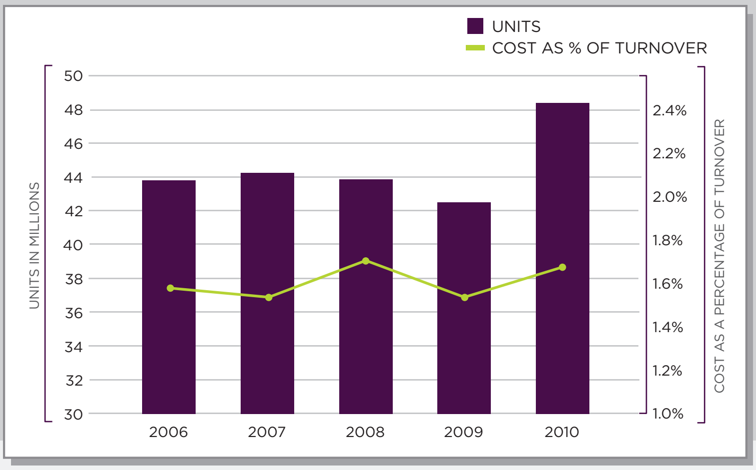
In this period the DCs distributed 48,2 million units (i.e. individual items of stock), which represents an increase of 23% in unit volumes from the previous year. This is the highest unit output in the group's history.

Improvements in the supply chain process brought about a drop of 7,6% in operational costs per unit handled by the DCs. Transportation costs per unit increased by 12,2% because of higher fuel prices and the group's expansion into Africa. The overall cost of logistics as a percentage of the group's revenue increased from 1,5% to 1,7%.

- **Supplier delivery conformance:** The performance of the group's suppliers of merchandise is measured in terms of the accuracy of their order bookings, the promptness and accuracy of deliveries they make, the degree of conformance of the packaging they use to applicable norms, and the accuracy of their ticketing of products. The delivery conformance of all suppliers collectively as measured against perfectly delivered orders improved in the space of a year from 77% to 91%. This is a result of benchmarking by the group of best practices and of continuous improvements brought about in the reliability of its supply chain by establishing clear norms and raising the degree of accountability to which suppliers are held.
- **Improved throughput speed:** The average speed of throughput of stock in the DCs averaged 3,9 days, as against 4,9 days in the previous year. This represents a substantial gain in efficiency.
- The group continues to fine-pick the majority of its stock, with only 8,5% of its merchandise

"AS THE GROUP'S SUPPLY CHAIN PROCESSES CONTINUE TO MATURE AND RESPOND TO CHALLENGES THERE WILL BE CONTINUED GAINS IN STOCK HANDLING AND OPERATIONAL EFFICIENCY."

UNITS DISTRIBUTED AND COST OF LOGISTICS



being cross-docked through the DCs. This cross–docking can be accomplished within a single day. (Cross-docking means that a carton passes unopened through a DC to a store.) Notably the @home division cross-docked 60% of its stock, as against 47% in the previous year. Cross-docking saves costs and reduces product damage en route to stores.

- **DC accuracy:** The accuracy of fine-picked stock leaving the DCs was maintained at a level of 99,9% in unit terms. This creates reliability in the supply chain ending at the stores and the level of 99,9% is consistent with best-in-class retailers around the world.

These improvements in costs and the efficiency of processes were formally recognised at the 2010 African Access National Business Awards ceremony, where TFG won the Logistics category. In addition, TFG received a gold award at the 2010 Logistics Achiever ceremony for excellence in logistics, inventory and distribution management.

INFORMATION TECHNOLOGY AND OPERATIONAL SYSTEMS

As previously reported the group acquired Manhattan Associates' warehouse management system (WMS) to support its requirement for an agile supply chain. TFG is the first retailer to acquire this software for its operations in South Africa.

In the past year WMS was further implemented in the DCs of the Foschini and Sports divisions. WMS will be implemented in the @home DC in the new year and in the year thereafter in the Jewellery DC.

The WMS implementations have assisted in advances towards the group's goal of having a world-class distribution model and network. Thus far the results are greater visibility of deliveries to the WMS-enabled facilities, the ability to pre-allocate stock to further decrease throughput time through DCs, and the ability to hold back a portion of stock in the DCs in order to be able to react quickly to consumer demand.

A best operating practice programme is in operation in the DCs and it has raised standards and performance levels in various ways, including bringing about greater clarity concerning accountability for various operations and generating a culture of continuous improvement. The programme covers four key performance indicators, namely visual performance management (VPM), teamwork, 6S (health, safety and shop-floor organisation) and problem-solving.

The major risk associated with the DCs is fire; this risk can be mitigated if prudent preventative action is taken. This covers the steps, inter alia, of training staff members at the warehouses in fire-fighting, undertaking systematic maintenance of fire-fighting equipment, implementing atmospheric detection systems, and installing inter-rack sprinkler systems. Close attention was again given to these issues. Historically the group has been free of fires, but there is no place for complacency.

Generators have been provided at all the DCs in order to avoid or minimise the ill-effects of electricity interruptions.

Security is an important element of the distribution operation, particularly at and near the time of transportation. The group's DCs are equipped with CCTV cameras and are guarded 24 hours a day. As part of the security procedures, access control systems are in place. The group's security procedures are extended to its transport partners, who have comprehensive security through a combination of secured premises and satellite-tracked vehicles. Regular procedure audits ensured that there were minimal losses throughout the past year in spite of an incidence of crime which is perceived to be high in South Africa.

Business continuity plans are in place and they were again regularly tested and reviewed by the group's risk committee.

ENVIRONMENTAL IMPACTS

In reviewing the division's impact on the environment and measuring its carbon footprint, indirect emissions from the consumption of cardboard packaging and outsourced transport were identified as the two factors accounting for the greatest impact.

To mitigate this impact the division has engaged with its merchandise suppliers to standardise their carton specification so that the group can reuse their cartons. The success of this initiative has led to a reduction in the consumption of cardboard packaging and a further 17% reduction in cardboard waste. This is a combined improvement of 71% over a two-year period. This achievement was recognised by Supply Chain Today magazine when this initiative won the "Best Greening Project" award in the R1 million to R10 million category.

The outbound transportation of merchandise to the stores is outsourced. The division collaborates with its transport partners in seeking ways to reduce the environmental impact associated with this transportation task. All new vehicles are equipped with the latest diesel technology to make engines run efficiently. A strict maintenance schedule is in place to ensure that the fleet is regularly maintained by the manufacturers' agents, so maximising its operational efficiency. All transport partners utilise the latest routing and fleet management technology in order to minimise the number of kilometres travelled.

LOGISTICS OUTLOOK

As the group's supply chain processes continue to mature and respond to challenges there will be continued gains in stock handling and operational efficiency. The implementation of the new WMS programme will enhance the efficiency of picking processes and bring about greater flexibility and further process improvements.

In the next year the division will optimise its existing furniture network by opening a DC in Johannesburg which will not only reduce distribution costs but also reduce lead times to customers. Further benefits from its opening include lower exposure to the consequences of fuel price increases and a reduction in the group's carbon footprint.

TFG PROPERTY DIVISION

STORE OPENINGS

The group achieved its desired space acquisition during the year by adding 6,3% to its trading space in spite of the slow-down in the development of new retail shopping centres which has occurred after the global economic crisis. The strategy of accelerating store growth over the past few years has placed the group in a position to benefit from the improvement in the retail cycle which is beginning to materialise.

Major new shopping malls which opened and in which stores were opened by the group were:

	No. of stores	Area (m^2)
Brits Mall	8	2 222
Chris Hani Mall	7	1 960
I'langa Mall (Mbombela)	12	4 864
Goldfields Mall (Welkom)	11	3 869
Randridge Mall	6	1 724
Mamelodi Crossing	5	1 701
Tembisa Mall	5	1 409
Manda Hill (Zambia)	4	1 174

In total 114 new stores were opened across the group's 14 different trading chains and 14 stores were closed. The net trading area occupied by stores in the group grew by approximately 31 800 square metres or 6,3%. The number of stores broke through the 1 700 mark for the first time and at the year-end the 1 727 stores occupied a total space of approximately 538 000 square metres.

The Foschini division, at approximately 12 400 extra square metres, added the greatest amount of new space, allocated between the Foschini, Donna-Claire, Fashion Express and Luella chains.

The Sports division increased its space by 33 stores and approximately 9 400 square metres. In all, 21 new stores were opened by Totalsports, 11 by Sportscene and two by Duesouth, whilst one store was closed.

The Jewellery division opened seven new American Swiss stores, nine Sterns and two Matrix.

The Markham and Exact! chains opened 13 and seven new stores respectively.

The @home division added five new @home stores and one @homelivingspace in I'langa Mall, Mbombela. In total approximately 3 400 square metres were added.

In addition to the new stores, a total of 21 existing stores in key locations were enlarged in order to maximise trading opportunities. A good example of the enlargement strategy is the Promenade Mall in Mitchells Plain where approximately 1 200 square metres were added to the group's existing stores.

A total of 32 stores were relocated to superior retail locations during the year whilst three were reduced in size and 14 were closed as a result of under-performance.

PROGRAMME FOR 2012 YEAR

The group plans to open stores in the following new malls, amongst others:

Mall of the North (Polokwane)
Newcastle Mall
Middelburg Mall
Gaberone (two malls)
Protea Gardens (Soweto)
Edendale Mall
Levy Junction (Zambia)
Carnival City (expansion)
Pioneer Mall (Maseru)

The first TFG stores in Zambia opened in Manda Hill Mall in Lusaka and two more will be added in this mall in the early months of the next year. Trade in these stores has been satisfactory in spite of some teething problems with logistics. This initiative has proven to be a valuable learning experience which will assist the group in its expansion plans in Africa. A new mall in downtown Lusaka is scheduled to open towards the end of 2011 and this will allow the group to expand the Zambian store base by a further six locations.

The enlargement of the Sandton City shopping centre will provide the group with the opportunity to gain significant additional space for a number of its chains and to reveal its latest store designs.

DIVISIONAL STRUCTURE

The restructuring of the TFG Property division which had been envisaged for some time was concluded during the course of the year. It brings together within the Property division the teams responsible for space acquisition, rentals, utilities and lease

administration. This has resulted in better communication and operational efficiencies across the property portfolio, and whilst savings have already been made the greatest benefits will be realised when a new real estate IT system is implemented. The system requirements are currently being assessed.

CONTRIBUTION TO TFG'S COMPETITIVENESS AND COMPETENCY

The strategic role of the division is to ensure optimal space utilisation by balancing the choice of micro locations with the size of the premises and the cost of occupation. Superior locations clearly provide a competitive advantage in terms of retail turnover, but the task of weighing the benefits of location against the cost of the premises is often a subtle matter with no easy answer, particularly when the differing requirements of the various brands in the group are taken into account.

In order to strike the right balance consistently it is necessary to have an intimate understanding of each brand's requirements and of the buying patterns of its customers and equally to apply a full understanding of both the macro (city/town) and the micro (street/mall) retail landscape. This process is best achieved by a team with substantial experience of retail operations within the group, who constantly interact with the executives of the trading divisions. The processes undertaken before final sign-off of a lease of new retail premises ensure that every factor underlying the decision has been thoroughly scrutinised.

PROPERTY DEVELOPMENT

Property development is the activity which indirectly makes the group's greatest environmental impact. Knowing this, the group concludes lease agreements with developers only when the required environmental impact assessments have been undertaken and have led to a positive result.

In line with international norms, there is an emerging trend in South Africa towards the design and construction of eco-friendly shopping malls. However, because of the uncertain economic climate prevailing in recent years, progress has been slow and most landlords are yet to embark on any significant "greening" initiatives to new and existing buildings. Model design features would include eco-friendly building materials, natural lighting, solar power and heating, and rain water capture.

Whilst the concept of green leases is still in its infancy there is an increasingly active dialogue between the group and landlords. The group is pressing to insert green clauses in its standard leases and there is no doubt that this will be a growing trend over the next few years.

Various committees have been appointed to develop TFG's approach to green issues and particularly the minimisation of electricity consumption. A number of initiatives in this connection are under way.

TFG SERVICES DIVISION

The function of TFG Services division is to add value to the operations of other divisions by providing expert and streamlined facilities management services on a cost-effective basis, so enabling the other divisions to achieve optimal efficiency in their operations and the optimal well-being of staff members in the workplace.

The division comprised 68 staff members at the year-end, of whom 65 were based in Parow, Cape Town, and three in Isando, Johannesburg.

The properties owned or leased by the group, other than leased stores, are managed by the division, including the Stanley Lewis Centre and nearby buildings in Parow where the group has its headquarters, and three "legacy" buildings in Cape Town, Johannesburg and Durban which have been owned by the group for many decades. The total area of the built space managed by the division is approximately 120 000 square metres.

Benefits are extracted for the group by implementing strict service level agreements with all external service providers and by utilising only a limited number of suppliers well known to the group who have appropriate retail experience. Service level agreements incorporate provisions recognising the uniqueness of the group and addressing its special needs and methodologies.

The division supplies all stores in the group with office equipment and stationery.

Long-term space forecasting is undertaken each year and warehouses and offices are built to the group's specifications to meet capacity growth requirements.

Another function of the division is to ensure that ongoing maintenance of all buildings, plant and equipment takes place in 19 properties owned or rented by the group. Data centres and critical functions in the buildings and warehouses are supported by uninterrupted power storage units (UPS) and power generators.

In properties for which it has responsibility the division manages the installation and maintenance of all security, fire detection and access control systems, and implements and manages the occupational health and safety programme.

From a governance perspective all security and fire evacuation systems in properties managed by the division are tested on a regular basis. All offices, with the exception of the non-critical Isando property, have backup power generators. Isando has a UPS unit.

TFG Services also attends to the procurement of standardised office automation equipment (printers, copiers, audiovisual), vehicles and capital equipment other than computers.

Filing is managed via print management software. All printers operate by default in the duplex mode and to individual mailboxes.

The fleet department operates within the mandated capital budget, monitors expenditure levels and negotiates volume discounts through approved suppliers.

Managing of mailrooms, reception areas, switchboards and store alarms are among the services provided.

A critical alarm monitoring system is installed in the group's data centres to monitor equipment and environmental conditions critical to the continuous operation of these facilities. Signals are relayed according to a calling tree to ensure that appropriate action is taken by key decision-makers in the event of an alarm.

Outsourced contractors managed by the division include those providing catering, physical guarding, gardening, architectural, mechanical, electronic and electrical, and travel services.

In the current stringent economic climate there is particularly close monitoring of all expenditure, the chief items of which in the division's budget are rentals, electricity and refurbishment costs.

Regional offices have been reduced in size by enabling the regional and area managers to work remotely with the use of mobile technology.

In the past year the division began work on establishing a call centre of 10 200 square metres in area in the cluster of buildings in Parow where the head office and principal divisional offices of the group are located. This cluster now includes some "recyled" buildings which have been transformed from their original character, and the new call centre will again change this landscape in a substantial way.

The division is increasingly being involved in issues of the environment and the impact which large buildings make on it. This is providing a challenge not only when buildings are first erected or are renovated, but also in existing buildings in good condition but lacking such environmentally-friendly features such as large overhangs, performance glass for the windows, and flexible air-conditioning systems. Issues of this kind will obviously increase in intensity for many years.

GOVERNANCE PROFILE

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS OF THE FOSCHINI GROUP LIMITED (TFG) REMAINS FULLY COMMITTED TO BUSINESS INTEGRITY, FAIRNESS, TRANSPARENCY AND ACCOUNTABILITY IN ALL ITS ACTIVITIES. IN SUPPORT OF THIS COMMITMENT, THE BOARD SUBSCRIBES TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE IN ALL ASPECTS OF THE BUSINESS AND TO THE ONGOING DEVELOPMENT AND IMPLEMENTATION OF BEST PRACTICES.

THE BOARD IS ULTIMATELY RESPONSIBLE FOR ENSURING THAT TFG MEETS HIGH GOVERNANCE STANDARDS AND IS ASSISTED BY MANAGEMENT WHO AIM TO INSTIL A CULTURE OF COMPLIANCE AND GOOD GOVERNANCE THROUGHOUT THE GROUP.

GOVERNANCE LANDSCAPE

The most significant governance development for organisations in South Africa was the recent replacement of the Companies Act No. 61 of 1973 with the Companies Act No. 71 of 2008 which came into effect on 1 May 2011.

This new legislation has had a limited impact on this report as all financial information contained herein is required to be in accordance with the 1973 Act. The notice of annual general meeting is however compliant with the 2008 Companies Act and from an ongoing operational perspective, TFG have a documented action plan and have amended procedures, where necessary, to ensure full compliance with the new legislation.

KING III

TFG fully endorses the principles and practices incorporated in the King Code of Governance for South Africa 2009 (King III), and in the Listings Requirements of the JSE Limited.

Whilst the year ended 31 March 2011 is the first year in which TFG is obliged to comply with King III, a concerted effort was made last year to produce an integrated report in line with the requirements of King III for the year ended 31 March 2010.

As a result of this early adoption in the previous year, there were no significant issues that required addressing in respect of the current year ended 31 March 2011. As is required, where a principle of King III has not been applied, this has been explained where relevant.

INTEGRATED REPORTING

Integrated reporting in terms of King III requires annual reporting of both financial and sustainability performance, as well as commentary on how the company plans to enhance the positive aspects and eradicate or ameliorate the negative aspects in the year ahead.

Following the publication of a SAICA discussion paper titled “Framework for integrated reporting and the integrated report” issued during January 2011, TFG amended the layout of the integrated report to more clearly reflect the eight suggested elements. In addition to the standalone risk, remuneration and transformation reports which were introduced last year, further amendments have been made this year to ensure that the performance summary is more clearly presented, as well as ensuring that the links between sustainability and business strategy are more clearly demonstrated.

Since we recognise that the target audience of this Integrated Annual Report, is by nature, primarily shareholders and the investment community, we have aimed to include only those issues which we believe are pertinent to this stakeholder group. As a result, certain detailed information (including the detailed GRI table and detailed CSI and environmental information) are no longer included within this report but will be made available on the website of TFG.

In addition, the sustainability overview which was included last year no longer appears as a standalone report. The relevant information has been incorporated throughout the report where relevant.

South Africa is a forerunner in the integrated reporting arena and we expect that the process of integrated reporting will evolve over time and that a more clearly-defined structure will emerge in time. We believe that the structure that has been applied to TFG's 2011 Integrated Annual Report will enable stakeholders to gain insight into the overall business strategy, as well as the financial and sustainability performance.

The board acknowledges that the application of the King Code of Governance continues to serve as a valuable guide to the entrenchment of strong governance principles throughout the group.

APPROVAL OF TFG'S 2011 INTEGRATED ANNUAL REPORT

The board acknowledges that it has ultimate responsibility for ensuring the integrity of the integrated report and is satisfied that sufficient controls are in place to verify and safeguard the integrity of the 31 March 2011 integrated report. In addition, the board has accepted the recommendation by the board audit committee regarding the reliability of the sustainability disclosures that have been made.

THE MAIN BOARD OF DIRECTORS OF TFG

The board supports the long-term strategy of sound corporate governance, balanced economic, social and environmental performance, as well as appropriate engagement with stakeholders. The detailed responsibilities of the board are contained in its charter which is aligned with King III and which is updated annually.

ROLE

The direction and leadership of TFG is the responsibility of the directors of the main board of TFG whilst the operating board has responsibility for the day-to-day management of the group.

CORPORATE GOVERNANCE REPORT CONTINUED

FUNCTION

King III imposes various specific responsibilities on the board and the directors of TFG embrace this responsibility and acknowledge that:

- the board should act in the best interests of TFG;
- the board is the custodian of corporate governance and undertakes to provide leadership based on an ethical foundation, as well as ensuring that ethics are managed effectively;
- TFG is, and must be seen to be, a responsible corporate citizen;
- strategy, risk, performance and sustainability are inseparable;
- TFG has an effective and independent audit committee;
- risk management and IT governance
  - The board is responsible for the governance of risk (including information technology governance) as well as for determining the levels of risk tolerance.
  - Whilst management has responsibility for the implementation of the risk management plan and for providing assurance to the board in this regard, the board will ensure that risk monitoring is a continual process and that risk assessments are performed on an ongoing basis with appropriate risk responses.
  - In addition, the board will ensure that the frameworks are such that they increase the probability of anticipating unpredictable risks and that appropriate risk disclosure is made to stakeholders;
- compliance
  - The board should ensure compliance with applicable laws and ensure that compliance risk is addressed in the risk management process.
  - In addition each individual director undertakes to maintain a working understanding of the laws, rules, codes and standards applicable to TFG.
  - Management will be responsible for the implementation of an effective compliance function and processes;
- internal audit
  - TFG has an effective internal audit function known as TFG Internal Audit, which follows a risk-based approach to its plan.
  - TFG Internal Audit is appropriately positioned to achieve its objectives and is overseen by the audit committee.
  - TFG Internal Audit provides a written assessment of the effectiveness of TFG's internal controls to the audit and risk committees of the board;
- stakeholder engagement
  - Whilst management are tasked with managing stakeholder relationships, the board gives due consideration to the effect of stakeholder perceptions on TFG's reputation and strives to achieve a balance between the various stakeholder groupings in its decision-making process.
  - Appropriate consideration is given to the format and content of communication with stakeholders, as well as ensuring that disputes resolution is an effective process.
  - Every effort is made to ensure equitable treatment of shareholders; and
- the board should ensure the integrity of the integrated report that should include financial and sustainability performance.

LEADERSHIP

In accordance with King III and the JSE Listings Requirements, the position of chairman is undertaken by an independent non-executive director, Mr D M Nurek, whose role is separate and clearly defined from that of the chief executive officer (CEO), Mr A D Murray. There is a clear division of responsibilities between the chairman and the CEO with both providing leadership and guidance to the company's board, encouraging deliberation on all matters requiring the board's attention and obtaining optimum input from the other directors.

COMPOSITION

In line with the requirements of King III, the board of directors of TFG comprises a majority of non-executive directors, the majority of whom are independent. The current board structure comprises 12 directors, nine of whom are non-executive directors (of whom seven are independent) and the remaining three who are executive directors. The executive directors, being the chief executive officer, the chief financial officer and the Group Director – TFG Financial Services are all salaried employees of the group.

Five sub-committees comprising the audit, remuneration, risk, nomination and transformation committees assist the board in the discharge of its duties. The functions of these sub-committees are discussed later in this report.

The board and its committees were constituted as follows at the year-end:

MAIN BOARD OF DIRECTORS

Independent non-executive directors

D M Nurek (Chairman)
Prof. F Abrahams
S E Abrahams
W V Cuba
K N Dhlomo
E Oblowitz#
N V Simamane

Non-executive directors

M Lewis
D M Polak

Executive directors

A D Murray (CEO)
R Stein (CFO)
P S Meiring (Group Director – TFG Financial Services)

REMUNERATION COMMITTEE

Prof. F Abrahams (Chairperson)
D M Nurek

Directors present by invitation:

A D Murray

RISK COMMITTEE

D M Nurek (Chairman)^
E Oblowitz##
D M Polak
A D Murray
R Stein

AUDIT COMMITTEE

S E Abrahams (Chairman)
W V Cuba
K N Dhlomo
E Oblowitz#
N V Simamane

Directors present by invitation:

D M Nurek
A D Murray
R Stein

NOMINATIONS COMMITTEE

D M Nurek (Chairman)
S E Abrahams
M Lewis

Directors present by invitation:

A D Murray

TRANSFORMATION COMMITTEE

Prof. F Abrahams (Chairperson)
D M Nurek
A D Murray

Directors present by invitation:

R Stein

appointed 1 October 2010
appointed February 2011
^ Mr D M Nurek (the chairman of the board) is also the chairman of the risk committee which is not in line with the recommendation of King III. The nominations committee however recommended that Mr D M Nurek continues to serve as chairman as he is thought to be the most relevant and suitable candidate.

CORPORATE GOVERNANCE REPORT CONTINUED

SUB-COMMITTEE COMPOSITION

The following changes were made during the year after due consideration by the nominations committee:

Audit Committee

Mr E Oblowitz was appointed to this sub-committee simultaneously with his appointment to the board in October 2010.

Risk Committee

Mr E Oblowitz was appointed to this sub-committee during February 2011.

DIRECTORS

The non-executive directors come from diverse backgrounds in commerce and industry. Their collective experience enables them to provide sound, independent and objective judgement in decision-making that is in the best interests of TFG. They are ultimately responsible for the performance of the group, its long-term sustainable growth and the enhancement of shareholder value. They review and ratify the group's strategy in addition to monitoring and measuring its performance and executive management against key performance indicators. They provide opinion and advice regarding the group's financial, audit, governance and risk management controls. In order to ensure sustainable leadership they review group transformation and succession planning at senior levels, and provide input into the remuneration process.

All directors exercise unfettered discretion in the fulfilment of their duties, resulting in constructive debate at meetings that continues to yield well-considered decisions.

Detailed information on the directors and their credentials appear in the directorate section of this report.

DIRECTOR APPOINTMENT AND INDUCTION

Newly-appointed non-executive directors hold office only until the next annual general meeting, at which time they retire and become eligible for re-election as directors. Each year, one-third of the existing board members are subject to retirement by rotation. This is in line with the requirements of King III. The nomination committee recommends re-election by the shareholders after due consideration is given to the individual directors' attendance and performance. Non-executive directors have no fixed term of employment and the performance of all directors is subject to annual peer review.

A formal induction programme for new directors is in place with the objective of maximising their understanding of the group and enabling them immediately to provide input and make well-informed decisions.

CHANGES TO THE BOARD DURING THE CURRENT YEAR

The appointment of Mr E Oblowitz to the board and the audit committee were both effective on 1 October 2010, whilst his appointment to the risk committee was effective from February 2011. Aside from these changes, no other changes were made in respect of the composition of the main board during the year under review.

CHANGES TO THE BOARD SUBSEQUENT TO THE YEAR-END

Subsequent to the year-end, Mr D M Polak has resigned from the risk committee and Ms K N Dhlomo has chosen not to make herself available for re-election to the audit committee.

INDEPENDENCE ASSESSMENT

All directors completed the annual independence questionnaire to establish whether they satisfy the objective independence criteria of King III. Seven of the non-executive directors are independent according to the King III definition.

Mr M Lewis is not considered independent in terms of the King III definition by virtue of the fact that he is a representative of shareholding in excess of 5%. Mr D M Polak is likewise not considered independent in terms of the King III definition by virtue of the fact that his shareholding is material to his personal wealth.

Of the seven directors that satisfy the objective independence requirements, three directors have served a term exceeding nine years and were therefore subjected to rigorous review by the board. Following this review (during which the directors recused themselves) the board concluded that Mr D M Nurek, Mr S E Abrahams and Mr W V Cuba were nonetheless independent and that their long association with the group had in no way impaired their independence.

BOARD MEETINGS

The board typically meets quarterly in Cape Town, and further meetings are held at short notice when necessary.

Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow board members sufficient opportunity to request additional agenda items.

In addition a comprehensive board pack is distributed to all members in advance of meetings to ensure that they are properly informed and enable them to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- Agenda
- Previous meeting minutes
- Copies of any resolutions passed since the last board meeting
- Update on matters arising since the last board meeting
- Minutes of all sub-committee meetings which have taken place since the last board meeting
- Shareholder analysis
- Summary of any announcements on SENS (securities exchange news service) in the intervening period
- Governance update to assist directors in remaining abreast of relevant legislation

All directors have unrestricted access to the company secretary and all company records as well as to independent professional advice at the company's expense in appropriate circumstances.

BOARD EVALUATIONS

An annual evaluation of the board and each of the sub-committees is undertaken by means of a questionnaire sent to all board members. The results are collated by the company secretary and passed on to the chairman who has a one-on-one interview session with each director to discuss their feedback as well as any areas of concern. The chairman provides feedback to the full board on any actions arising from the evaluation process.

This annual evaluation is comprehensive, encompassing all aspects of the board's responsibilities. It covers both individual member contributions and the effectiveness of the board as a whole. The results of the executive and non-executive directors are separately tabulated, in order to gauge any areas of difference in perception.

The annual board evalution process was undertaken at the end of May 2011 and is in the process of being finalised.

DIRECTORS' REMUNERATION AND SHAREHOLDINGS

The remuneration paid to directors during the current year is disclosed in the Remuneration Report that appears elsewhere in this report.

Information relating to the direct and indirect holdings of the directors at 31 March 2011, as well as their participation in share incentive schemes (where relevant) are likewise disclosed in the Remuneration Report.

Non-executive directors do not participate in the share incentive schemes, with the exception of Mr D M Polak who obtained options whilst still an executive of the company.

PERSONAL SHARE DEALINGS

The board complies with the requirements of the JSE Limited in relation to restrictions on the trading of TFG's shares by directors and employees during the defined closed periods. Restrictions may also be placed on share dealings at other times if the group is involved in corporate activity or sensitive negotiations. The company secretary notifies all directors and employees prior to the commencement of the closed trading periods of the prohibitions contained in the Insider Trading Act relating to share dealings whilst in possession of price-sensitive information.

Details of directors' share dealings are disclosed to the listings division of the JSE Limited and communicated through its electronic news service, SENS. These dealings are also disclosed at board meetings. There is a process in place in terms of the requirements of the JSE Limited for directors to obtain prior clearance before dealing in the company's shares. All transactions are conducted at the ruling market price on the JSE Limited.

DIRECTORS' INTERESTS IN CONTRACTS

In addition to a formal annual disclosure process, directors are required to make ongoing disclosures of any interests in contracts. During the year under review the directors had no interests in contracts as contemplated in section 234 of the Companies Act No. 61 of 1973.

SUCCESSION

It is the responsibility of the nominations sub-committee to ensure adequate succession planning for all main board directors, as well as to ensure that all sub-committees are appropriately constituted and chaired.

The nomination sub-committee believes that advanced planning is the key to succession and gives due consideration to succession planning on an ongoing basis.

BOARD ATTENDANCE

The attendance of the directors at board meetings and board committee meetings for the financial year was as follows:

	BOARD	REMUNERATION COMMITTEE	RISK COMMITTEE	AUDIT COMMITTEE	NOMINATIONS COMMITTEE	TRANSFORMATION COMMITTEE
Number of meetings	**4**	**3**	**4**	**3**	**1**	**3**
Directors' attendance						
D M Nurek	4	3	4	3*	1	3
F Abrahams	4	3				3
S E Abrahams	4			3	1	
W V Cuba	4			3		
K N Dhlomo	1^			0^		
M Lewis	4				1	
E Oblowitz	1#		1##	2#		
D M Polak	1^^		1^^			
N V Simamane	4			3		
A D Murray	4	3*	4	3*	1*	3
R Stein	4		4	3*		3*
P S Meiring	4					

* By invitation
^ Granted leave of absence for medical/maternity leave reasons
^^ Granted leave of absence for travel reasons
# Attended all meetings following his appointment on 1 October 2010
Attended all meetings following his appointment in February 2011

MAIN BOARD COMMITTEES

The main board of directors has delegated specific responsibilities to board committees, each with its own charter that defines its powers and duties. The committees review their charters on an annual basis and aim to undertake an annual performance evaluation. All committees are chaired by an independent non-executive director.

The board committees meet independently and provide feedback to the main board through their chairpersons. In addition, the minutes of all committee meetings are included in the main board packs on a quarterly basis and all directors are given the opportunity to raise any questions or concerns arising from these minutes.

The composition of these committees as well as changes thereto during the current year are reflected earlier in this report.

REMUNERATION COMMITTEE

Members

Prof. F Abrahams (independent non-executive) – chairperson

D M Nurek (independent non-executive)

Directors present by invitation

A D Murray (executive)

This committee is governed by a formal charter to ensure that there is a transparent procedure for developing policies on executive remuneration and determining remuneration packages of individual directors and senior executives, within agreed terms of reference and within the framework of good corporate governance.

The key mandate of the committee is to compile emolument proposals in accordance with the group's remuneration strategy, which are then considered by the board. This is designed and tailored to:

- continue to attract, retain and motivate executives of the highest calibre;
- enable the group to remain an employer of choice; and
- ensure a blend of skills that consistently achieves predetermined business objectives and targets.

The committee's powers regarding non-executive remuneration are limited to making recommendations to the board.

The committee, which met three times during the year, comprises two independent non-executive directors. The CEO is present by invitation (although he recuses himself during deliberation of his own remuneration), as is an external consultant.

The chairperson of this committee attends the annual general meeting.

The Remuneration Report that summarises certain key aspects of the functioning of this committee is included elsewhere in this report.

RISK COMMITTEE

Members

D M Nurek (Independent non-executive) – chairman

E Oblowitz (independent non-executive)

D M Polak (non-executive)

A D Murray (executive)

R Stein (executive)

The board is responsible for risk management, while divisional and operational management are accountable to the board for this process.

The group has adopted an ongoing, systematic and documented risk management process that ensures that all material risks are identified, evaluated, effectively managed and, where this is practical, quantified. This process is undertaken within each division as well as by the operating board. It has served to ingrain a sustainable risk awareness and culture at all levels. The assessments are aligned to the immediate, medium- and long-term strategic and business objectives within each division as well as those of the group as a whole.

All significant projects undertaken by the group are subject to formal risk assessments. Ongoing business sustainability is addressed as part of this process.

The risk committee is responsible for ensuring that:

- appropriate risk and control policies are in place and are communicated throughout the group;
- the process of risk management and the system of internal control are regularly reviewed for effectiveness;
- there is an ongoing process of identifying, evaluating and managing the significant risks faced by the group, and that this is in place throughout the year;
- a formal risk assessment is undertaken annually;
- there is an adequate and effective system of internal control in place to manage the more significant risks faced by the group to an acceptable level;
- there is a documented and tested process in place that will allow the group to continue its critical business processes in the event of a disaster, inter alia, the destruction of a distribution

centre, head office, or computer facility, that affects its activities;

- a risk register is maintained and kept up to date; and
- appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed.

As at the year-end, the risk committee comprised three non-executive directors and two executive directors. Meetings are held four times a year.

The Risk Report that summarises certain key aspects of the functioning of this committee is included elsewhere in this report.

AUDIT COMMITTEE

Members

S E Abrahams (independent non-executive) – chairman

W V Cuba (independent non-executive)

K N Dhlomo (independent non-executive)

E Oblowitz (independent non-executive)

N V Simamane (independent non-executive)

Directors present by invitation

D M Nurek (independent non-executive)

A D Murray (executive)

R Stein (executive)

The committee is governed by a formal audit committee charter which guides the committee in terms of its objectives, authority and responsibilities.

The role of the audit committee is, inter alia:

- 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 ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence;
- to evaluate the independence, effectiveness and performance of the external auditors, and obtain assurance from the auditors that adequate accounting records are being maintained;
- to recommend the appointment of the external auditors on an annual basis;
- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and co-ordinated; and
- to review financial statements for proper and complete disclosure of timely, reliable and consistent information, and to confirm that the accounting policies used are appropriate.

As at the year-end the committee consisted of five independent non-executive directors. It typically meets three times per annum. Executive directors, members of executive management, internal audit, and the external audit partners and staff attend meetings at the invitation of the committee.

The Board Audit Committee Report that summarises certain key aspects of the functioning of this committee is included in the annual financial statements section of this report.

NOMINATIONS COMMITTEE

Members

D M Nurek (independent non-executive) – chairman

S E Abrahams (independent non-executive)

M Lewis (non-executive)

Directors present by invitation

A D Murray (executive)

This committee is governed by a formal charter to ensure that there is a process in place to identify and assess new executive and non-executive directors fairly and thoroughly. The committee's responsibilities include:

- reviewing the board structure, size and composition;
- reviewing the nature, size and composition of the board sub-committees;
- succession planning;
- reviewing the balance between non-executive and executive directors;
- ensuring that the directors have the required blend of experience, skills and knowledge to guarantee the continued success of the group;
- ensuring the existence of a formal process of performance evaluation; and
- ensuring compliance with the principles of good governance and the code of best practice.

During the year this committee recommended to the board the appointment of Mr E Oblowitz. The performance and attendance of all directors retiring by rotation was considered by the committee prior to requesting that they stand for re-election at the upcoming annual general meeting. The committee also recommended to the board the proposal to shareholders regarding the appointment of the board audit committee. The committee gave due consideration to the format of the performance evaluation process.

This committee met once during the year. It comprises three non-executive directors. The chief executive officer attends meetings by invitation.

TRANSFORMATION COMMITTEE

Members

Prof. F Abrahams (independent non-executive) – chairperson

D M Nurek (independent non-executive)

A D Murray (executive)

Directors present by invitation

R Stein (executive)

The scope of authority of this committee is clearly defined in a formal charter.

The committee has established a broad-based BEE strategy aligned to the Broad-based Black Economic Empowerment Act of 2003 and the associated codes of good practice, including a BBBEE-level contributor target with timelines. Clear guidelines have been defined for each of the seven elements of BBBEE, being equity ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

The committee has an ongoing responsibility to monitor and review all aspects of the group's BBBEE strategies and to ensure the achievement of its targets. In order to attain these targets, sub-committees for each of the seven

CORPORATE GOVERNANCE REPORT CONTINUED

elements have been established, with meetings taking place at least quarterly.

The transformation committee comprises two independent non-executive directors and the CEO. The CFO attends meetings by invitation. The committee met three times during the last year.

The Transformation Report that summarises certain key aspects of the functioning of this committee is included elsewhere in this report.

THE OPERATING BOARD OF DIRECTORS OF TFG

The operating board is responsible for the group's strategy formulation, as well as the day-to-day management of all aspects of the operations of the trading and service divisions.

Currently the operating board is responsible for all operational matters in relation to the group's fashion retailing and financial services businesses and support functions, including but not limited to:

- merchandise sourcing, buying, planning, warehousing and distribution;
- store location, leasing, operations, design and architecture;
- human resource recruitment, training, development and remuneration;
- information systems acquisition, development and maintenance;
- credit management and customer relationship marketing and systems;
- financial management and administration;
- strategic plan formulation, development, execution and refinement;
- development, review and achievement of budgets in relation to sales, operating expenses and capital expenditure;
- identification, assessment, mitigation and management of risk;
- development and refinement of business philosophy and the value system;
- development, monitoring and audit of internal controls;
- development, review and implementation of the employment equity plan;
- development and monitoring of operational policies and procedures;
- development, implementation and monitoring of transformation strategy;
- approving transactions regarding investment, disinvestment, refinancing and restructuring in accordance with parameters set by the main board; and
- adopting and implementing corporate governance practices and meeting standards set out in King III.

This board meets monthly, and further meetings take place at short notice when necessary.

OPERATING BOARD OF DIRECTORS OF THE GROUP	
A D Murray	Chief Executive Officer
R Stein	Chief Financial Officer
M Mendelsohn	Retail Director – Jewellery, Exact!, TFG Logistics and TFG Merchandise Procurement
H B Godfrey	Retail Director – @home and TFG Design Centre*
P S Meiring	Group Director – TFG Financial Services
B J Curry	Managing Director – TFG Infotec
G S Naidoo	Managing Director – TFG Human Resources
A R Bisogno	Retail Director – Foschini division
D B Gedye	Retail Director – Sports division and Markham

* Subsequent to the year-end, Mr H B Godfrey advised that he will be retiring later in the year

Detailed information of the operating board and their credentials appear on pages 10 and 11.

COMPANY SECRETARY

The role of the company secretary is to ensure that all directors have full and timely access to all information that may be necessary for them to properly discharge their duties and obligations. The responsibilities include, inter alia:

- co-ordination and input into new director induction;
- co-ordination and input into annual board evaluation;
- preparation of meeting agendas;
- circulation of board packs in advance of meetings;
- recording of proceedings at meetings;
- ensuring that appropriate guidance is given to directors regarding their powers and duties; and
- investor communications.

LEGAL COMPLIANCE

The compliance function's purpose is to provide assurance to the board that the group is compliant with applicable legislation and is documented in TFG's legal compliance policy.

The group's compliance function is divided into three areas:

- general compliance, a focus on new or amended laws and the co-ordination of group compliance;
- TFG Financial Services retail credit and technology products' compliance; and
- compliance within the RCS Group.

The responsibilities of the three areas of the compliance function include:

- identifying and advising the group on existing and new legislation that is applicable to the group's business;
- facilitating compliance with relevant legislation and assigning responsibility for areas of compliance;
- facilitating compliance with internal policies, rules, guidelines and procedures; and
- monitoring of compliance.

There have been many changes to laws and regulations in the previous years, with more laws to be finalised or effective shortly.

The following impending or recently effective legislation will affect TFG:

- Consumer Protection Act which came into effect on 31 March 2011;
- Companies Act No. 71 of 2008 which came into effect on 1 May 2011; and
- Protection of Personal Information Bill.

TFG has working groups and project boards in place to ensure that there are impact assessments on new laws or amendments. Thereafter timelines, implementation areas and business owners to implement changes are agreed.

TFG is compliant with the Consumer Protection Act. Whilst this act impacts, among other things, the merchandise sold in stores, it also impacts certain services and has had a limited operational impact on the working hours within TFG's call centres.

TFG is currently implementing changes to ensure compliance with the recently introduced Companies Act No. 71 of 2008.

Based on core laws that are effective as at 31 March 2011, there are no areas of non-compliance.

There are ongoing changes to fiscal legislation. These are monitored and implemented by the group's tax department.

The group compliance officer gives report-backs at each audit committee meeting.

The internal audit department and the compliance function work closely together, with the former assisting at times with monitoring compliance. Where significant compliance issues are identified they are referred for independent review to outsourced experts.

REMUNERATION

The group's policy is to align the remuneration structure of the executive directors and staff with the interests of shareholders, and consequently a portion of their packages is performance-related. Share options and incentives are based on the performance of the individual as well as the performance of the group as a whole, aligned to specific business objectives and bottom-line absolute profits. The principle adhered to is that bonuses are self-funded out of profits in excess of targets.

Remuneration of non-executive directors is reviewed annually by the remuneration committee for proposal to shareholders by the board.

Further details relating to the remuneration policies and practices are included in the Remuneration Report which appears elsewhere in this report.

STAKEHOLDER RELATIONS

The board recognises the important role it has to play as the ultimate custodian of the corporate reputation of TFG and its relationships with stakeholders. Whilst management is responsible for the implementation of the policies and processes relating to stakeholder engagement, the board performs an oversight role in ensuring that there are no significant gaps between stakeholder perceptions and the performance of the company.

Further details relating to TFG's interaction with stakeholders is included in the strategic agenda section of this report.

DONATIONS TO POLITICAL PARTIES

No donations are made to political parties.

RISK REPORT

THE PRIMARY IDENTIFIED RISKS TO THE GROUP ARE LISTED BELOW, WITH STRATEGIES TO MANAGE THEM. THESE RISKS ARE LARGELY UNCHANGED FROM THE PREVIOUS YEAR.

RISK	HOW WE MANAGE THIS RISK
Fashion trends The misreading of fashion trends by the merchandise teams.	▪ development and retention of talented merchandise teams who keep abreast of global fashion trends; ▪ extensive input from international fashion fairs, consultants, the internet as well as local fashion research; ▪ based in the southern hemisphere, benefiting from the knowledge of the forthcoming season's successful trends in the northern hemisphere; ▪ utilising advanced systems to ensure that purchasing volumes are correct; and ▪ developing "quick response" and "fast fashion" models.
Customer base retention Retaining our existing customers and attracting new customers.	▪ an established customer relationship management department which has the specific objective of maximising customer value and duration of relationship by creating an unbeatable customer experience over all legs of the relationship life cycle; ▪ expanding our store base into varied locations; ▪ creating a wide base of stores to satisfy a broad spectrum of the market; and ▪ implementing credit score models for collections and follow-ups, to assist customers in maintaining an open-to-buy position.
Supply chain The inability to provide our customers with the desired merchandise at the right price and time as a result of deficiencies in the management process of the supply chain. Volatility in raw material supply and potential impacts associated with supply chain ethics and environmental performance.	▪ considering all possible occurring events and factors that can cause a disruption in our supply chain; ▪ examining possible scenarios from past experience and analysing changing market forces; ▪ creating solutions culminating in improved stock turn and customer satisfaction; ▪ implementing changes in the supply chain methodically within appropriate and achievable time frames; ▪ enhancing our supplier assessment processes to ensure responsible practice. This approach includes updated quality assurance and quality control processes, ensuring that all our contractual obligations are being met; ▪ continuing significant support for our local apparel supplier base in order to ensure sustained merchandise manufacture and supply; ▪ undertaking a project in conjunction with certain key manufacturers, with the objective of expanding local production utilising "fast fashion" models; and ▪ considering the inflationary and delivery pressures arising out of procurement from China, we are sourcing from a wider range of countries and expanding our procurement opportunities, as well as developing models to expand our support of local manufacturers. Further detail is provided in the Supply Chain and TFG Logistics sections of this report.

RISK	HOW WE MANAGE THIS RISK
Bad debts With the increase in new active accounts, there is an inherently greater risk of bad debt than established accounts.	**Account origination** ▪ credit applications are reviewed for fraud indicators and assessed against NCA-compliant internal scorecards, credit bureau scores and verification of employment where necessary **Account Management** ▪ analytic decision systems determine appropriate collection strategies, approved credit line adjustments and authorisations by utilising internal behavioural and credit bureau scores Systems and strategies are subject to ongoing management review within both of the above risk areas.
Information technology (IT) Ever-increasing reliance upon computer systems necessitates a stable, secure and uninterrupted computer infrastructure.	▪ constant senior management review and updating of the IT strategic plan; ▪ maintaining a comprehensive, regularly-tested disaster recovery plan that should provide seamless computing capacity in the event of a disaster, involving the establishment of secure computer suites in separate locations with adequate capacity to provide backup access to critical systems; ▪ strict change control procedures for all system enhancements; ▪ conducting risk assessments for all significant projects; ▪ ensuring that access controls are implemented and enforced; ▪ ongoing consolidation and standardisation of applications and infrastructure technology; ▪ an ongoing upgrade and technology "refresh" programme to ensure that our applications and infrastructure are current and supported; ▪ instilling employee awareness of the need for responsible use of computer facilities (all employees being required to abide by a formal computer code of conduct); ▪ ongoing emphasis at all levels on enhancing IT security from all potential threats, both internal and external; and ▪ adopting strong IT governance policies and best practice IT service delivery models.
Legal compliance The legislative framework within which we operate has become increasingly complex. Amendments to existing laws, new laws and pending Bills have to be tracked and continuously assessed to ensure compliance. Business processes have to be aligned to ensure compliance. We have also assessed the impact of King III, ensuring that we are compliant.	▪ ongoing review of legislation (existing, new and pending); ▪ meeting with regulators and government departments, in particular the Department of Trade and Industry; ▪ submitting comments on Bills to government, in our name, or as part of the Retailers' Association and Business Unity South Africa; ▪ compliance report-backs given to committees such as the internal risk committee; ▪ compliance reports submitted to the board audit committee three times a year; ▪ TFG Internal Audit audits compliance with key laws; ▪ forums, workshops and task teams are formed within our business to assess the impact of laws and to agree on implementation action items. Implementation is then monitored; and ▪ awareness sessions for our staff on new laws.

RISK REPORT CONTINUED

RISK	HOW WE MANAGE THIS RISK
Shortage of skills and expertise Without insightful, specialised, and talented staff at all levels, our continued success and growth through innovation would be endangered.	▪ maintaining an effective nominations committee for succession planning and appointment of senior executives and board appointments; ▪ ensuring that processes are in place to attract, retain and develop high-quality staff within an environment that can satisfy ambition; ▪ having access to a pool of skills in all key areas via our divisionalised structure, which lends itself to seamless resource transference; ▪ recruiting and retaining graduate trainees, who are placed on an 18-month academic programme to subsequently fill key positions; ▪ creation of development, incentivisation and retention programmes for store and field managers; and ▪ creation of continuous management capability via a number of new SETA-sponsored programmes.
Crime Crime, particularly armed and violent crime, which continues unabated, creating losses and, in particular, trauma to our staff.	▪ continually reviewing security at stores; ▪ providing staff training on how to deal with armed robberies; ▪ maintaining a strong focus on syndicated identity fraud via a dedicated forensics department; ▪ maintaining regular communication with anti-crime forums to ensure that we minimise the impact of crime in all of its forms; and ▪ utilising an anonymous toll-free whistle-blowing facility for the reporting of criminal acts (details of which are contained later in this report).
Business continuity The loss of a major head office facility or distribution centre could impact upon critical business functions.	▪ maintaining separate head office buildings and distribution facilities, and providing backup facilities for critical functions; ▪ splitting the computing capacity over four server rooms in separate locations; ▪ maintaining current business continuity plans for all trading and service divisions; ▪ maintaining and regularly reviewing comprehensive physical protection measures; and ▪ maintaining appropriate insurance cover.

INTERNAL CONTROL

The board of directors is responsible for the group's systems of internal control. Effective internal control systems have been implemented and are continuously evaluated:

- to provide reasonable assurance as to the integrity and reliability of the financial statements;
- to safeguard, verify and maintain accountability of its assets;
- to detect and minimise fraud, potential liability, loss and material misstatement; and
- to review compliance with applicable legislation and regulations.

The internal control systems are governed by a comprehensive internal control standards manual that is available to all staff via our intranet. Compliance with these standards rests within each division and is monitored by internal and external audit checks.

The board is not aware of any material breakdown during the past year in the functioning of these controls.

INTERNAL AUDIT

The internal audit department carries out an independent appraisal and assurance function. This department reports to the audit committee of the board, whilst to the CFO for administrative matters. This structure does not impair the function's independence or objectivity. An internal audit charter, approved by the audit committee and conforming to the International Standards for the Professional Practice of Internal Auditing, determines the mission and scope of the function.

Further information on the internal audit function is contained in the divisional reports section of this Integrated Annual Report.

CODE OF ETHICS

The board has adopted a code aimed at creating a culture of the highest standards of ethics and uncompromising honesty among all employees throughout the group. The code is founded on the principles of integrity, good faith, impartiality, openness and accountability. The code of ethics forms an integral part of the induction programme and all new employees agree to subscribe to the code. It is available to all staff members on our intranet.

It is comprehensive in nature, clearly outlining the full obligations of every member of staff in their dealings with fellow employees, customers, suppliers, competitors, shareholders and society at large. It requires inter alia:

- conformance with all laws and regulations;
- disclosure of any gifts offered or received and which must be within prescribed financial parameters;
- disclosure of any direct or indirect conflict of interest;
- that no bribes be accepted or proffered;
- reporting of any unethical or harmful behaviour; and
- compliance with all of the group's standards and procedures, including the computer usage policy.

Sound processes are in place to manage any deviations from this code.

WHISTLE-BLOWING

A whistle-blowing facility has been in place since February 1998 for the reporting of suspected fraud and unethical behaviour. Use is made of an outsourced, anonymous, toll-free hotline. All reports are submitted to the centralised risk management department, which ensures that all incidents are logged and resolved. A minimum reward of R10 000 is paid when follow-up confirms evidence of fraud or unethical behaviour. There is a strong focus on staff awareness of this facility through regular distribution of informational cards, e-mails and posters.

An additional reward of R10 000 is paid twice annually to a randomly-selected staff member who has already been awarded the initial reward.

During the year 116 reports were received, resulting in 10 dismissals and 10 resignations before enquiry.

REMUNERATION REPORT

THIS REPORT SUMMARISES THE PHILOSOPHY, PRINCIPLES AND APPROACH TO REMUNERATION AT TFG. IT DETAILS THE PRIMARY COMPONENTS OF REMUNERATION, AND PROVIDES INFORMATION ABOUT CHANGES MADE TO THESE COMPONENTS IN THE PAST YEAR AS PART OF THE CONTINUOUS NEED TO REVISE AND IMPROVE REMUNERATION PRACTICE.

INTRODUCTION

The critical role of the remuneration committee is highlighted, detailing the composition and critical role they play in TFG remuneration decision-making, detailing specific decisions made during the year.

The remuneration and shareholding of directors and, as is required by King III, of the next three highest earners not on our supervisory board, is disclosed.

Non-executive directors' appointment and remuneration is disclosed.

REMUNERATION POLICY

PRINCIPLES

TFG's remuneration policy aims to attract, motivate and retain the talent that is essential for the implementation of our business strategy and achievement of performance objectives, towards sustained and long-term returns for shareholders.

Remuneration of executives seeks to achieve the following principal objectives:

- external equity, ensuring executives are rewarded in line with the market, taking all relevant and appropriate factors into account;
- internal equity, ensuring that executives are remunerated correctly relative to one another, in recognition of their individual contribution and accountability;

- remuneration that rewards both short-term and long-term business performance against defined and challenging objectives, appropriate to the stage of the business cycle and aligned with business strategy, whilst recognising the need for retention and continuity; and
- an appropriate mix of remuneration components, each one sized so as to align remuneration with the appropriate short-term and long-term objectives.

The group subscribes to the concept of "total reward", that recognises, amongst other aspects, that:

- The various components of remuneration, such as base pay, long-term and short-term incentives, achieve different objectives as they influence attraction, retention, motivation and business performance to varying degrees. As such, it is an ongoing requirement to optimise the mix of these components.
- Whilst remuneration is critical, this must be balanced with attractive benefits, an enjoyable working environment and the opportunity for employees to develop and grow.

COMPONENTS OF REMUNERATION

Components of remuneration and the applicable policy are detailed below. In determining the mix and structure of these components, a balance is sought between the retention of key talent through aspects such as competitive guaranteed pay and retention-based shares, with the need to drive short- and long-term performance through short-term and long-term incentives.

Each component, as well as the mix between components, is benchmarked against the market using external, objective market information.

Base Pay

Base pay is reviewed annually, with reference to the market, and is targeted around the median of aggregate market information.

Executive Roles

Aggregate market information from appropriate and credible remuneration survey providers is obtained for each executive director role. Each role, in terms of our base pay policy, must be deemed to be a 70% match with the survey role in order for survey information to be utilised. Market information sourced is not limited to retail companies, to ensure that the true market for executive talent in an environment of our size and complexity is considered when setting pay.

Each role is benchmarked against the market taking accepted operating and demographic measures into account such as market capitalisation, turnover, employees, payroll size and profit measures.

Individual, divisional and group contribution are taken into account, as well as any changes in accountability and structure in the past year.

Management and Other Roles

Similar principles regarding survey selection and market matching apply to remuneration benchmarking for all other positions. Remuneration for each employee in the group is benchmarked against a base pay range for their specific position, or in a minority of cases, for their job's grade. A desired market position is defined for each family of roles, taking into account the value that these groupings of roles add to the retail value chain.

Roles, where applicable, are either compared to survey information that includes most major retailers in South Africa, or where it is believed that the market for these categories of employee is not limited to retail companies, broader South African market.

Job Evaluation

A best-of-breed job evaluation system is an integrated part of our approach to base pay and any remuneration related to the level of the role, to ensure that the market benchmarks that are used in determining remuneration are accurate and valid. This system has been used across all roles up to senior management.

During the year, an additional evaluation method designed specifically for senior roles was introduced. This was implemented using an external job evaluation consultant, in which the top 80 roles in the group were evaluated, as well as other benchmark roles at senior levels. This exercise was performed to ensure that matches to the remuneration market are as accurate as possible, and to ensure that promotion and appointment decisions are made with the clearest possible indication of role size, and therefore in as fair and consistent a way as possible.

This has had a positive impact on the integrity of the biannual talent and succession review meeting, in which the operating board review all senior employees, and has decreased market risk in key roles.

Benefits

The remuneration committee reviews executive benefits annually against market benchmarks. Medical aid and pension benefits are provided in proportion to the base salary of each executive,

REMUNERATION REPORT CONTINUED

as is the case for all group employees, defined in medical aid and retirement fund rules. Vehicle benefits are provided linked to organisational level, as defined by our car allowance and fleet policies. Dread disease cover is also in place.

Short-term Incentives

Revised during the year in review, the group annual bonus scheme defines three targeted tiers of performance at both divisional and group level, with commensurate bonus payments at each of these levels. Local and international benchmarks were used to determine the most appropriate levels of bonus payment at each organisational level and performance tier.

Minimum performance levels are defined for both the group and all divisions, under which level no bonuses are payable. These targets and potential payments are approved in advance by the remuneration committee and communicated to all participating managers along with scheme rules.

On completion of the financial year, the remuneration committee confirms achievement of targets and recommends payments to the board in terms of scheme rules. Payments, if applicable, are made shortly after publication of our annual financial results.

The annual bonus is determined as a factor of:

- each individual's base pay
- their level in the organisation
- the extent to which stretch targets have been attained, i.e. at both group and divisional level (where applicable).

The structure of the bonus ensures that in cases where divisions have performed well, but the group has not achieved the required target, payments are substantially reduced. This is in line with the board's continuing focus on collaboration between divisions, as well as to align the structure of this scheme with shareholder interests.

Group operating board members are measured against group targets only, regardless of whether they are the head of one of the divisions.

The key reason for the revision of the bonus scheme was to improve the link and "line of sight" between reward and key business performance measures, as well as to ensure alignment with business strategy, shareholder interests and governance principles.

Share-based/Long-term Incentives

Long-term incentives are in place to align executives and key management's interests with those of shareholders.

The number of shares awarded to employees and executives at 31 March 2011 was 1 574 750 shares and 11 712 000 share appreciation rights. The highest number held by any individual at 31 March 2011 was 299 999 shares and 1 253 000 share appreciation rights.

In both cases, this is substantially lower than the allowed limits, both at the collective level of 36 000 000 shares, or 7 215 000 shares at an individual level.

Allocations are made using predefined multiples based on organisational level and base pay, in line with market guidelines and benchmarks. Benchmarks used define both an appropriate face value per allocation, as well as an expected value to be held by each executive.

Newly-appointed executives and managers may have their allocations gradually increased in cases where the guideline required holding for their role has not yet been reached.

All allocations are recommended to the board by the remuneration committee. The remuneration committee confirms that the agreed principles have been applied in determining each individual's allocation and also ensures that the overall share capital dilution and cost are within appropriate limits.

Two schemes are currently in place. A third scheme was approved during the year, under which the first allocation will be made in the 2012 financial year.

Foschini 1997 Share Option Scheme

Executives still hold shares granted under the group's share option scheme, introduced in 1997. This scheme entitles participants to take delivery of share options on dates defined for each grant date. Delivery takes place in thirds in two-year intervals from the grant date. No delivery may take place after six years.

The final grant made as part of this scheme was during the 2008 financial year. No further allocations will take place, and thus all options will have been delivered by 2014.

Foschini 2007 Share Incentive Scheme

A share appreciation right scheme was implemented, after shareholder approval, in 2008. Participants are entitled to receive shares in value equal to the growth in the share price on a defined number of shares between the date of grant and the date of conversion.

All shares issued under this scheme are subject to group performance criteria.

The minimum period between grant and conversion is three years, and all rights expire after six years.

Foschini 2010 Share Incentive Scheme

The Foschini 2010 Share Incentive Scheme, a forfeitable share scheme, was approved during the year.

Forfeitable shares will comprise a combination of performance and restricted shares.

This scheme will be implemented in combination with the current share appreciation right scheme to create the optimum combination of retention and reward for long-term organisational performance, both in the long-term interests of shareholders.

Executive employees will receive a combination of performance-linked share appreciation rights and forfeitable shares as part of the new scheme. Allocation guidelines detailing the quantum and mix of instruments at each level have been recommended to the board by the remuneration committee. These guidelines were compiled with assistance from an external reward consultancy that has significant experience in share scheme implementations locally and globally.

Performance shares vest after three years, subject to performance criteria. Shares lapse after five years if performance criteria have not been achieved.

Restricted shares are issued with the specific objective of retaining key talent, as well as aligning the interests of recipients with that of shareholders.

Following the implementation of this new scheme, in excess of 75% of shares allocated to senior management will be contingent on the achievement of company performance criteria.

ROLE OF THE REMUNERATION COMMITTEE

The remuneration committee is a committee of the board of directors and is responsible for:

- making recommendations to the board of directors on executive remuneration practice and policy, across all remuneration components;

- determining remuneration for executive and senior management, including base pay, benefits, short-term incentives and long-term/share-based incentives; and
- making recommendations to the board on generally applied remuneration, such as annual increase parameters, wage negotiation mandates and changes to benefits such as car allowances.

REMUNERATION COMMITTEE MEMBERSHIP

The remuneration committee consists of two members:

- Prof. F Abrahams (chairperson)
- D M Nurek

An independent adviser attends meetings by invitation, as does the CEO although he is not present when his remuneration is discussed.

The committee met three times during the 2011 financial year.

KEY DECISIONS TAKEN DURING THE YEAR UNDER REVIEW

During the past year, the remuneration committee, amongst other matters, made the following recommendations to the board:

- the review and adjustment to the CEO's, boards', divisional managing directors' and general managers' remuneration, based on extensive market information;
- the review and annual adjustment to other senior employee remuneration;
- allocation of share appreciation rights;
- approval of the group annual bonus scheme rules, divisional and group performance targets and payment factors per organisational level;
- a wage mandate for union negotiations;
- inflationary adjustments to travel allowances across all qualifying employee categories;
- senior management and executive promotions;
- confirmation of divisional and group performance, and resultant bonus payments.

As at 31 March 2011, directors had the following interests in the company's issued shares:

	Non-executive					Executive			
	D M Nurek	M Lewis	D M Polak	E Oblowitz	N V Simamane	A D Murray	R Stein	P S Meiring	**Total shares 000's**
Direct beneficial	–	–	1 950,0	2,0	1,5	1 050,0	677,9	180,7	**3 862,1**
Indirect beneficial	10,0	12 816,8	200,0	–	–	265,0	275,7	294,9	**13 862,4**
	10,0	12 816,8	2 150,0	2,0	1,5	1 315,0	953,6	475,6	**17 724,5**

As at 31 March 2011, executive directors had exercised the following options for future delivery:

		Executive			
Year of delivery	Price per option R	A D Murray	R Stein	P S Meiring	**Total executive options 000's**
2012	60,55	83,3	–	–	**83,3**
2013	60,95	133,3	76,7	60,0	**270,0**
2014	60,55	83,3	–	–	**83,3**
		299,9	76,7	60,0	**436,6**

As at 31 March 2011, Mr D M Polak (previously an executive of the company) had exercised the following options, which were granted whilst he was still an executive:

Year of delivery	Price per option R	Non-executive D M Polak
2013	60,95	150,0

As at 31 March 2011, directors had accepted the following share appreciation rights (SARs):

Year of earliest delivery	Price per SAR R	Executive A D Murray	R Stein	P S Meiring	Total SARs 000's
2012	41,87	555,0	225,0	180,0	**960,0**
2012	40,00	250,0	130,0	130,0	**510,0**
2012	42,28	275,0	130,0	130,0	**535,0**
2014	64,47	173,0	86,0	77,0	**336,0**
		1 253,0	571,0	517,0	**2 341,0**

EXECUTIVE SERVICE CONTRACTS

Certain key executives have formal service contracts to ensure stability and continuity, as well as the protection of competitive advantage. These contracts include restraint of trade stipulations. No agreements provide for ex gratia or other lump sum payments on severance or retirement.

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION

	Remuneration	Pension fund	Travel allowance	Bonus	Other benefits*	**Total R'000**
A D Murray	3 889,7	466,8	305,0	6 281,8	123,4	**11 066,7**
R Stein	2 260,2	271,2	233,9	2 901,7	79,2	**5 746,2**
P S Meiring	1 914,7	229,8	233,9	2 430,8	76,2	**4 885,4**
	8 064,6	967,8	772,8	11 614,3	278,8	**21 698,3**

* Other benefits include medical aid and group life cover

NON-EXECUTIVE DIRECTORS

Non-executive directors are appointed for a term of three years. The nominations committee recommends candidates for election to the board. In the case of proposed re-election of existing non-executive directors, evaluated performance is taken into consideration by the nominations committee before reappointment is recommended.

Non-executive directors are paid a base fee, plus a committee fee.

Fees for the coming year have been derived on a similar basis.

Aggregate market information and benchmarks derived from all JSE-listed companies are used to determine non-executive director fees. This takes industry and organisation size into account. Moderate fee increases are proposed for 2011, in order to ensure that non-executive director remuneration is commensurate with this responsibility in an organisation the size and complexity of TFG.

Non-executive directors do not receive any payments linked to organisational performance, nor are they entitled to take part in any long-term incentive/share schemes, with the exception of Mr D M Polak who obtained options whilst still an executive of the company.

Non-executive directors' fees are recommended to the board by the remuneration committee and subsequently to shareholders at the annual general meeting.

The fees for the past year, as well as the 2012 fees for shareholder approval are presented below:

NON-EXECUTIVE DIRECTORS' FEES

	Fees paid in respect of 2011 R'000	Fees proposed in respect of 2012 R'000
D M Nurek	1 050,0	1 135,0
F Abrahams	347,6#	340,0
S E Abrahams	341,0	368,0
W V Cuba	235,0	253,0
K N Dhlomo	255,0*	253,0
M Lewis	206,0	223,0
E Oblowitz	122,8^	298,0
D M Polak	227,0	245,0
N V Simamane	255,0*	253,0
	3 039,4	3 368,0

\# Includes back pay amount of R32 000

* Includes fees for other services of R20 000

^ Appointed 1 October 2010

TRANSFORMATION REPORT

THE BOARD RECOGNISES THE CRITICAL ROLE IT HAS TO PLAY IN THE TRANSFORMATION PROCESS AND THROUGH THE TRANSFORMATION COMMITTEE ENSURES THAT AN APPROPRIATE TRANSFORMATION STRATEGY EXISTS THAT IS ALIGNED TO THE DTI'S BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT OF 2003 (BBBEE) AND THE ASSOCIATED CODES OF GOOD PRACTICE.

TRANSFORMATION STRATEGY

The aim of the transformation committee is to achieve sustainable empowerment through alignment with the seven elements of the BBBEE codes, being: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

Clear guidelines have been defined for each of the seven elements of BBBEE, and the committee has an ongoing responsibility to monitor and review all aspects of the group's BBBEE strategies. Targets have not been included in this report, as there is uncertainty regarding the impact of the pending changes to the BBBEE codes of good practice. Sub-committees for each of the seven elements have been established, with meetings taking place at least quarterly.

OUR PERFORMANCE

In December 2010 (based on information in respect of the year ended 31 March 2010) TFG was rated a level five contributor by Empowerdex, an accredited economic empowerment rating agency. This is consistent with our level five rating last year, with performance improvements achieved in the following areas: employment equity, skills development, preferential procurement and enterprise development. Our performance over the past two years is recorded below.

We are pleased to report that TFG was ranked third in the 2010 Empowerdex/Financial Mail Top Empowerment company survey within the retail sector.

BBBEE ELEMENT	MAXIMUM	**2010 ACHIEVED**	2009 ACHIEVED
DIRECT EMPOWERMENT			
Ownership	20	**0**	0
Management control	10	**4,8**	4,8
INDIRECT EMPOWERMENT			
Employment equity	15	**6,7**	6,6
Skills development	15	**7,1**	6,6
Preferential procurement	20	**18,1**	17,5
Enterprise development	15	**15,0**	14,6
Socio-economic development	5	**5,0**	5,0
TOTAL	100	**56,7**	55,1
BBBEE recognition level contributor		**Level 5**	Level 5

TRANSFORMATION REPORT CONTINUED

EQUITY OWNERSHIP

In respect of 2010, TFG scored zero points out of a maximum of 20, as no BBBEE ownership scheme has yet been implemented. We plan to develop and implement a BBBEE ownership scheme once the changes to the BBBEE codes are implemented.

MANAGEMENT CONTROL

In respect of 2010, TFG scored 4,8 out of a maximum of 10 points which is indicative of the representivity achieved through securing black non-executive directors and senior executives through a continued focus on diversity in the succession planning and talent management processes. The board is satisfied with the progress being made in this area.

EMPLOYMENT EQUITY

TFG has maintained a commitment to promoting employment equity in the workforce through our transformational programmes. The group continues to ensure that there is alignment between the national economically active population and the targets that are set within the businesses. We strive to reach equity targets in senior grades through early identification, development and retention of talent.

Targets set for the last period were met in 2010 and the group continues to steadily move towards achieving longer-term targets.

In respect of 2010, TFG achieved 6,7 points out of a maximum of 15. Whilst employment equity and diversity are embedded into succession planning, talent management and recruitment, black representation at senior management level remains an ongoing challenge. TFG's strategy of choice is to develop from within and it thus takes time to achieve transformation at senior management level.

The "building blocks" established in the past year ensured that we had the momentum to continue with our transformation programmes. These "building block" initiatives included: store and field development initiatives, the development of store managers and the identification of talent for stores and field. Further information is provided in the talent development section in our Human Resources report.

Our transformation forums focus on addressing challenges within their areas, seeking to utilise every opportunity to ensure that the affirmative action measures were met. Each division identifies barriers and seeks methods to manage or overcome them.

Training initiatives continued with the introduction of a trainee retail management programme. This programme focused on developing the current store managers to become area managers. We have already experienced the success of this programme with many delegates already appointed into field manager positions.

As the programme progresses, the business will be in a better position from a succession planning perspective to manage the high level of labour turnover that is often experienced in this area.

Summary of our staff complement, as at 31 March 2011

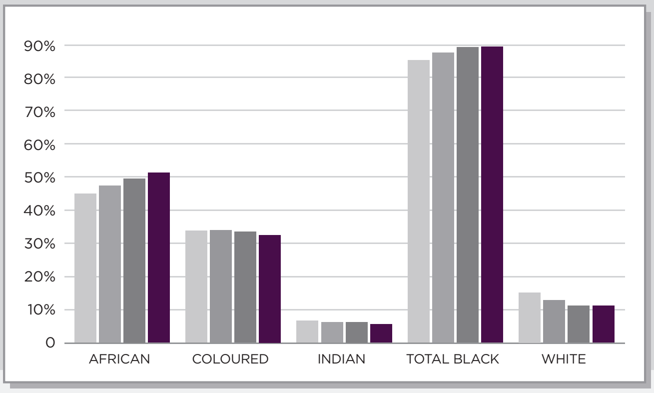
	Female					Female total	Male					Male total	Grand total
	Indian	African	Coloured	White	Foreign		Indian	African	Coloured	White	Foreign		
1 Top Management	1	–	–	1	–	2	–	–	–	7	–	7	9
2 Senior Management	2	–	5	60	–	67	4	1	11	72	–	88	155
3 Professional Middle Management	40	29	110	331	1	511	24	30	68	147	–	269	780
4 Skilled, Junior Management, Supervisors	179	731	896	568	2	2 376	41	258	225	70	–	594	2 970
5 Semi-skilled	478	5 175	2 750	387	3	8 793	98	1 716	853	76	7	2 750	11 543
6 Unskilled	–	14	90	2	–	106	1	35	60	2	–	98	204
Grand Total	**700**	**5 949**	**3 851**	**1 349**	**6**	**11 855**	**168**	**2 040**	**1 217**	**374**	**7**	**3 806**	**15 661**

* Total exclude casual employees

TFG has implemented a new employment equity reporting and planning tool to assist managers with their planning. This tool has also allowed for more accurate recording of data and easier monitoring of progress against the targets set.

The bar graph below illustrates the workplace profile in terms of racial representation.

WORKFORCE PROFILE



Progress in overall terms is positive with black employees making up nearly 90% of all staff employed by our group.

NAMIBIA

From a Namibian perspective, affirmative action remains a focus with all targets for 2010 met. Line managers and union members in Namibia have expressed satisfaction that TFG has aligned itself to the national legislative framework.

For the year going forward, a new three-year plan has been submitted and all line managers and union members in Namibia are committed to the new plan.

SKILLS DEVELOPMENT

TFG achieved a score of 7,1 out of a maximum of 15 points. A focus during the year was to implement our Project 700 initiative, aimed at ensuring that targets in respect of skills development are achieved. We have restrategised the initiative in order to ensure that the skills programmes are aligned to the W&R SETA skills programmes matrix. Currently, 700 of our sales associates are enrolled on the revised skills programmes and are due to complete the training and be assessed on their performance in 2012. Additional skills development initiatives are reviewed in our Human Resources report.

PREFERENTIAL PROCUREMENT

TFG achieved a score of 18,1 out of a total available of 20 points and remains pleased with the progress that has been made in this area through an ongoing focus on the supply base. 31% of our BBBEE procurement spend applied to merchandise purchases and 34% to non-merchandise goods and services.

ENTERPRISE DEVELOPMENT

TFG achieved a score of 15 points out of a maximum of 15 points in 2010, again reflecting the commitment that has been made to ensure development of our supply base.

Subsequent to the year-end TFG has entered into a clothing and textile competitiveness improvement programme cluster project, together with five of our local manufacturers and the Department of Trade and Industry. The purpose of the cluster is to establish a world-class fast fashion merchandise planning process which is intended to bring these manufacturers up to world-class standards of performance, and ultimately to lead to the creation of new jobs in local factories.

SOCIO-ECONOMIC DEVELOPMENT

TFG again achieved the maximum score of 5,0 points on this element for 2010. A brief overview of our activities aimed at promoting socio-economic development, is provided in our Strategic Agenda section.

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' APPROVAL AND COMPANY SECRETARY'S CERTIFICATE FOR THE YEAR ENDED 31 MARCH 2011

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

The board of directors (the board) is responsible for the content and integrity of the group 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 and the AC 500 Standards as issued by the Accounting Practices Board or its successor. The group's external auditors are engaged to express an independent opinion on the group annual financial statements.

The group annual financial statements are prepared in accordance with International Financial Reporting Standards and the AC 500 Standards as issued by the Accounting Practices Board or its successor. 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 group 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 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 group annual financial statements set out on pages 176 to 249 were approved by the board on 20 June 2011 and are signed on its behalf by:

D M NUREK
Chairman

A D MURRAY
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE

I certify that The Foschini Group Limited has lodged with the Registrar of Companies all returns as required by a public company in terms of the Companies Act of South Africa, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

The Companies Act No. 71 of 2008, as amended came into operation on 1 May 2011. The annual financial statements of The Foschini Group Limited for the year ended 31 March 2011 have been prepaired in accordance with the Companies Act of South Africa No. 61 of 1973.

D SHEARD
Secretary

20 June 2011

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2011

TO THE MEMBERS OF THE FOSCHINI GROUP LIMITED

We have audited the annual financial statements and the group annual financial statements of The Foschini Group Limited, which comprise the statements of financial position at 31 March 2011, 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, and the Directors' Report as set out on pages 176 to 249.

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, the AC 500 Standards as issued by the Accounting Practices Board or its successor and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S 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 whether the financial statements are free from 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 auditor's 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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of The Foschini Group Limited at 31 March 2011, 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 in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor
Per Henry du Plessis
Chartered Accountant (SA)
Director
8th Floor MSC House
1 Mediterranean Street
Cape Town 8001

20 June 2011

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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 and Luella; the Jewellery division, branded as American Swiss, Matrix and Sterns; Markham; the Sports division, branded as Sportscene, Totalsports and Duesouth; Retail Technology Division, TFG Design Centre; 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, Swaziland and Zambia accounts for 0,6% of the group's turnover.

GENERAL REVIEW

The financial results are reflected in the annual financial statements on pages 176 to 249.

SHARE CAPITAL

The group's share buy-back programme commenced at the end of May 2001. At 31 March 2011, 24,0 million shares are held by a subsidiary, and a further 11,1 million by the group's share incentive trust. These shares, representing 14,6% 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 13.

DIVIDENDS

INTERIM ORDINARY

The directors declared an interim ordinary dividend of 138 cents per ordinary share, which was paid on 10 January 2011 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 7 January 2011.

FINAL ORDINARY

The directors declared a final ordinary dividend of 212 cents per ordinary share payable on Monday, 11 July 2011 to ordinary shareholders recorded in the books of the company at the close of business on Friday, 8 July 2011.

PREFERENCE

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

27 September 2010 – R13 000

(30 September 2009 – R13 000)

28 March 2011 – R13 000

(29 March 2010 – R13 000).

DIRECTORS

The names of the company's directors appear on pages 6 to 9 of this report.

The following change took place during the current year:

E Oblowitz (appointed 1 October 2010)

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

R Stein (executive)

Prof. F Abrahams (independent non-executive)

E Oblowitz (independent non-executive)

N V Simamane (independent non-executive)

For details of directors' interests in the company's issued shares, refer to note 13.5. Details of directors' remuneration are set out in note 36.

SECRETARY

The company secretary of The Foschini Group Limited is Ms D Sheard. Her business and postal address appear on the inside back cover of this report.

AUDIT COMMITTEE

The directors confirm that the audit committee has addressed the specific responsibilities required in terms of section 270A of the Companies Act No. 61 of 1973. Further detail are contained within the Audit Committee Report.

SUBSIDIARIES

The names of, and certain financial information relating to, the company's key subsidiaries appear on page 246.

EARNINGS OF SUBSIDIARIES

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

	2011 Rm	2010 Rm
Profits	**1 271,1**	1 033,2
Losses	**(0,7)**	–
Net consolidated profit after taxation	**1 270,4**	1 033,2

SPECIAL RESOLUTIONS

On 1 September 2010 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 5 September 2011 shareholders will be asked to renew this general authority, as set out in the Notice of Annual General Meeting. On 1 September 2010 shareholders also approved the change of name from Foschini Limited to The Foschini Group Limited, effective 27 September 2010. The change of name was undertaken to ensure that the name conveys the importance of the group's significant brand portfolio.

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 35.1.

SUBSEQUENT EVENT

Details are reflected in note 24.

AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 31 MARCH 2011

The audit committee is pleased to present its report for the financial year ended 31 March 2011 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. 61 of 1973, as amended 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 will shortly be 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;
- assist the board in carrying out its risk management and IT responsibilities; and
- 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

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

FINANCIAL RESULTS

- 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 five independent non-executive directors and the chairman of the committee is not the chairman of the board.

MEETING ATTENDANCE:

Name of member	Qualifications	24 May 2010	10 November 2010	21 February 2011
S E Abrahams (chairman)	FCA, CA(SA)	✓	✓	✓
W V Cuba	BSc (Survey), BSc (Info. Systems), MBA	✓	✓	✓
K N Dhlomo	BA (Comm, Ind. Psych.), MBA	✗*	✗*	✗*
E Oblowitz#	B Comm, CA(SA), CPA (Isr)	n/a	✓	✓
N V Simamane	BSc (Biochem) (Hons)	✓	✓	✓

* Ms K N Dhlomo was granted leave of absence for medical/maternity leave reasons
\# Appointed 1 October 2010

Mr E Oblowitz was appointed to this committee when he joined the board of TFG on 1 October 2010.

The committee held three meetings during the 2011 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. Following each meeting, the chairman provided a written report to the main board summarising the committee's findings and recommendations.

Details of fees paid to committee members appears in the Remuneration Report.

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 sub-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.

During the evaluation process, it was noted that certain current committee members have a strong financial background which enhances the effective functioning of the committee.

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 nomination 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:

- approval of annual results (typically in May each year);
- consideration of control risks and risk management (typically in February 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 topics are agreed well in advance each year. Each meeting is preceded by the distribution to each attendee of an audit committee pack comprising:

AUDIT COMMITTEE REPORT CONTINUED

- detailed agenda;
- minutes of previous meeting;
- report by the external auditors; and
- 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

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 2011 financial year, the committee were 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, assist 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 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 2011 financial year, the committee considered the risk management approach, as well as key control risks and believe 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.

EXTERNAL AUDITORS

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

KPMG Inc. are 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 raises matters of concern directly with the chairman of the committee.

In respect of the committee's responsibilities relating to the external auditors, the committee confirms that it has carried out its functions in terms of the Corporate Laws Amendment Act No. 24 of 2006 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.; and
- determining the nature and extent of any non-audit services which the external auditors provide to the company.

The committee gave due consideration to the independence of the external auditors and are 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 2012 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 external 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 Ronnie 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 Integrated Annual Report to the board.

S E ABRAHAMS
Chairman: Audit committee

20 June 2011

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	2011 Rm	2010 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	2	**1 086,9**	995,8
Goodwill and intangible assets	3	**37,0**	43,2
Preference share investment	4	**–**	200,0
Staff housing loans	5	**0,7**	0,9
RCS Group private label card receivables	6	**320,8**	279,4
RCS Group loan receivables	7	**521,7**	802,4
Participation in export partnerships	8	**72,5**	74,4
Deferred taxation asset	9	**249,9**	158,4
		2 289,5	2 554,5
Current assets			
Inventory	10	**1 804,7**	1 493,8
Trade receivables – retail	11	**3 823,0**	3 169,3
RCS Group private label card receivables	6	**1 709,4**	1 494,1
RCS Group loan receivables	7	**336,7**	54,9
Other receivables and prepayments		**194,3**	175,7
Participation in export partnerships	8	**6,4**	10,6
Preference share investment	4	**200,0**	–
Cash	12	**338,5**	284,0
		8 413,0	6 682,4
Total assets		**10 702,5**	9 236,9
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited			
Share capital	13	**3,0**	3,0
Share premium		**498,7**	498,7
Treasury shares	14	**(1 299,6)**	(1 002,2)
Dividend reserve	15.1	**510,0**	408,8
Hedging deficit	15.2	**(17,4)**	(16,9)
Share-based payments reserve	15.3	**207,5**	151,6
Insurance cell reserves	15.4	**20,2**	5,0
Foreign currency translation reserve	15.5	**1,0**	–
Retained earnings		**5 539,5**	5 010,3
		5 462,9	5 058,3
Non-controlling interest	16	**485,6**	427,0
Total equity		**5 948,5**	5 485,3
Non-current liabilities			
Interest-bearing debt	17	**262,8**	864,4
RCS Group external funding	18	**491,0**	241,0
Non-controlling interest loans	19	**144,3**	478,3
Operating lease liability		**146,1**	136,9
Deferred taxation liability	9	**165,2**	139,3
Post-retirement defined benefit plan	20	**91,0**	84,1
		1 300,4	1 944,0
Current liabilities			
Interest-bearing debt	17	**1 246,8**	254,7
RCS Group external funding	18	**417,0**	131,1
Trade and other payables	21	**1 710,7**	1 293,8
Taxation payable		**79,1**	128,0
		3 453,6	1 807,6
Total liabilities		**4 754,0**	3 751,6
Total equity and liabilities		**10 702,5**	9 236,9

GROUP INCOME STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2011 Rm**	2010 Rm
Revenue	26	**12 370,6**	10 780,3
Retail turnover		**9 936,5**	8 605,2
Cost of turnover	27	**(5 768,1)**	(5 005,8)
Gross profit		**4 168,4**	3 599,4
Interest income	28	**1 486,2**	1 443,7
Dividend income		**12,1**	13,8
Other revenue	29	**935,8**	717,6
Trading expenses	30	**(4 301,3)**	(3 801,9)
Operating profit before finance charges	30	**2 301,2**	1 972,6
Finance cost	31	**(250,1)**	(261,5)
Profit before tax		**2 051,1**	1 711,1
Income tax expense	32	**(662,3)**	(548,6)
Profit for the year		**1 388,8**	1 162,5
Attributable to:			
Equity holders of The Foschini Group Limited		**1 301,8**	1 085,6
Non-controlling interest		**87,0**	76,9
Profit for the year		**1 388,8**	1 162,5
Earnings per ordinary share (cents)			
Basic	33,1	**630,4**	521,4
Diluted	33,2	**618,1**	518,2

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2011 Rm	2010 Rm
Profit for the year	**1 388, 8**	1 162, 5
Other comprehensive income		
Movement in effective portion of changes in fair value of cash flow hedges	**(0,6)**	(12,3)
Foreign currency translation reserve movements	**1,0**	–
Movement in insurance cell reserves	**2,9**	3,5
Other comprehensive income (loss) for the year before tax	**3,3**	(8,8)
Deferred tax on movement in effective portion of cash flow hedges	**0,1**	2,8
Other comprehensive income (loss) for the year, net of tax	**3,4**	(6,0)
Total comprehensive income for the year	**1 392,2**	1 156,5
Attributable to:		
Equity holders of The Foschini Group Limited	**1 305,2**	1 079,6
Non-controlling interest	**87,0**	76,9
Total comprehensive income for the year	**1 392,2**	1 156,5

GROUP 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 2009	3,0	498,7	(1 088,6)	520,2	4 563,0	**4 496,3**	359,2	**4 855,5**
Total comprehensive income for the year				(6,0)	1 085,6	**1 079,6**	76,9	**1 156,5**
Profit for the year					1 085,6	**1 085,6**	76,9	**1 162,5**
Other comprehensive income								
Movement in effective portion of changes in fair value of cash flow hedges				(12,3)		**(12,3)**		**(12,3)**
Deferred tax on movement in effective portion of changes in fair value of cash flow hedges				2,8		**2,8**		**2,8**
Movement in insurance cell reserves				3,5		**3,5**		**3,5**
Contributions by and distributions to owners								
Share-based payments reserve movements				34,3		**34,3**		**34,3**
Transfer from dividend reserve				(408,8)	408,8	**–**		**–**
Dividends paid					(599,1)	**(599,1)**	(9,1)	**(608,2)**
Transfer to dividend reserve				408,8	(408,8)	**–**		**–**
Proceeds on delivery of shares by share trust					47,2	**47,2**		**47,2**
Delivery of shares by share trust			86,4		(86,4)	**–**		**–**
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 by share trust			(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

	Note	**2011**	2010
Dividend per ordinary share (cents)			
Interim		138,0	118,0
Final	15.1	212,0	170,0
Total		350,0	288,0

GROUP CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	2011 Rm	2010 Rm
Cash flows from operating activities			
Operating profit before working capital changes	38.1	**2 630,3**	2 237,5
Increase in working capital	38.2	**(824,1)**	(541,4)
Cash generated by operations		**1 806,2**	1 696,1
Interest income		**16,8**	11,6
Finance cost		**(250,1)**	(261,5)
Taxation paid	38.3	**(769,0)**	(487,3)
Dividend income		**12,1**	13,8
Dividends paid	38.4	**(665,9)**	(608,2)
Net cash inflows from operating activities		**150,1**	364,5
Cash flows from investing activities			
Purchase of property, plant and equipment		**(382,8)**	(289,6)
Proceeds from sale of property, plant and equipment		**7,5**	9,4
Acquisition of client list		**–**	(0,1)
Decrease in participation in export partnerships		**6,1**	9,7
Decrease in staff housing loans		**0,2**	0,3
Net cash outflows from investing activities		**(369,0)**	(270,3)
Cash flows from financing activities			
Proceeds on delivery of shares by share trust		**134,8**	47,2
Shares purchased by share trust		**(453,8)**	–
Decrease in non-controlling interest loans		**(334,0)**	(304,9)
Increase in RCS Group external funding		**535,9**	372,1
Increase (decrease) in interest-bearing debt		**390,5**	(220,8)
Net cash inflows (outflows) from financing activities		**273,4**	(106,4)
Net increase (decrease) in cash during the year		**54,5**	(12,2)
Cash at the beginning of the year		**284,0**	296,2
Cash at the end of the year		**338,5**	284,0

GROUP 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	**Con-solidated Rm**
2011						
Retail turnover and other external revenue	9 936,5	555,0	16,9	**10 508,4**	376,0	**10 884,4**
External interest income	–	705,2	8,9	**714,1**	772,1	**1 486,2**
Total external revenue*	9 936,5	1 260,2	25,8	**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	2 197,6	340,9	(699,2)	**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**
2010						
Retail turnover and other external revenue	8 605,2	394,6	21,1	**9 020,9**	315,7	**9 336,6**
External interest income	–	636,4	8,9	**645,3**	798,4	**1 443,7**
Total external revenue*	8 605,2	1 031,0	30,0	**9 666,2**	1 114,1	**10 780,3**
Inter-segment revenue	–	–	95,3	**95,3**	5,6	**100,9**
External finance cost	–	–	(155,8)	**(155,8)**	(105,7)	**(261,5)**
Depreciation and amortisation	–	–	(251,2)	**(251,2)**	(13,0)	**(264,2)**
Group profit before tax				**1 485,2**	225,9	**1 711,1**
Segmental profit before tax	1 886,6	256,5	(620,4)	**1 522,7**	225,9	**1 748,6**
Other material non-cash items						
Foreign exchange transactions				**5,4**	–	**5,4**
Share-based payments				**(34,3)**	–	**(34,3)**
Operating lease liability adjustment				**(8,6)**	–	**(8,6)**
Capital expenditure				**283,1**	6,5	**289,6**
Segment assets				**6 403,2**	2 833,7	**9 236,9**
Segment liabilities				**1 842,8**	1 908,8	**3 751,6**

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

GROUP SEGMENTAL ANALYSIS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

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, Markham 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.

GEOGRAPHICAL INFORMATION

The retail trading divisions and TFG Financial Services' reportable segments earn revenue from South Africa, Namibia, Botswana, Zambia and Swaziland. 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 in the table alongside.

GROUP SEGMENTAL ANALYSIS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

GEOGRAPHICAL INFORMATION CONTINUED

	Retail trading divisions Rm	TFG Financial Services Rm	Central and shared services Rm	Total Retail Rm	RCS Group Rm	Con-solidated Rm
2011						
Segment revenue						
South Africa	9 571,2	1 230,7	24,7	**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	1 260,2	25,8	**11 222,5**	1 148,1	**12 370,6**
Segment non-current assets						
South Africa				**1 342,4**	919,8	**2 262,2**
Botswana				**1,9**	2,5	**4,4**
Lesotho				**1,4**	–	**1,4**
Namibia				**11,6**	2,7	**14,3**
Swaziland				**0,1**	–	**0,1**
Zambia				**7,1**	–	**7,1**
Total segment non-current assets				**1 364,5**	925,0	**2 289,5**
2010						
Segment revenue						
South Africa	8 266,8	1 008,1	29,6	**9 304,5**	1 110,2	**10 414,7**
Namibia	285,0	22,2	0,4	**307,6**	1,2	**308,8**
Botswana	41,6	–	–	**41,6**	2,7	**44,3**
Swaziland	11,8	0,7	–	**12,5**	–	**12,5**
Total segment revenue	8 605,2	1 031,0	30,0	**9 666,2**	1 114,1	**10 780,3**
Segment non-current assets						
South Africa				**1 423,3**	1 124,4	**2 547,7**
Namibia				**5,8**	0,2	**6,0**
Botswana				**0,4**	0,4	**0,8**
Swaziland				**–***	–	**–**
Total segment non-current assets				**1 429,5**	1 125,0	**2 554,5**

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

* Zero due to rounding to millions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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 as at and for the year ended 31 March 2011 comprise the company and its subsidiaries (together referred to as the "group").

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) and the AC 500 Standards as issued by the Accounting Practices Board or its successor and have been consistently applied with those adopted in the prior year, except as described in note 39.

The financial statements were authorised for issue by the directors on 20 June 2011.

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.

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 to note 3); estimating the fair value of share options and share appreciation rights granted (refer to note 35.1); and pension fund and employee obligations (refer to note 35).

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below:

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the parent company, its subsidiaries and special-purpose entities (SPE). The financial statements of subsidiaries are prepared for the consistent 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 account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control

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ceases. Gains made on dilution 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. The group does not have any direct or indirect shareholding in the share incentive trust. 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 that in substance is controlled by the group, are consolidated.

All intra-group transactions, intra-group balances and any unrealised gains and losses are eliminated on consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

COST OF TURNOVER

Cost of turnover is calculated as the cost of goods sold, including all costs of purchase, costs of conversion and other costs, including 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.

DIVIDENDS

Dividends and the related secondary taxation on companies are accounted for in the period when the dividend is declared. Dividends declared on equity instruments after the reporting date, and the related secondary taxation on companies thereon, are accordingly not recognised as liabilities at the reporting date. Final dividends declared after the reporting date, excluding secondary taxation on companies thereon, are however transferred to a dividend reserve.

EARNINGS PER SHARE

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

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. These benefits are not discounted.

Other Long-term Employee Benefits

These are employee benefits (other than post-employment benefits and termination benefits) that are not expected to be settled within 12 months after the end of the period in which the employees render the related service.

The group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted using market-related rates and the fair value of any related assets is deducted. The calculation is performed using the Projected Unit Credit Method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Post-employment Benefits

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

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 benefit 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 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 in respect of defined benefit plans are recognised immediately in profit or loss.

Post-retirement medical aid benefits

Where the company has an obligation to provide post-retirement medical aid benefits to employees, the company 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 and SARs granted to employees is recognised as an expense with a corresponding increase in equity 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 option term. 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.

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.

FINANCE LEASE PAYMENTS

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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value of the minimum lease payments at inception of the lease, and depreciated over the shorter of the lease term and the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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. Regular way purchases and sales of financial assets are accounted for at trade date, being the date that the group commits itself to purchase or sell 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, 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 uncollectability. 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.

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.

1. ACCOUNTING POLICIES CONTINUED

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 hedge accounting policy note).

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 financial 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 options 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.

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 directly in equity as a foreign currency translation reserve.

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-

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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.

HEDGE ACCOUNTING

Gains and losses from remeasuring the hedging instruments relating to a *fair value hedge* at fair value are recognised immediately in profit or loss.

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. 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 commitment or forecast transaction 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.

IMPAIRMENT OF ASSETS

Financial Assets

A financial asset 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. The remaining financial assets are assessed collectively in groups that share similar credit 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.

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.

1. ACCOUNTING POLICIES CONTINUED

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.

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.

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

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.

PROPERTY, PLANT AND EQUIPMENT

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

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

When 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.

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%
Computers and related equipment	20% – 33%
Furniture and fittings	16,67%
Buildings	3,33%

Land is not depreciated.

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.

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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.

PROVISIONS

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Insurance and Sundry Income

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

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, Markham 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

The Foschini Group Limited and its subsidiaries

1. ACCOUNTING POLICIES CONTINUED

- 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.

TAXATION

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

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.

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 is provided in respect of dividend payments or declarations, net of dividends received or receivable and is recognised as a tax charge in the year in which the related dividend is declared and the liability to pay the related dividend is recognised.

2. PROPERTY, PLANT AND EQUIPMENT

	2011 Rm	2010 Rm
Land and buildings		
At deemed cost	**268,2**	259,0
Accumulated depreciation	**(76,7)**	(70,3)
Carrying value at the end of the year	**191,5**	188,7
Shopfittings, vehicles, computers and furniture and fittings		
At cost	**2 617,4**	2 253,2
Accumulated depreciation	**(1 722,0)**	(1 446,1)
Carrying value at the end of the year	**895,4**	807,1
Total		
At cost/deemed cost	**2 885,6**	2 512,2
Accumulated depreciation	**(1 798,7)**	(1 516,4)
Carrying value at the end of the year	**1 086,9**	995,8

	Land and buildings	Shop-fittings, vehicles, computers, and furniture and fittings	Total
Analysis of movements – 2011			
Carrying value at the beginning of the year	**188,7**	**807,1**	**995,8**
Additions	**9,2**	**373,6**	**382,8**
Disposals	**–**	**(9,4)**	**(9,4)**
Depreciation	**(6,4)**	**(275,9)**	**(282,3)**
Carrying value at the end of the year	**191,5**	**895,4**	**1 086,9**
Analysis of movements – 2010			
Carrying value at the beginning of the year	192,9	788,4	981,3
Additions	1,9	287,7	289,6
Disposals	–	(11,0)	(11,0)
Depreciation	(6,1)	(258,0)	(264,1)
Carrying value at the end of the year	188,7	807,1	995,8

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

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

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3. GOODWILL AND INTANGIBLE ASSETS

	2011 Rm	2010 Rm
Goodwill		
At cost	**40,6**	40,6
Accumulated impairment losses	**(5,8)**	–
Carrying value at the end of the year	**34,8**	40,6
Intangible asset on acquisition of Instinct brand		
At cost	**1,6**	1,6
Accumulated impairment losses and amortisation	**–**	–
Carrying value at the end of the year	**1,6**	1,6
Intangible asset on acquisition of client lists		
At cost	**1,7**	6,5
Accumulated impairment losses and amortisation	**(1,1)**	(5,5)
Carrying value at the end of the year	**0,6**	1,0
Total		
At cost	**43,9**	48,7
Accumulated impairment losses and amortisation	**(6,9)**	(5,5)
Carrying value at the end of the year	**37,0**	43,2

	Goodwill	Intangible asset on acquisition of Instinct brand	Intangible asset on acquisition of client lists	Total
Analysis of movement – 2011				
Carrying value at the beginning of the year	**40,6**	**1,6**	**1,0**	**43,2**
Impairment losses	**(5,8)**	**–**	**–**	**(5,8)**
Amortisation	**–**	**–**	**(0,4)**	**(0,4)**
Carrying value at the end of the year	**34,8**	**1,6**	**0,6**	**37,0**
Analysis of movement – 2010				
Carrying value at the beginning of the year	40,6	1,6	1,0	43,2
Additions	–	–	0,1	0,1
Amortisation	–	–	(0,1)	(0,1)
Carrying value at the end of the year	40,6	1,6	1,0	43,2

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

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3. GOODWILL AND INTANGIBLE ASSETS CONTINUED

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 current goodwill balance all relates to acquisitions prior to 1 April 2010.

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 client lists are name lists purchased by the RCS Group which are used to invite individuals to apply for loans.

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

	2011 Rm	2010 Rm
Impairment testing of goodwill		
Goodwill acquired through business combinations has been allocated to four individual cash-generating units as follows:		
Totalsports	**9,3**	9,3
RCS Personal Finance	**17,7**	17,7
Massdiscounters credit business	**7,5**	7,5
Effective Intelligence	**0,3**	6,1
	34,8	40,6

Except for Effective Intelligence, 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%. (2010:10%)

The following significant assumptions have been applied when testing the goodwill 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 expectation of 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 are based on historical performance as well as anticipated book growth and expectations of future interest rates.

An impairment of R5,8 million was recognised in the current financial year on the investment in Effective Intelligence. The recoverable amount of this cash-generating unit was based on the fair value less costs to sell. A sales offer received from a third party was used to determine this value.

The Foschini Group Limited and its subsidiaries

	2011 Rm	2010 Rm
4. PREFERENCE SHARE INVESTMENT		
Loans and receivables		
Cumulative preference shares	**200,0**	200,0
Deduct amount redeemable within one year, included in current assets	**200,0**	–
	–	200,0

Comprises an investment of R200 million, redeemable from 25 August 2011, with dividends payable biannually on 15 December and 15 June.

This investment earns 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 notes 22 and 23.

	2011 Rm	2010 Rm
5. STAFF HOUSING LOANS		
Loans and receivables		
Staff housing loans	**0,8**	1,2
Deduct amount to be repaid within one year, included in other receivables and prepayments	**0,1**	0,3
	0,7	0,9

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 resignation, retirement or death benefits are pledged as security.

The group's management of and exposure to credit and market risk is disclosed in notes 22 and 23.

	2011 Rm	2010 Rm
6. RCS GROUP PRIVATE LABEL CARD RECEIVABLES		
Loans and receivables		
RCS Group private label card receivables	**2 030,2**	1 773,5
Deduct amount to be repaid within one year, included in current assets	**1 709,4**	1 494,1
	320,8	279,4

RCS Group private label card receivables comprise a number of individual unsecured revolving card accounts, as well as amounts due for services. The balances 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 22,1% (2010: 26,9%). Repayment terms vary from revolving to 36 months.

The group's management of and exposure to credit and market risk is disclosed in notes 22 and 23.

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The Foschini Group Limited and its subsidiaries

	2011 Rm	2010 Rm
7. RCS GROUP LOAN RECEIVABLES		
Loans and receivables		
RCS Group loan receivables	**858,4**	857,3
Deduct amount to be repaid within one year, included in current assets	**336,7**	54,9
	521,7	802,4

RCS 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 33,0% (2010: 33,8%). 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 notes 22 and 23.

	2011 Rm	2010 Rm
8. PARTICIPATION IN EXPORT PARTNERSHIPS		
Loans and receivables		
Participation in export partnerships	**78,9**	85,0
Deduct amount to be repaid within one year, included in current assets	**6,4**	10,6
	72,5	74,4

Certain subsidiary companies participated in various export partnerships, whose business was the purchase and export sale of 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 notes 22 and 23.

The Foschini Group Limited and its subsidiaries

	2011 Rm	2010 Rm
9. DEFERRED TAXATION		
Balance at 1 April	**19,1**	10,6
Prior year under (over) provision	**4,8**	(6,4)
Rate change	**–**	0,1
Amounts recognised directly in other comprehensive income		
Foreign currency and financial instrument reserves	**0,1**	(2,8)
Current year movement in temporary differences recognised in profit or loss		
Trademarks	**0,1**	–
Secondary taxation on companies	**(1,6)**	2,4
Operating leases	**2,5**	27,2
Working capital allowances	**39,0**	(6,4)
Capital allowances	**14,0**	0,6
Restraint of trade payments	**(0,7)**	(2,0)
Export partnerships (refer to note 8)	**6,2**	10,3
Assessed loss	**1,2**	(14,5)
At 31 March	**84,7**	19,1
Arising as a result of:		
Deferred taxation assets		
Foreign currency and financial instrument reserves	**7,7**	6,3
Operating leases	**40,8**	38,3
Secondary taxation on companies	**0,8**	2,4
Working capital allowances	**194,8**	108,2
Capital allowances	**2,0**	–
Restraint of trade payments	**1,5**	2,2
Trademarks	**0,2**	0,1
Assessed loss	**2,1**	0,9
Deferred taxation asset	**249,9**	158,4
Deferred taxation liability		
Capital allowances	**(25,1)**	(37,1)
Working capital allowances	**(55,9)**	(13,1)
Foreign currency and financial instrument reserves	**(1,3)**	–
Export partnerships (refer to note 8)	**(82,9)**	(89,1)
Deferred taxation liability	**(165,2)**	(139,3)
Total deferred taxation	**84,7**	19,1

In the event that the total available distributable reserves of R6 260,8 (2010: R5 558,8) million were declared as a dividend to shareholders the related secondary taxation on companies would amount to R569,2 (2010: R483,1) million. Secondary taxation will fall away on 1 April 2012 and be replaced by withholding tax.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2011 Rm	2010 Rm
10. INVENTORY		
Merchandise	**1 678,8**	1 355,0
Raw materials	**82,3**	59,2
Goods in transit	**22,5**	59,9
Shopfitting stock	**17,1**	14,8
Consumables	**4,0**	4,9
	1 804,7	1 493,8
Inventory write-downs included above	**92,7**	89,4

11. TRADE RECEIVABLES – RETAIL

	2011 Rm	2010 Rm
Loans and receivables		
6-month revolving credit	**989,1**	1 037,4
12-month extended credit	**2 833,9**	2 131,9
	3 823,0	3 169,3

The effective rate of interest earned on the above receivables during the year under review is 18,2% (2010: 19,5%).

The group's management of and exposure to credit and market risk is disclosed in notes 22 and 23.

12. CASH

	2011 Rm	2010 Rm
Bank balances	**338,5**	284,0

The group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in notes 22 and 23.

			2011 Rm	2010 Rm
13. SHARE CAPITAL				
13.1 Authorised				
200 000 (2010: 200 000) 6,5% cumulative preference shares of R2 each			**0,4**	0,4
600 000 000 (2010: 600 000 000) ordinary shares of 1,25 cents each			**7,5**	7,5
			7,9	7,9
	Number of shares			
13.2 Issued	**2011**	2010		
Ordinary share capital				
Ordinary shares of 1,25 cents each				
Total in issue – company and group	**240 498 241**	240 498 241	**3,0**	3,0
Shares held by subsidiary	**(24 049 824)**	(24 049 824)	**(0,3)**	(0,3)
Shares held by share incentive trust	**(11 140 500)**	(7 455 692)	**(0,1)**	(0,1)
Balance at the end of the year – company	**240 498 241**	240 498 241	**3,0**	3,0
Balance at the end of the year – group	**205 307 917**	208 992 725	**2,6**	2,6
Preference share capital				
200 000 (2010: 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

13.3 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.

13.4 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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The Foschini Group Limited and its subsidiaries

13. SHARE CAPITAL CONTINUED

13.5 Directors' interest

At 31 March 2011, 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	**2011 Total 000's**	2010 Total 000's
Non-executive							
D M Nurek (indirect beneficial)	10,0	–	–	–	–	**10,0**	10,0
F Abrahams	–	–	–	–	–	**–**	–
S E Abrahams	–	–	–	–	–	**–**	–
W V Cuba	–	–	–	–	–	**–**	–
K N Dhlomo	–	–	–	–	–	**–**	–
E Oblowitz# (direct beneficial)	2,0	–	–	–	–	**2,0**	
N V Simamane (direct beneficial)	1,5	–	–	–	–	**1,5**	–
M Lewis (indirect beneficial)	12 816,8	–	–	–	–	**12 816,8**	12 816,8
	12 830,3	–	–			**12 830,3**	12 826,8
D M Polak (direct beneficial)	1 950,0	–	–	–	–	**1 950,0**	1 950,0
D M Polak (indirect beneficial)	200,0	–	–	–	–	**200,0**	200,0
D M Polak##	–	–	–	36,00	2011	**–**	200,0
D M Polak##	–	–	–	60,95	2011	**–**	150,0
D M Polak##	–	150,0	–	60,95	2013	**150,0**	150,0
	2 150,0	150,0	–			**2 300,0**	2 650,0
Total non-executive	14 980,3	150,0	–			**15 130,3**	15 476,8

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

Acquired whilst still an executive of the company

13. SHARE CAPITAL CONTINUED

13.5 Directors' interest continued

	Shares 000's	Options exercised 000's	Share appreciation rights accepted 000's	Price per share R	Year of delivery	**2011 Total 000's**	2010 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**	250,0
A D Murray	–	–	–	60,95	2011	**–**	133,3
A D Murray	–	–	–	36,00	2011	**–**	116,7
A D Murray	–	83,3	–	60,55	2012	**83,3**	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
	1 315,0	299,9	–			**1 614,9**	1 849,9
A D Murray	–	–	555,0	41,87	2012*	**555,0**	555,0
A D Murray	–	–	250,0	40,00	2012	**250,0**	250,0
A D Murray	–	–	275,0	42,28	2012	**275,0**	275,0
A D Murray	–	–	173,0	64,47	2014	**173,0**	–
	–	–	1 253,0			**1 253,0**	1 080,0
R Stein (direct beneficial)	677,9	–	–	–	–	**677,9**	666,8
R Stein (indirect beneficial)	275,7	–	–	–	–	**275,7**	275,7
R Stein	–	–	–	36,00	2011	**–**	90,0
R Stein	–	–	–	60,95	2011	**–**	76,7
R Stein	–	76,7	–	60,95	2013	**76,7**	76,7
	953,6	76,7	–			**1 030,3**	1 185,9
R Stein	–	–	225,0	41,87	2012*	**225,0**	225,0
R Stein	–	–	130,0	40,00	2012	**130,0**	130,0
R Stein	–	–	130,0	42,28	2012	**130,0**	130,0
R Stein	–	–	86,0	64,47	2014	**86,0**	–
	–	–	571,0			**571,0**	485,0

* First possible date of conversion is now estimated to be 2012

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13. SHARE CAPITAL CONTINUED

13.5 Directors' interest continued

	Shares 000's	Options exercised 000's	Share appreciation rights accepted 000's	Price per share R	Year of delivery	**2011 Total 000's**	2010 Total 000's
Executive continued							
P S Meiring (direct beneficial)	180,7	–	–	–	–	**180,7**	150,3
P S Meiring (indirect beneficial)	294,9	–	–	–	–	**294,9**	294,9
P S Meiring	–	–	–	36,00	2011	**–**	66,7
P S Meiring	–	–	–	60,95	2011	**–**	60,0
P S Meiring	–	60,0	–	60,95	2013	**60,0**	60,0
	475,6	60,0	–			**535,6**	631,9
P S Meiring	–	–	180,0	41,87	2012*	**180,0**	180,0
P S Meiring	–	–	130,0	40,00	2012	**130,0**	130,0
P S Meiring	–	–	130,0	42,28	2012	**130,0**	130,0
P S Meiring	–	–	77,0	64,47	2014	**77,0**	–
	–	–	517,0			**517,0**	440,0
Total executive excluding share appreciation rights	2 744,2	436,6				**3 180,8**	3 666,7
Total executive share appreciation rights			2 341,0			**2 341,0**	2 005,0
Total excluding share appreciation rights	17 724,5	586,6				**18 311,1**	19 144,5
Total share appreciation rights			2 341,0			**2 341,0**	2 005,0

* First possible date of conversion is now estimated to be 2012

The following changes have been advised since 31 March 2011:

On 31 May 2011 W V Cuba, a non-executive director, bought 57 000 ordinary shares to the value of R4 958 808.

On 1 June 2011 A D Murray, an executive director, accepted ordinary shares to the value of R20,0 million in terms of the company's 2010 share incentive scheme for nil consideration. This equates to approximately 229 621 shares based on a share price of R87,10 at 31 May 2011. The shares vest on the third anniversary of the grant date provided Mr Murray remains in the group's employment.

13. SHARE CAPITAL CONTINUED

13.5 Directors' interest continued

On 3 June 2011 executive directors accepted the following SARs:

	Share appreciation rights (SARs) accepted 000's	Price per SAR R
A D Murray	85,2	86,62
R Stein	43,7	86,62
P S Meiring	40,0	86,62

On 3 June 2011, executive directors accepted the following ordinary shares in terms of the company's 2010 share incentive scheme for nil consideration. The shares vest on the third anniversary of the grant date provided the recipient remains in the group's employ and the requisite performance conditions are satisfied.

	Shares 000's	Estimated value Rm#
A D Murray	22,3	1,9
R Stein	11,4	0,9
P S Meiring	10,5	0,9

Estimated value based on share price of R86,32 on 3 June 2011

On 3 June 2011, executive directors accepted the following ordinary shares in terms of the company's 2010 share incentive scheme for nil consideration. The shares vest on the third anniversary of the grant date provided the recipient remains in the group's employ.

	Shares 000's	Estimated value Rm#
A D Murray	15,6	1,3
R Stein	8,0	0,7
P S Meiring	7,3	0,6

Estimated value based on share price of R86,32 on 3 June 2011

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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The Foschini Group Limited and its subsidiaries

14. TREASURY SHARES

In terms of a special resolution passed at the annual general meeting of the company on 1 September 2010 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	
	2011	2010
Foschini Stores (Proprietary) Limited	**24 049 824**	24 049 824
The Foschini Share Incentive Trust	**7 455 692**	9 092 806
Balance at the beginning of the year	**31 505 516**	33 142 630
The Foschini Share Incentive Trust	**(2 694 833)**	(1 637 114)
Shares delivered during the year	**(2 694 833)**	(1 637 114)
The Foschini Share Incentive Trust	**6 379 641**	–
Shares purchased during the year	**6 379 641**	–
Foschini Stores (Proprietary) Limited	**24 049 824**	24 049 824
The Foschini Share Incentive Trust	**11 140 500**	7 455 692
Balance at the end of the year	**35 190 324**	31 505 516

As at 31 March 2011 a subsidiary, Foschini Stores (Proprietary) Limited, held 24 049 824 (2010: 24 049 824) shares, representing 10,0% (2010: 10,0%) of the company's share capital. The Foschini Share Incentive Trust held 11 140 500 (2010: 7 455 692) shares, representing 4,6% (2010: 3,1%) of the company's share capital.

15. RESERVES

15.1 Dividend reserve

A liability for cash dividends and the related secondary taxation on companies (STC) charge is recognised in the period when the dividend is declared. An amount equal to dividends declared subsequent to the reporting date, excluding related secondary taxation, is transferred to the dividend reserve.

A final dividend of 212,0 (2010: 170,0) cents per ordinary share was declared on 26 May 2011 payable on 11 July 2011. This will give rise to STC of R38,6 (2010: R34,9) million (net of relevant STC credits).

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

	2011 Rm	2010 Rm
Balance at 1 April	**408,8**	408,8
Transfer from dividend reserve to distributable earnings	**(408,8)**	(408,8)
Transfer to dividend reserve from distributable earnings	**510,0**	408,8
Balance at 31 March	**510,0**	408,8

15.2 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.

	2011 Rm	2010 Rm
Balance at 1 April	**(16,9)**	(7,4)
Unrealised loss on hedging instruments, net of deferred tax	**(0,5)**	(9,5)
Balance at 31 March	**(17,4)**	(16,9)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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The Foschini Group Limited and its subsidiaries

15. RESERVES CONTINUED

		2011 Rm	2010 Rm
15.3	**Share-based payments reserve**		
	This comprises the cumulative fair value of options and share appreciation rights granted to employees after 7 November 2002.		
	Balance at 1 April	**151,6**	117,3
	Fair value of share instruments granted in prior years	**47,9**	34,4
	Fair value of share instruments granted during the year	**8,5**	0,3
	Fair value of share instruments forfeited during the year	**(0,5)**	(0,4)
	Balance at 31 March	**207,5**	151,6
15.4	**Insurance cell reserves**		
	As the insurance cells are defined as short-term insurers, they are 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 is calculated at a minimum of 10,0% of net written premium as defined in the legislation.		
	No distribution of this reserve can be made without the prior approval of the Registrar of Short-term Insurance.		
	Balance at 1 April	**5,0**	1,5
	Transfer to reserves	**15,2**	3,5
	Balance at 31 March	**20,2**	5,0
15.5	**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	**–**	–
	Foreign currency translation differences	**1,0**	–
	Balance at 31 March	**1,0**	–

16. NON-CONTROLLING INTEREST

The Standard Bank of South Africa Limited (SBSA) has a 45% shareholding in the RCS Group.

Certain other parties have insignificant shareholdings in two other entities.

	2011 Rm	2010 Rm
17. INTEREST-BEARING DEBT		
Non-current		
Unsecured fluctuating loans in terms of long-term bank facilities at prevailing interest rates	**262,8**	864,4
Current	**1 246,8**	254,7

Included in interest-bearing debt is an amount of R800,0 (2010: R800,0) million which bears interest at fixed rates. This rate was 13,3% National Association of Credit Management (NACM) (2010: 13,3% NACM) at 31 March. The balance of interest-bearing debt bears interest at 6% NACM (2010: 7,2% NACM).

The group's borrowing powers in terms of the articles of association of the company are unlimited.

The group's management of and exposure to market and cash flow and liquidity risk is disclosed in notes 22 and 23.

18. RCS GROUP EXTERNAL FUNDING

	2011 Rm	2010 Rm
Non-current		
Domestic medium-term notes programme	**441,0**	191,0
Term funding	**50,0**	50,0
	491,0	241,0
Current		
Domestic medium-term notes programme	**398,0**	112,0
Term funding	**19,0**	19,1
	417,0	131,1

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

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

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	2011 Rm	2010 Rm
19. NON-CONTROLLING INTEREST LOANS		
Non-current		
The Standard Bank of South Africa Limited (SBSA)	**140,0**	474,0
Other shareholders	**4,3**	4,3
	144,3	478,3

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 market and cash flow and liquidity risk is disclosed in notes 22 and 23.

	2011 Rm	2010 Rm
20. POST-RETIREMENT DEFINED BENEFIT PLAN		
Post-retirement medical aid		
Balance at the beginning of the year	**84,1**	84,1
Accrual made during the year	**6,9**	–
Balance at the end of the year	**91,0**	84,1

Further details in respect of post-retirement medical aid benefits are included in note 35.5.

	2011 Rm	2010 Rm
21. TRADE AND OTHER PAYABLES		
Financial liabilities		
Trade payables	**1 097,1**	869,8
Other liabilities		
VAT payable	**6,0**	9,8
Employee-related accruals	**179,7**	87,8
Financial instrument liability	**27,8**	22,4
Other payables and accruals	**400,1**	304,0
	1 710,7	1 293,8

The group's management of and exposure to market, cash flow and liquidity risk is disclosed in notes 22 and 23.

22. FINANCIAL RISK MANAGEMENT

22.1 Overview

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

- credit risk;
- liquidity risk; and
- 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.

22.2 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.

22.3 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises on trade receivables – retail, 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 receivables – retail

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 sales. 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 open amount without requiring approval from the risk management committee; these limits are reviewed annually.

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

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22. FINANCIAL RISK MANAGEMENT CONTINUED

22.3 Credit risk continued

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 trade receivables balances 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 Limited has warranted certain important cash flow aspects of the subsidiary companies' participation in export partnerships.

Staff housing loans, RCS Group loan receivables and RCS Group private label card receivables

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

22.4 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 the articles of association, the group's borrowing powers are unlimited.

22.5 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.

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) and Sterling (GBP).

At any point in time it is the group's intention to hedge all its estimated foreign currency exposure in respect of forecast purchases over the following six 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.

Refer to note 23.3 for further details.

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.

22. FINANCIAL RISK MANAGEMENT CONTINUED

22.6 Capital 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 possible 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%; in 2011 the return was 24,3% (2010: 22,5%).

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 option schemes (refer to note 35.1).

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

23. FINANCIAL INSTRUMENTS

23.1 Credit risk

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:

	Carrying amount	
	2011 Rm	2010 Rm
Loans and receivables		
Other receivables and prepayments	**194,3**	175,7
Participation in export partnerships	**78,9**	85,0
Preference share investment	**200,0**	200,0
RCS Group loan receivables	**858,4**	857,3
RCS Group private label card receivables	**2 030,2**	1 773,5
Staff housing loans	**0,7**	0,9
Trade receivables – retail	**3 823,0**	3 169,3
Cash	**338,5**	284,0
Interest rate swaps		
Assets	**4,8**	–
	7 528,8	6 545,7

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

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23. FINANCIAL INSTRUMENTS CONTINUED

23.1 Credit risk continued

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 charged 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	
	2011 Rm	2010 Rm
Recency 1	**571,8**	477,5
Recency 2	**152,1**	128,9
Recency 3	**66,2**	63,0
Recency 4	**22,7**	22,3
Recency 5	**6,3**	6,0
	819,1	697,7
The movement in the allowance for impairment in respect of trade receivables – retail during the year was as follows:		
Balance at 1 April	**306,0**	252,5
Impairment raised	**461,5**	412,6
Impairment loss recognised	**(401,7)**	(359,1)
Balance at 31 March	**365,8**	306,0

During the year the group renegotiated the terms of customers to the value of R272,2 (2010: R150,5) million. No impairment in respect of these customers was recognised (2010: Rnil).

23. FINANCIAL INSTRUMENTS CONTINUED

23.1 Credit risk 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 2011 Rm	Carrying amount 2010 Rm
Past due 0 – 30 days	**31,7**	46,8
Past due 31 – 60 days	**7,9**	12,8
Past due 61 – 90 days	**3,8**	7,3
Past due more than 91 days	**7,2**	14,3
	50,6	81,2
The movement in the allowance for gross impairment in respect of loan receivables during the year was as follows:		
Balance at 1 April	**95,6**	94,3
Impairment raised	**103,0**	140,1
Impairment loss recognised	**(124,1)**	(138,8)
Balance at 31 March	**74,5**	95,6
Previously, the movement in the allowance for impairment was shown net of the provision for future recoveries. The net impairment is made up as follow:		
Gross impairment	**74,5**	95,6
Provision for future recoveries	**(35,3)**	(46,0)
Net impairment	**39,2**	49,6

Included in the carrying amount of loan receivables is R2,8 (2010: Rnil) million relating to receivables whose terms have been renegotiated, which would otherwise have been past due.

23. FINANCIAL INSTRUMENTS CONTINUED

23.1 Credit risk continued

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:

	Carrying amount	
	2011 Rm	2010 Rm
Past due 0 – 30 days	**310,2**	276,7
Past due 31 – 60 days	**94,7**	84,3
Past due 61 – 90 days	**39,8**	31,0
Past due more than 91 days	**34,1**	18,7
	478,8	410,7
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	**159,9**	134,9
Impairment raised	**103,8**	369,1
Impairment loss recognised	**(87,1)**	(344,1)
Balance at 31 March	**176,6**	159,9
Previously, the movement in the allowance for impairment was shown net of the provision for future recoveries. The net impairment is made up as follow:		
Gross impairment	**176,6**	159,9
Provision for future recoveries	**(51,3)**	(60,5)
Net impairment	**125,3**	99,4

Included in the carrying amount of private label card receivables is R0,2 (2010: R50,5) million relating to receivables whose terms have been renegotiated, which would otherwise have been past due.

Customers that are not past due and have a good track record with the group make up 74,9% of the trade receivables – retail book (2010: 76,2%), 87,8% of loan receivables (2010: 81,2%) and 80,7% (2010: 72,6%) of the private label card receivables.

23. FINANCIAL INSTRUMENTS CONTINUED

23.2 Liquidity risk

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

	Carrying amount	Cash flows	Less than 1 year	1 – 2 years	More than 2 years
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**
31 March 2010					
Non-derivative financial liabilities					
Interest-bearing debt	1 119,1	1 251,3	284,8	966,5	–
Non-controlling interest loans	478,3	614,6	–	–	614,6
RCS Group external funding	372,1	478,5	168,4	96,4	213,7
Trade and other payables	1 293,8	1 293,8	1 293,8	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	14,6	22,1	19,9	2,2	–
Forward exchange contracts used for hedging	8,0	177,5	177,5	–	–
	3 285,9	3 837,8	1 944,4	1 065,1	828,3

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	Cash flows	Less than 1 year	1 – 2 years	More than 2 years
31 March 2011					
Interest rate swaps					
Liabilities	**(0,6)**	**(0,6)**	**(0,6)**	**–**	**–**
Assets	**4,8**	**(18,7)**	**(12,9)**	**(5,8)**	**–**
Forward exchange contracts					
Liabilities	**(27,2)**	**(588,4)**	**(588,4)**	**–**	**–**
	(23,0)	**(607,7)**	**(601,9)**	**(5,8)**	**–**
31 March 2010					
Interest rate swaps					
Liabilities	(14,6)	(22,1)	(19,9)	(2,2)	–
Forward exchange contracts					
Liabilities	(8,0)	(177,5)	(177,5)	–	–
	(22,6)	(199,6)	(197,4)	(2,2)	–

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23. FINANCIAL INSTRUMENTS CONTINUED

23.3 Currency risk

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 2011	USD	**80 407**	**586 286**
	Euro	**149**	**1 454**
	GBP	**65**	**699**
			588 439
31 March 2010			
	USD	22 204	174 706
	Euro	157	1 377
	GBP	116	1 426
			177 509

The following significant exchange rates applied during the year:

	Average rate		31 March spot rate	
	2011	2010	**2011**	2010
USD	**7,23**	7,86	**6,81**	7,35
Euro	**9,53**	11,08	**9,64**	9,90
GBP	**11,21**	12,52	**10,97**	11,08

Sensitivity analysis

The group is primarily exposed to the US Dollar, Euro 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 2011		
USD	**55,9**	**–**
Euro	**0,1**	**–**
GBP	**0,1**	**–**
31 March 2010		
USD	13,6	–
Euro	0,1	–
GBP	0,1	–

A 10% weakening of the Rand against the above currencies at 31 March would have had the equal but opposite effect on the above currencies 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.

23. FINANCIAL INSTRUMENTS CONTINUED

23.4 Interest rate risk

Profile

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

	Interest rate at 31 March		Carrying amount	
	2011 %	2010 %	**2011 Rm**	2010 Rm
Fixed rate instruments				
RCS Group loan receivables	**33,1**	33,5	**858,4**	857,3
Interest-bearing debt	**13,3**	13,3	**(800,0)**	(800,0)
			58,4	57,3

The total RCS Group loan receivables of R858,4 million (2010: R857,3 million) attracts interest at floating rates as interest swaps have been taken out.

Included in fixed rate interest-bearing debt of R800 million (2010: R800 million) is R50 million (2010: R50 million) which attracts interest at floating rates for which an interest swap has been taken out.

	Interest rate at 31 March		Carrying amount	
	2011 %	2010 %	**2011 Rm**	2010 Rm
Variable rate instruments				
Staff housing loans	**9,0**	10,5	**0,7**	0,9
RCS Group private label card receivables	**21,8**	27,9	**2 030,2**	1 773,5
Trade receivables – retail	**–**	–	**588,7**	598,1
Trade receivables – retail	**22,1**	25,4	**3 234,3**	2 571,2
Cash	**9,0**	10,0	**338,5**	284,0
Financial assets			**6 192,4**	5 227,7
Interest-bearing debt	**6,0**	7,2	**(709,6)**	(319,1)
RCS Group external funding	**7,2 – 11,0**	9,3 – 11,9	**(908,0)**	(372,1)
Non-controlling interest loans	**7,2 – 11,0**	9,5	**(144,3)**	(478,3)
Financial liabilities			**(1 761,9)**	(1 169,5)

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 equity and profit or loss by the amounts shown in the table alongside. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

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23. FINANCIAL INSTRUMENTS CONTINUED

23.4 Interest rate risk continued

	Profit or loss Rm	Equity Rm
31 March 2011		
Variable rate instruments	**25,4**	**–**
Interest rate swaps	**5,7**	**–**
Cash flow sensitivity (net)	**31,1**	**–**
31 March 2010		
Variable rate instruments	**100,2**	**–**
Interest rate swaps	**6,1**	**3,1**
Cash flow sensitivity (net)	**106,3**	**3,1**

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.

23.5 Fair values

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
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)

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2011				
Interest rate swaps				
– assets	**–**	**4,8**	**–**	**4,8**
– liabilities	**–**	**(0,6)**	**–**	**(0,6)**
Total	**–**	**4,2**	**–**	**4,2**
2010				
Interest rate swaps	–	(14,6)	–	(14,6)
Total	–	(14,6)	–	(14,6)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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24. SUBSEQUENT EVENT

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

	2011 Rm	2010 Rm
25. COMMITMENTS AND CONTINGENT LIABILITIES		
Authorised capital commitments	**17,5**	10,0

Contingent liabilities

The Foschini Group has provided RCS Group with a liquidity facility of R101,8 million in respect of their domestic medium-term note programme. This facility was R30,8 million at 31 March 2010.

Forward exchange commitments

Refer to note 23.3.

26. REVENUE

	2011 Rm	2010 Rm
Retail turnover	**9 936,5**	8 605,2
Interest income (refer to note 28)	**1 486,2**	1 443,7
Dividend income – retail	**12,1**	13,8
Other revenue (refer to note 29)	**935,8**	717,6
	12 370,6	10 780,3

27. COST OF TURNOVER

	2011 Rm	2010 Rm
Cost of turnover comprises:		
Cost of goods sold	**(5 239,7)**	(4 554,9)
Costs of purchase, conversion and other costs	**(528,4)**	(450,9)
	(5 768,1)	(5 005,8)

28. INTEREST INCOME

	2011 Rm	2010 Rm
Trade receivables – retail	**705,2**	636,4
Receivables – RCS Group	**764,2**	795,7
Sundry – RCS Group	**7,9**	2,7
Sundry – retail	**8,9**	8,9
	1 486,2	1 443,7

29. OTHER REVENUE

	2011 Rm	2010 Rm
Merchants' commission – RCS Group	**30,9**	30,2
Club income – retail	**248,6**	193,0
Club income – RCS Group	**4,9**	5,4
Customer charges income – retail	**55,7**	25,3
Customer charges income – RCS Group	**249,4**	192,3
Insurance income – retail	**203,2**	141,3
Insurance income – RCS Group	**90,8**	87,8
Cellular income – one2one airtime product	**47,5**	35,0
Sundry income – retail	**4,8**	7,3
	935,8	717,6

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	2011 Rm	2010 Rm
30. OPERATING PROFIT BEFORE FINANCE CHARGES		
Operating profit before finance charges has been arrived at after taking account of:		
Trading expenses		
Depreciation: land and buildings	**(6,4)**	(6,1)
Depreciation: shopfitting, vehicles, computers, and furniture and fittings	**(275,9)**	(258,0)
Amortisation: intangible asset on acquisition of client lists	**(0,4)**	(0,1)
Goodwill impairment	**(5,8)**	–
Employee costs: normal – retail	**(1 387,1)**	(1 207,8)
Employee costs: share–based payments – retail	**(55,9)**	(34,3)
Employee costs: bonuses and restraint payments – retail	**(67,8)**	(2,4)
Employee costs: normal – RCS Group	**(145,3)**	(132,4)
Occupancy costs: normal – retail	**(902,3)**	(797,1)
Occupancy costs: normal – RCS Group	**(10,4)**	(10,7)
Occupancy costs: operating lease liability adjustment	**(9,2)**	(8,6)
Net bad debt – retail	**(401,7)**	(359,1)
Net bad debt – RCS Group	**(231,1)**	(352,4)
Other operating costs – RCS Group profit share MDD	**(19,6)**	–
Other operating costs	**(782,4)**	(632,9)
	(4 301,3)	(3 801,9)
There are no other impairments on assets other than shown above.		
The following disclosable amounts are included above:		
Auditor's remuneration		
Audit fees	**(4,6)**	(4,2)
Fees for other services	**–**	(0,2)
Loss on sale of property, plant and equipment	**(1,9)**	(1,6)
Retirement fund expenses (refer to note 35.3)	**(121,7)**	(108,9)
Staff discount	**(17,8)**	(15,3)
Net foreign exchange loss	**(3,1)**	(0,9)
31. FINANCE COST		
Finance cost on financial liabilities measured at amortised cost	**(250,1)**	(261,5)

	2011 Rm	2010 Rm
32. INCOME TAX EXPENSE		
South African current taxation		
Current year	**637,1**	488,0
Prior year under (over) provision	**9,3**	(6,6)
Secondary taxation on companies	**63,5**	59,7
South African deferred taxation		
Current year	**(61,8)**	(14,3)
Prior year (over) under provision	**(4,7)**	6,4
Secondary taxation on companies	**1,6**	(2,4)
Non-South African current taxation		
Current year	**19,9**	18,8
Prior year over provision	**(1,9)**	–
Non-South African deferred taxation		
Current year	**(0,6)**	(0,9)
Prior year over provision	**(0,1)**	–
Rate change	**–**	(0,1)
	662,3	548,6

	%	%
Reconciliation of tax rate		
Effective tax rate	**32,3**	32,1
Exempt income	**0,2**	0,2
Non-deductible expenditure	**(2,2)**	(0,8)
Non-South African tax rate	**0,9**	(0,1)
Non-recoverable withholding taxes	**(0,1)**	–
Secondary taxation on companies and withholding tax on dividends	**(3,1)**	(3,4)
South African statutory rate	**28,0**	28,0

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33. EARNINGS PER SHARE

33.1 Basic and headline earnings per share

The calculation of basic and headline earnings per share at 31 March 2011 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R1 301,8 (2010: R1 085,6) million and headline earnings of R1 305,6 (2010: R1 085,6) million divided by the weighted average number of ordinary shares as follows:

	2011 Rm	2010 Rm
Profit attributable to equity holders of The Foschini Group Limited	1 301,8	1 085,6
Adjusted for the after-tax effect of:		
Goodwill impairment – effective portion	3,2	–
Goodwill impairment	5,8	–
Less: non-controlling interest	(2,6)	–
Profit on disposal of property, plant and equipment	(0,2)	(0,5)
Loss on disposal of property, plant and equipment	0,8	0,5
Headline earnings	1 305,6	1 085,6
Weighted average number of ordinary shares in issue	206 495 906	208 243 974
Earnings per ordinary share (cents)	630,4	521,4
Headline earnings per ordinary share (cents)	632,3	521,4

33.2 Diluted earnings and diluted headline earnings per share

The calculation of diluted earnings and diluted headline earnings per share at 31 March 2011 was based on profit for the year attributable to ordinary shareholders of The Foschini Group Limited of R1 301,8 (2010: R1 085,6) million and headline earnings of R1 305,6 (2010: R1 085,6) million divided by the fully diluted weighted average number of ordinary shares as follows:

	2011	2010
Weighted average number of ordinary shares as above	206 495 906	208 243 974
Number of shares that would have been issued for no consideration	4 094 246	1 264 151
Weighted average number of ordinary shares used for dilution	210 590 152	209 508 125
Diluted earnings per ordinary share (cents)	618,1	518,2
Diluted headline earnings per ordinary share (cents)	619,9	518,2

	2011 Rm	2010 Rm

34. OPERATING LEASE OBLIGATIONS

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:

	2011 Rm	2010 Rm
Less than one year	**952,3**	837,5
More than one year and less than five years	**2 395,2**	2 043,4
More than five years	**277,7**	90,5

35. EMPLOYEE BENEFITS

35.1 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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

35. EMPLOYEE BENEFITS CONTINUED

35.1 Share incentive schemes continued

The fair value of options and SARs granted and exercised after 7 November 2002 was determined using a binomial option-pricing model. The assumptions used in determining the fair value are as follows:

	2011	2010
Share appreciation rights granted during the financial year ending 31 March		
Grant price	**R64,47**	R58,37
Expected volatility	**35,9%**	35,5%
Expected dividend yield	**6,0%**	5,8%
Risk-free interest rate	**8,0%**	7,9%

The group recognised total expenses of R55,9 (2010: R34,3) million related to these equity-settled share-based payment transactions during the year.

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

	Number of share options	
Foschini 1997 Share Option Scheme		
Options exercised, subject to future delivery, at 1 April	**4 357 794**	6 154 503
Put exercised by option holders	**–**	(94 999)
Options forfeited during the year	**(89 003)**	(71 673)
Options delivered during the year	**(2 694 041)**	(1 630 037)
Options exercised, subject to future delivery, at 31 March	**1 574 750**	4 357 794

	Number of SARs	
Foschini 2007 Share Incentive Scheme		
SARs granted, subject to fulfilment of conditions, at 1 April	**9 565 000**	9 503 000
SARs granted during the year, subject to fulfilment of conditions	**2 266 500**	172 000
SARs delivered during the year	**(1 500)**	–
SARs forfeited during the year	**(118 000)**	(110 000)
SARs granted, subject to fulfilment of conditions, at 31 March	**11 712 000**	9 565 000

35. EMPLOYEE BENEFITS CONTINUED

35.1 Share incentive schemes continued

SARs delivered during the year equates to 792 ordinary shares.

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

Year	Average price	Number of share options
2012	48,60	**188 334**
2013	60,19	**1 278 080**
2014	56,60	**108 336**
		1 574 750

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

Year	Average price	Number of SARS
2012	41,57	**9 283 500**
2013	58,37	**172 000**
2014	64,47	**2 256 500**
		11 712 000

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

	2011	2010
Shares held at the beginning of the year	**7 455 692**	9 092 806
Shares delivered during the year	**(2 694 833)**	(1 637 114)
Shares purchased during the year	**6 379 641**	–
Shares held at the end of the year	**11 140 500**	7 455 692

35.2 Staff housing loans

Refer to note 5.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

35. EMPLOYEE BENEFITS CONTINUED

35.3 Retirement funds

The Foschini Group funds

The 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.

All permanent employees of wholly-owned subsidiaries of The Foschini Group Limited, excluding those that are members of the Namflex or Sibaya Funds, are members of the retirement fund.

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 executives and key management personnel 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 Provident Fund: Defined contribution plan

All permanent employees in Swaziland under normal retirement age are required to be members of the Sibaya Provident 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 contributions towards retirement benefits.

Liberty Life Pension Fund and SACCAWU Provident Fund

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.

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 contributions towards retirement benefits.

35. EMPLOYEE BENEFITS CONTINUED

35.3 Retirement funds continued

The employers 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.

	Number of members		Employer contributions	
	2011	2010	**2011 Rm**	2010 Rm
Summary per fund:				
TFG Funds				
The Foschini Group Retirement Fund	**10 793**	9 971	**109,5**	96,2
Investment Solutions Provident Fund	**162**	147	**1,7**	1,4
Namflex Pension Fund	**249**	213	**1,6**	1,2
Sibaya Provident Fund	**9**	8	**–***	–*
RCS Group Funds				
Alexander Forbes Retirement Annuity	**6**	–	**–***	–
Liberty Life Pension Fund	**13**	51	**0,1**	0,4
Liberty Life Provident Fund	**590**	469	**8,7**	9,4
SACCAWU Provident Fund	**14**	36	**0,1**	0,3
Sanlam Retirement Annuity	**2**	–	**–***	–
	11 838	10 895	**121,7**	108,9

* Zero as a result of rounding to millions

35. EMPLOYEE BENEFITS CONTINUED

35.4 Medical aid

The Foschini Group funds

The Foschini Group Medical Aid Scheme: Defined benefit 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 2 773 (2010: 2 712) principal members.

These costs are charged against income as incurred and amounted to R29,2 (2010: R26,9) million, with employees contributing a further R29,2 (2010: R26,9) million to the fund.

In respect of the year ended 31 December 2010, the scheme earned contributions of R63,7 million and reflected a net surplus of R1,5 million after the deduction of all expenses. The fund had net assets totalling R37,0 million.

The budgeted projected surplus in respect of the year ending 31 December 2011 is R0,8 million.

Bankmed Medical Aid Scheme: Defined benefit 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 (2010: R0,7) million, with employees contributing a further R0,7 (2010: R0,7) million to the fund. There are currently 56 (2010: 64) members of this fund.

Ingwe Health Plan: Defined benefit 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 55 (2010: 67) employees are currently members. Costs charged to income total R1,0 (2010: R1,4) million.

RCS Group funds

Discovery Health: Defined benefit 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 R6,1 (2010: R3,6) million. Total membership currently stands at 1 346 (2010:509) principal members.

BOMaid: Defined benefit plan

All permanent staff of RCS Botswana (Proprietary) Limited are required to become members of their choice of the medical plans offered by BOMaid. Total membership currently stands at three (2010: nil) principal members. These costs are charged against income as incurred and amounted to R27 030 (2010: Rnil).

Nexus Medical Aid: Defined benefit 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. Total membership currently stands at one (2010: nil) principal member. These costs are charged against income as incurred and amounted to R30 474 (2010: Rnil).

35. EMPLOYEE BENEFITS CONTINUED

35.5 Post-retirement medical aid

Qualifying retired employees are entitled to medical aid benefits, which have been fully provided for (refer to note 20).

The cost of providing post-retirement medical aid has been determined in accordance with IAS 19 and the charge against income for the year was Rnil (2010: Rnil) million.

The principal assumptions at the last valuation date, being 31 March 2011 were as follows:

Net discount rate	1,5%
Withdrawal rates	0% – 20%
Normal retirement age	60 – 65 years

35.6 Other

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

36. DIRECTORS' REMUNERATION

	Fees R'000	Remuneration R'000	Pension fund R'000	Travel allowance R'000	Other benefits* R'000	Performance bonus** R'000	**2011 Total R'000**	2010 Total R'000
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**	
Non-executive								
D M Nurek	800,0	–	–	–	–	–		800,0
F Abrahams	250,0	–	–	–	–	–		250,0
S E Abrahams	300,0	–	–	–	–	–		300,0
W V Cuba	220,0	–	–	–	–	–		220,0
M Lewis	175,0	–	–	–	–	–		175,0
E Oblowitz##	–	–	–	–	–	–		–
D M Polak	257,5	–	–	–	–	–		257,5
N V Simamane	192,2	–	–	–	–	–		192,2
K N Dhlomo	192,2	–	–	–	–	–		192,2
Total	2 386,9	–	–	–	–	–		2 386,9
Executive								
A D Murray	–	3 543,0	425,2	297,6	119,8	1 500,0		5 885,6
R Stein	–	2 075,0	249,0	228,1	74,7	600,0		3 226,8
P S Meiring	–	1 801,0	216,1	228,1	76,2	800,0		3 121,4
Total	–	7 419,0	890,3	753,8	270,7	2 900,0		12 233,8
Total remuneration 2010	2 386,9	7 419,0	890,3	753,8	270,7	2 900,0		14 620,7

* Other benefits include medical aid and group life cover

** The 2010 bonus payment relate to performance in the 2009 financial year

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 options and share appreciation rights (SAR) granted to employees is expensed in profit or loss over the term of the option/SAR. An amount of R6,5 (2010: R3,9) million, R2,8 (2010: R1,7) million, R1,0 (2010: R0,9) million and R2,4 (2010: R1,5) million was recognised in respect of options granted to Messrs A D Murray, R Stein, D M Polak and P S Meiring respectively. These amounts are not included in the amounts reflected above.

The Foschini Group Limited and its subsidiaries

37. RELATED PARTY TRANSACTIONS

Shareholders

An analysis of the principal shareholders of the company is provided in appendix 3 to the company's financial statements on page 248.

For details of directors' interests refer to note 13.5.

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 The Foschini Group Limited.

	2011 Rm	2010 Rm
Administration fee earned from The Foschini Group Retirement Fund	**1,9**	1,8

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 36.

Interest of directors in contracts

No directors have any interests in contracts that are in contravention of section 234 of the Companies Act No. 61 of 1973.

Executive directors are bound by service contracts.

Loans to directors

No loans have been made to directors.

Employees

Details relating to the share incentive schemes are disclosed in note 35.1.

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling activities, directly or indirectly, including any director of that entity. Executive directors and associates of all subsidiary companies and The Foschini Group Limited have been classified as key management personnel.

No key management personnel had a material interest in any contract of significance with any group company during the year under review.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	2011 Rm	2010 Rm
37. RELATED PARTY TRANSACTIONS CONTINUED		
Remuneration paid to key management personnel is as follows:		
Short-term employee benefits		
Remuneration	**80,5**	77,5
Performance bonus	**67,8**	1,1
Travel allowance	**11,1**	9,7
Post-employment benefits		
Pension fund	**10,6**	8,8
Other long-term benefits		
Other benefits	**1,2**	3,8
Share-based payments		
Fair value of share options granted*	**50,6**	27,4
Total remuneration	**221,8**	128,3
Refer to note 36 for further disclosure regarding remuneration paid to executive directors of the company.		
Remuneration paid to the top three highest earners, excluding executive directors, is as follows:		
Short-term employee benefits		
Remuneration	**5,3**	4,8
Performance bonus	**6,9**	0,1
Travel allowance	**0,5**	0,5
Post-employment benefits		
Pension fund	**0,7**	0,6
Other long-term benefits		
Other benefits	**0,1**	0,1
Share-based payments		
Fair value of share options granted*	**6,2**	3,7
Total remuneration	**19,7**	9,8

* The fair value of options granted is the annual expense determined in accordance with IFRS 2 Share-based Payments

	2011 Rm	2010 Rm
38. CASH FLOW		
38.1 Operating profit before working capital changes		
Profit before tax	**2 051,1**	1 711,1
Adjusted for:		
Interest income – sundry	**(16,8)**	(11,6)
Finance cost	**250,1**	261,5
Dividend income	**(12,1)**	(13,8)
Non-cash items	**358,0**	290,3
Operating profit before working capital changes	**2 630,3**	2 237,5
38.2 Working capital changes		
(Increase) decrease in inventory	**(310,9)**	31,1
Increase in trade and other receivables	**(930,1)**	(613,8)
Increase in trade and other payables	**416,9**	41,3
Increase in working capital	**(824,1)**	(541,4)
38.3 Reconciliation of taxation paid		
Amount unpaid at the beginning of the year	**(128,0)**	(70,6)
Current year provision	**(727,9)**	(559,9)
Current tax effect of other items in equity	**7,8**	15,2
Amount unpaid at the end of the year	**79,1**	128,0
	(769,0)	(487,3)
38.4 Reconciliation of dividends paid		
Dividends declared during the year	**(637,5)**	(599,1)
Dividends paid by subsidiary to non-controlling interest	**(28,4)**	(9,1)
	(665,9)	(608,2)

39. CHANGE IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board or it successor, and the interpretations adopted by the International Accounting Standards Board (IASB) on a basis consistent with the prior year except for the adoption of the following revised standard.

IAS 27 Consolidated and Separate Financial Statements

During the year, the group adopted the amended IAS 27 Consolidated and Separate Financial Statements.

The principal effect of the change required by IAS 27 was that total comprehensive income of subsidiaries are now attributed to non-controlling interest even if this results in a total deficit balance.

The adoption of IAS 27 has had no significant effect on these results.

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

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

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 will be applicable to the group for the first time for its financial reporting period ending 31 March 2013.

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

- not derecognised in their entirety; and
- derecognised in their entirety, but for which the group retains continuing involvement.

It is not anticipated that this standard would have an impact on the group's financial statement disclosures.

IFRS 9 Financial Instruments

IFRS 9 will be applicable to the group for the first time for its financial reporting period ending 31 March 2014. 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.

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

IFRS 9 Additions to Financial Instruments

The additions to IFRS 9 will be applicable to the group for the first time for its financial reporting period ending 31 March 2014. 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, barring the following two aspects:

- Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining change is recognised in profit or loss. However, if the 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, derivatives embedded in host contracts that are not financial assets and the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

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

IAS 24 (AC 126) (revised)

IAS 24 (AC 126) (revised) will be applicable to the group for the first time for its financial reporting period ending 31 March 2012. The standard will be applied retrospectively.

IAS 24 (AC 126) (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.

Under IAS 24 (AC 126) (revised) the definition of a related party has been amended with the result that a number of new related party relationships have been identified.

It is not anticipated that this standard would have an impact on the group's financial statement disclosures.

Improvements to International Financial Reporting Standards (IFRS) 2010

The following standards have been amended by the Annual Improvements to IFRS 2010 project and will be applicable to the group for its financial reporting period ending 31 March 2012.

It is not anticipated that these amendments would have a significant impact on the group's financial statements.

IFRS 3 Business Combinations – Transitional requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS

IFRS 3 is amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has not been settled or otherwise resolved at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004).

For such contingent consideration, the cost of the business combination is adjusted if and when payment of the contingent consideration is probable and the amount can be measured reliably. That means that IAS 39 Financial Instruments: Recognition and Measurement does not apply to contingent consideration within the scope of the amendment, i.e. liability-classified contingent consideration is not measured at fair value through profit or loss.

The amendment is required to be applied prospectively from the date that an entity first applied IFRS 3 (2008).

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

IFRS 3 – measurement of non-controlling interests

IFRS 3 is amended to limit the accounting policy choice to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and currently entitle the holder to a share of net assets in the event of liquidation.

The accounting policy choice does not apply to other instruments, such as written options classified as equity instruments or options granted under share-based payment arrangements. Such interests generally will be measured at fair value or otherwise in accordance with other relevant IFRS, e.g. share-based payments that give rise to NCI will be measured in accordance with IFRS 2 Share-based Payment.

The amendment is required to be applied prospectively from the date that an entity first applied IFRS 3 (2008).

IFRS 7 Financial Instruments: Disclosures (amendments to disclosures)

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

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

- Clarifiy that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.
- Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.
- Clarifiy that disclosure in respect of collateral taken possession of by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

- disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated; and
- disclosure of the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

In addition, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7.

IAS 1 Presentation of Financial Statements

This amendment relates to the presentation of the statement of changes in equity. Currently, IAS 1 required 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 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.

IAS 34 – significant events and transactions

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 transfers 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 FOSCHINI GROUP LIMITED

AS AT 31 MARCH

STATEMENT OF FINANCIAL POSITION

	Note	2011 Rm	2010 Rm
ASSETS			
Non-current assets			
Investment in preference shares	4	–	200,0
Interest in subsidiaries	Appendix 1	1 246,0	950,0
		1 246,0	1 150,0
Current assets			
Interest in subsidiaries	Appendix 1	568,4	682,5
Investment in preference shares	4	200,0	–
Other receivables		3,4	3,9
Cash		1,1	1,7
		772,9	688,1
Total assets		2 018,9	1 838,1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13.2	3,4	3,4
Share premium		498,7	498,7
Dividend reserve	15.1	510,0	408,8
Distributable reserve		997,8	916,3
		2 009,9	1 827,2
Current liabilities			
Other payables		7,4	5,7
Taxation payable		1,6	5,2
		9,0	10,9
Total equity and liabilities		2 018,9	1 838,1
Guarantee: The company has guaranteed the overdraft facilities of subsidiary companies. The amounts utilised amounted to		1 440,0	1 041,0

THE FOSCHINI GROUP LIMITED CONTINUED

FOR THE YEARS ENDED 31 MARCH

INCOME STATEMENT

	2011 Rm	2010 Rm
Profit before taxation*	1 010,6	421,5
Taxation – current year	(87,1)	(90,9)
Profit attributable to ordinary shareholders	923,5	330,6
* after taking account of:		
Dividend income – subsidiary companies	892,1	237,4
– preference shares	12,1	13,8

STATEMENT OF COMPREHENSIVE INCOME

	2011 Rm	2010 Rm
Profit attributable to ordinary shareholders	923,5	330,6
Total comprehensive income for the year	923,5	330,6

STATEMENT OF CHANGES IN EQUITY

	2011 Rm	2010 Rm
Equity at the beginning of the year	1 827,2	2 189,2
Total comprehensive income for the year	923,5	330,6
Dividends paid	(740,8)	(692,6)
Equity at the end of the year	2 009,9	1 827,2

APPENDIX 1: SUBSIDIARY COMPANIES

Name of subsidiary	Note	Issued share capital R	**2011 Cost Rm**	2010 Cost Rm	**2011 Indebtedness Rm**	2010 Indebtedness Rm
Trading subsidiaries						
Fashion Retailers (Pty) Limited	4	250 006	**0,2**	0,2	**–**	–
Fashion Retailers Zambia Limited	6	75	**–**	–	**–**	–
Foschini Finance (Pty) Limited	2, 9	6	**–**	–	**38,9**	153,0
Foschini Investments (Pty) Limited	2	10	**–**	–	**–**	–
Foschini Lesotho (Pty) Limited	7	2	**–**	–	**–**	–
Foschini Retail Group (Pty) Limited	2, 3, 9	2	**102,5**	102,5	**1 142,1**	727,0
Foschini Services (Pty) Limited	2	10	**–**	–	**–**	–
Foschini Stores (Pty) Limited	2, 8	1	**–**	–	**528,6**	528,6
Foschini Swaziland (Pty) Limited	5	2	**–**	–	**–**	–
Markhams (Pty) Limited	2	1	**–**	–	**–**	–
Pienaar Sithole and Associates (Pty) Limited	2, 9	100	**–**	–	**1,8**	1,8
Retail Credit Solutions (Pty) Limited	2	18 200	**–**	–	**–**	–
TFG Apparel Supply Company (Pty) Limited	2, 9	1	**–**	–	**–**	119,1
What U Want To Wear (Pty) Limited	2	66 200	**0,1**	0,1	**–**	–
Total trading subsidiaries			**102,8**	102,8	**1 711,4**	1 529,5
Other*			**1,1**	1,1	**(0,9)**	(0,9)
Total			**103,9**	103,9	**1 710,5**	1 528,6

	2011 Rm	2010 Rm
Summary		
Investment in shares at cost	**103,9**	103,9
Amounts owing by subsidiaries – non-current portion	**1 142,1**	846,1
Total non-current portion	**1 246,0**	950,0
Amounts owing by subsidiaries – current portion	**568,4**	682,5
Total interest in subsidiaries	**1 814,4**	1 632,5

Notes

1. The company owns, directly or indirectly, all the ordinary shares in the subsidiaries listed above except for Retail Credit Solutions (Pty) Limited that has a 55% shareholding in the RCS Group.
2. Incorporated in South Africa
3. Included is an amount of R102,5 (2010: 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 2011 is R102,5 (2010: R102,5) million
4. Incorporated in Namibia
5. Incorporated in Swaziland
6. Incorporated in Zambia
7. Incorporated in Lesotho
8. The loan to subsidiary is unsecured, interest free and no fixed date for repayment has been determined
9. 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

THE FOSCHINI GROUP LIMITED CONTINUED

FOR THE YEARS ENDED 31 MARCH

APPENDIX 2: RELATED PARTY INFORMATION

	2011 Rm	2010 Rm
Loans to and from related parties are disclosed in Appendix 1.		
Interest was received from the following related parties:		
Foschini Finance (Pty) Limited	10,4	22,8
Foschini Retail Group (Pty) Limited	101,2	111,5
Pienaar Sithole and Associates (Pty) Limited	0,2	0,2
TFG Apparel Supply Company (Pty) Limited	2,7	1,7
	114,5	136,2
Dividends were received from the following related parties:		
Foschini Finance (Pty) Limited	9,4	12,2
Foschini Retail Group (Pty) Limited	767,4	81,7
Foschini Services (Pty) Limited	–	5,7
Foschini Stores (Pty) Limited	74,1	28,4
Markhams (Pty) Limited	–	0,9
Retail Credit Solutions (Pty) Limited	34,3	100,5
TFG Apparel Supply Company (Pty) Limited	0,7	–
	885,9	229,4
Preference dividends were received from the following related party:		
Foschini Retail Group (Pty) Limited	6,2	8,0
Dividends were paid to the following related parties:		
Foschini Stores (Pty) Limited	74,1	69,3
The Foschini Share Incentive Trust	29,2	24,3
	103,3	93,6

Also refer to note 37 for related party disclosure.

APPENDIX 3: SHAREHOLDINGS

Analysis of Shareholdings at 25 March 2011

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 25 March 2011

SPREAD ANALYSIS	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1 – 1 000 shares	2 127	54,6	771 639	0,3
1 001 – 10 000 shares	1 153	29,6	3 902 473	1,6
10 001 – 100 000 shares	409	10,5	14 905 630	6,2
100 001 – 1 000 000 shares	165	4,2	55 798 137	23,2
1 000 001 shares and over	43	1,1	165 120 362	68,7
	3 897	100,0	240 498 241	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	Percentage of shares in issue
Unit trusts/mutual funds and other managed funds	75 595 981	31,5
Pension funds	67 195 391	27,9
Private investors	25 141 659	10,5
Corporate holding*	24 049 824	10,0
Sovereign wealth	12 578 529	5,2
Investment and employee trusts*	13 298 092	5,5
Insurance companies	9 788 860	4,1
Other	12 849 905	5,3
	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 share register and information supplied by nominee companies as at 25 March 2011	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	38 850 440	16,2
Foschini Stores (Pty) Limited	24 049 824	10,0
Lewis family	12 816 874	5,3
	75 717 138	31,5

THE FOSCHINI GROUP LIMITED CONTINUED

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
PIC	34 844 895	14,5
AXA Financial SA	9 885 185	4,1
BlackRock Inc	9 653 992	4,0
Old Mutual Inv Group	9 291 217	3,9
Prudential Portfolio Managers	9 014 718	3,7
	72 690 007	30,2

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	3 887	99,8	187 583 305	78,0
Directors	8	0,2	17 724 612	7,4
Trust	1	0,0	11 140 500	4,6
Subsidiary	1	0,0	24 049 824	10,0
Total	3 897	100,0	240 498 241	100,0

APPENDICES

CONSOLIDATED PERFORMANCE TABLE

Performance indicator	% change	2011	2010
Economic and related core baseline indicators			
Retail turnover (Rm)	15,5	**9 936,5**	8 605,2
Operating profit before finance charges (Rm)	16,7	**2 301,2**	1 972,6
EBITDA (Rm)	15,5	**2 583,9**	2 236,8
Headline earnings (Rm)	20,3	**1 305,6**	1 085,6
Earnings per ordinary share (cents)	20,9	**630,4**	521,4
Headline earnings per ordinary share (cents)	21,3	**632,3**	521,4
Dividend declared per ordinary share (cents)	21,5	**350,0**	288,0
Value added	23,6	**4 484,0**	3 628,9
Total number of stores	6,1	**1 727**	1 627
Total number of distribution centres	–	**8**	8
Total procurement from BBBEE sources (%)*	22,5	**64,9**	53,0
Number of environmental, health and safety and/or governance legal incidents	none	**none**	none
Employee issues			
Total number of employees:			
Permanent full-time employees	4,5	**10 969**	10 494
Permanent part-time employees	(2,1)	**320**	327
Flexitime employees	12,3	**3 632**	3 233
Contract employees	34,7	**741**	550
Casual employees	11,0	**202**	182
Employee turnover (excluding contractors) %	(9,1)	**30**	33
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
Top management	–	**11,1**	11,1
Senior management	51,0	**14,8**	9,8
Specialists and middle management	4,3	**38,6**	37,0
Skilled technical and junior management	6,1	**78,5**	74,0
Semi and unskilled employees	1,8	**95,9**	94,2
Investment in employee training and development			
Total expenditure (Rm)	14,0	**100,8**	88,4
% of payroll	(5,6)	**6,7**	7,1
Total number of employees trained#	(1,1)	**129 733**	131 166
Work-related fatalities	none	**none**	none
Number of classified injuries			
Number of days lost	(33,9)	**1 271**	1 924
Number of incidents	1,2	**408**	403
Number of incidents where days off three or less	6,1	**312**	294
Number of work days lost due to industrial action	–	**–**	–
Corporate social investment			
CSI total spend (Rm)	17,8	5,3	4,5

Environmental issues	% change	2010*	2009*
Energy usage (kilowatt hours) (stores, distribution centres and offices)	10,8	163 861 019	147 937 072
Carbon footprint (tonnes CO_2e)			
Total emissions	13,5	209 368	184 541
Scope 1	(7,7)	3 403	3 688
Scope 2	10,8	168 777	152 375
Scope 3	29,4	36 140	27 929
Non-kyoto	91,2	1 048	548
Intensity: emissions per m^2 (including stores)	6,3	0,34	0,32
Water consumption (kilolitres) (head offices and distribution centres)	8,1	40 830	37 784

* Note: Data in respect of BBBEE and environmental issues is presented one year in arrears

\# Refers to attendees and not individual employees

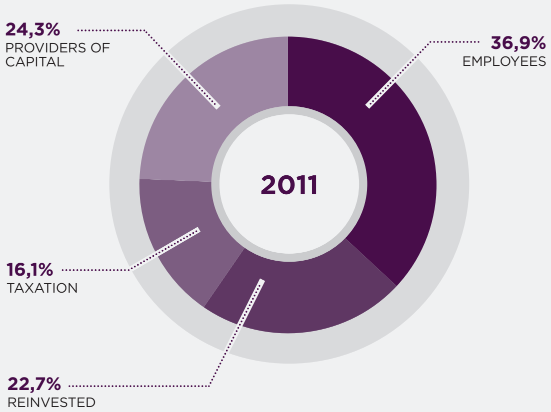
VALUE ADDED STATEMENT

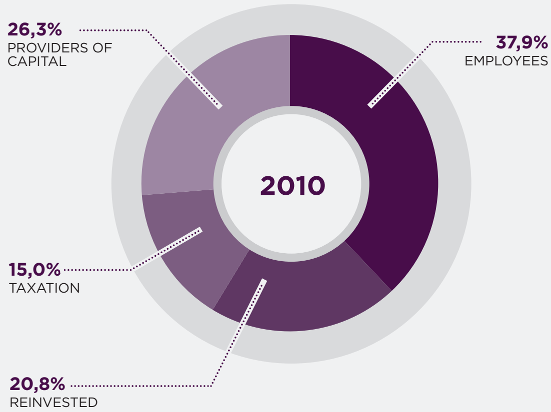
FOR THE YEARS ENDED 31 MARCH

	Note	2011 Rm	%	2010 Rm	%
Retail turnover		**9 936,5**		8 605,2	
Dividend income		**12,1**		13,8	
Paid to suppliers for goods and services		**(5 464,6)**		(4 990,1)	
Value added		**4 484,0**	100,0	3 628,9	100,0
Applied as follows:					
Employees					
Remuneration to employees		**1 656,1**	36,9	1 376,9	37,9
Providers of capital					
To lenders as finance charges		**250,1**	5,6	261,5	7,2
To shareholders as dividends		**841,7**	18,8	692,6	19,1
Taxation					
Taxation		**720,1**	16,0	544,7	15,0
Reinvested					
Reinvested in the group to finance future expansion and growth	1	**1 016,0**	22,7	753,2	20,8
Employment of value added		**4 484,0**	100,0	3 628,9	100,0

Notes to the Value Added Statement

	2011 Rm	%	2010 Rm	%
1. Reinvested in the group to finance future expansion and growth				
Depreciation and amortisation	**282,7**	6,3	264,2	7,3
Deferred taxation	**65,6**	1,5	8,5	0,2
Retained income	**667,7**	14,9	480,5	13,2
	1 016,0	22,7	753,2	20,7
2. State taxes				
Direct taxation as above	**720,1**		544,7	
Net value added taxation	**331,2**		323,7	
Employees' taxation	**169,5**		124,5	
Channelled through the group	**1 220,8**		992,9	





DEFINITIONS

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
LSM	Refers to the SAARF Universal Living Standards Measure which is a unique means of segmenting the South African market by dividing the population into 10 LSM groups, 1 (lowest) to 10 (highest). Refer to table alongside
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 borrowings	Interest-bearing debt and non-controlling interest loans reduced by preference share investment and cash
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
Operating margin	Operating profit before finance charges expressed as a percentage of retail turnover
Recourse debt: equity ratio	Recourse debt reduced by preference share investment and cash, expressed as a percentage of total equity
Same store	Stores which have traded for the full current and previous financial years out of the same trading area
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

SAARF Living Standards Measure (LSM)*	Population (number of people) 2010	% Population 2006	% Population 2007	% Population 2008	% Population 2009	% Population 2010	**Average monthly household income (R) 2010**
LSM 1	807 629	6,1	4,1	3,4	3,5	2,4	**1 333**
LSM 2	1 944 163	12,2	9,8	8,7	7,3	5,7	**1 647**
LSM 3	2 393 906	12,6	10,8	9,4	7,8	7,0	**1 917**
LSM 4	4 744 446	14,9	13,8	14,6	14,2	14,0	**2 681**
LSM 5	5 636 151	13,5	14,5	15,5	15,2	16,6	**3 594**
LSM 6	6 890 929	14,4	17,3	17,9	19,5	20,3	**6 197**
LSM 7	3 620 603	7,8	9,3	9,4	10,2	10,6	**9 707**
LSM 8	2 830 320	5,7	6,7	6,9	7,6	8,3	**13 697**
LSM 9	3 037 744	6,7	7,6	8,1	8,4	8,9	**18 749**
LSM 10	2 113 768	6,0	6,1	6,1	6,3	6,2	**28 936**

* Source: SAARF AMPS 2005 – 2010

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

The Foschini Group Limited
Incorporated in the Republic of South Africa
Registration number: 1937/009504/06
Share codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

Notice is hereby given that the seventy-fourth annual general meeting of shareholders of The Foschini Group (TFG) Limited (formerly Foschini Limited) will be held at Stanley Lewis Centre, Voortrekker Road, Parow East, Cape Town on Monday, 5 September 2011 at 12:15 to:

(1) deal with such business as may lawfully be dealt with at the meeting; and

(2) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act No. 71 of 2008 (the "Act"),

which meeting is to be participated in and voted at by shareholders recorded as such as at the record date of Wednesday, 31 August 2011.

Shareholders are advised that TFG Limited will be reviewing its existing constitutional documents, being its memorandum of incorporation and articles of association in accordance with the grace period provided for in the transitional provisions of the Companies Act No. 71 of 2008 ("the Act"). A new memorandum of incorporation for TFG Limited will be drafted during 2012 to ensure compliance with this Act and will be voted on by shareholders at TFG Limited's 2012 annual general meeting. Until such time as the new memorandum of incorporation is approved by shareholders at the 2012 annual general meeting, TFG will continue to operate according to (and in accordance with the Act) its existing constitutional documents. In the event of any inconsistencies between these constitutional documents and the Act, the constitutional documents will prevail except to the extent that the Companies Act explicitly provides otherwise.

It should be noted that the company has made provision for its shareholders or their proxies to participate electronically in the annual general meeting as detailed later in this notice.

Ordinary resolution number 1 (Presentation of annual financial statements)

To receive and adopt the annual financial statements of the company and the group for the year ended 31 March 2011.

The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the board of directors of the company), incorporating the Independent Auditor's Report, the Directors' Report and the board Audit Committee Report for the year ended 31 March 2011, have been distributed as required and will be presented.

Ordinary resolution number 2 (Reappointment of external auditor)

That upon the recommendation of the board audit committee, KPMG Inc. be reappointed as auditors (and Mr H du Plessis as the designated partner) of the company until the following annual general meeting.

Ordinary resolution number 3 (Re-election of director)

To re-elect Prof. F Abrahams who is retiring by rotation as an independent non-executive director, in accordance with the provisions of the articles of association of the company; Prof. Abrahams being eligible, offers herself for re-election as an independent non-executive director.

A brief curriculum vitae is included in annexure 1 to this notice.

Ordinary resolution number 4 (Re-election of director)

To re-elect Mr E Oblowitz who is retiring by rotation as an independent non-executive director, in accordance with the provisions of the articles of association of the company; Mr Oblowitz being eligible, offers himself for re-election as an independent non-executive director.

A brief curriculum vitae is included in annexure 1 to this notice.

Ordinary resolution number 5 (Re-election of director)

To re-elect Ms N V Simamane who is retiring by rotation as an independent non-executive director, in accordance with the provisions of the articles of association of the company; Ms Simamane being eligible, offers herself for re-election as an independent non-executive director.

A brief curriculum vitae is included in annexure 1 to this notice.

Ordinary resolution number 6 (Re-election of director)

To re-elect Mr R Stein who is retiring by rotation as an executive director, in accordance with the provisions of the articles of association of the company; Mr Stein being eligible, offers himself for re-election as an executive director.

A brief curriculum vitae is included in annexure 1 to this notice.

Ordinary resolution number 7 (Election of audit committee member)

Upon the recommendation of the nominations committee and the board, that shareholders elect Mr S E Abrahams, an independent non-executive director, as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

Ordinary resolution number 8 (Election of audit committee member)

Upon the recommendation of the nominations committee and the board, that shareholders elect Mr W V Cuba, an independent non-executive director, as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

Ordinary resolution number 9 (Election of audit committee member)

Upon the recommendation of the nominations committee and the board, that shareholders elect Mr E Oblowitz, an independent non-executive director, as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

Ordinary resolution number 10 (Election of audit committee member)

Upon the recommendation of the nominations committee and the board, that shareholders elect Ms N V Simamane, an independent non-executive director, as a member of the board audit committee.

A brief curriculum vitae is included in annexure 2 to this notice.

Ordinary resolution number 11 (Non-binding advisory vote on remuneration policy)

That shareholders endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out within the Remuneration Report on page 162 of this report.

Special resolution number 1 (Non-executive directors' remuneration)

To approve the remuneration to be paid to non-executive directors for the year ending 31 March 2012, details of which are as follows:

Chairman	R1 135 000
Director	R200 000
Audit committee chairman	R145 000
Remuneration committee chairperson	R70 000
Transformation committee chairperson	R70 000
Member of audit committee	R53 000
Member of risk committee	R45 000
Member of nominations committee	R23 000

Further that the fees which will be paid to directors from 1 April 2012 until the following AGM be authorised by the remuneration committee subject to the proviso that the annual increase may not be more than 2% in excess of CPI.

Special resolution number 2 (Financial assistance)

The shareholders approve 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 this special resolution and subject further to sections 44 and 45 of the Act.

Reason and effect of special resolution number 2

Section 44 of the Act applies to financial assistance provided by a company to related or interrelated companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

On proper interpretation, section 45 of the Act may also apply to financial assistance provided by a company to related or interrelated companies and corporations, including, among others, its subsidiaries.

Thus both sections 44 and 45 provide, among others, that the financial assistance may only be provided pursuant to a special resolution passed by shareholders within the previous two years. Prior to the introduction of the Companies Act No. 71 of 2008, the company did provide loans and guarantees for loans or other obligations of subsidiaries and group companies and would like to continue to do so in terms of the new Act as and when required.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

The passing of this special resolution will have the effect of authorising the company to provide financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related and interrelated companies and corporations.

Special resolution number 3 (General authority to acquire shares)

That the company and or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to acquire ordinary shares in the share capital of the company upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the Listings Requirements of the JSE Limited ("JSE") as presently constituted and which may be amended from time to time, and subject to the following:

1. the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
2. approval by shareholders in terms of a special resolution of the company, in annual general/general meeting, which shall be valid only until the next annual general meeting or for 15 months from the date of the resolution, whichever period is shorter;
3. repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;
4. at any point in time, a company may only appoint one agent to effect any repurchase/s on the company's behalf;
5. issuers may only undertake a repurchase of securities, if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 concerning shareholder spread requirements;
6. an issuer or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67; and
7. in terms of this general approval, the acquisition of ordinary shares in any one financial year may not exceed, in aggregate, 5% of the company's issued share capital of that class, at the time that approval is granted.

Statement by the board of directors of the company

Pursuant to and in terms of the Listings Requirements of the JSE, the board of directors of the company hereby states:

1. the intention of the directors of the company is to utilise the general authority if at some future date the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interests of shareholders;
2. in determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:

   2.1 the company and the group will be able to pay their debts as they become due in the ordinary course of business for the next 12 months;

   2.2 the assets of the company and the group will be in excess of the liabilities of the company and the group for the next 12 months. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;

   2.3 the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for the next 12 months; and

   2.4 the working capital available to the company and the group will be sufficient for the group's requirements for the next 12 months.

The board of directors of the company will notify the shareholders of the terms of the repurchase of the company shares by publishing an announcement in the press in accordance with the Listings Requirements of the JSE should the company or its subsidiaries cumulatively repurchase more than 3% of the company's issued share capital and for each 3% thereafter.

The board of directors will ensure that its sponsor provides the necessary sponsor letter on the adequacy of the working capital in terms of section 2.12 of the JSE Limited Listings Requirements, prior to the commencement of any purchases of The Foschini Group Limited shares on the open market after the date of the annual general meeting of the company on 5 September 2011.

Reason and effect of special resolution number 3

The reason for special resolution number 3 is to grant the company a general authority in terms of the Act for the acquisition by the company or any of its subsidiaries of shares issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company.

The JSE Listings Requirements disclosures

Section 11.26 of the Listings Requirements, require the following disclosures which are included elsewhere in the Integrated Annual Report (of which this notice forms part):

- directors and management (section 11.26(b)(i) – refer to pages 6 to 9;
- major shareholders (section 11.26(b)(ii) – refer to page 248;
- directors' interests in The Foschini Group Limited shares (section 11.26(b)(iv) – refer to note 13.5; and
- share capital of The Foschini Group Limited (section 11.26(b)(v) – refer to note 13.

Litigation statement

In terms of paragraph 11.26 of the Listings Requirements the directors are not aware of any legal proceedings that are pending or threatened, that may have or had in the recent past (being at least the previous 12 months) a material effect on TFG Limited's financial position.

Material changes

Other than the facts and developments reported on in this Integrated Annual Report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the Independent Auditor's Report and up to the date of the notice of annual general meeting.

Directors' responsibility statement

The directors collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Ordinary resolution number 12 (General authority of directors)

"Resolved that, any director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of ordinary resolutions 1 to 11 and special resolutions numbers 1 to 3 proposed at the meeting convened to consider this resolution."

To transact any other business that may be transacted at an annual general meeting.

Voting requirements

All ordinary resolutions will, in terms of the Act require support of more than 50% of the voting rights of shareholders exercised thereon, to be approved.

All special resolutions will, in terms of the Act, require support of at least 75% of the total voting rights exercised thereon at the meeting, to be approved.

General instructions

Members are encouraged to attend, speak and vote at the annual general meeting.

Please note that meeting participants (including shareholders and proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driver's licences and passports.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

If you hold shares in certificated form (i.e. you have not dematerialised your shares) or are registered as an "own name" dematerialised shareholder, then:

- you may attend and vote at this meeting; alternatively
- you may appoint a proxy to represent you at the meeting by completing the form of proxy at the end of this notice and lodging it with the transfer secretaries of the company no later than 11:30 on Wednesday, 31 August 2011.

If you have dematerialised your shares and are not registered as an "own name dematerialised shareholder" (i.e. specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the company's sub-register), then, subject to the custody agreement between yourself and your CSDP or broker:

- if you wish to attend the meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the meeting. You must not complete the attached form of proxy. The instructions must be provided in accordance with the custody agreement between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the meeting or by completing the attached form of proxy in accordance with the instructions thereon and lodging it with the transfer secretaries of the company no later than 11:30 on Wednesday, 31 August 2011.

Electronic participation

Please note that the company has made provision for shareholders of the company or their proxies to participate electronically in the annual general meeting by way of telephone conference call.

Should you wish to participate in the annual general meeting by telephone conference call as aforesaid, you, or your proxy, will be required to complete the application form contained within this notice and return it to the transfer secretaries of the company by no later than 11:30 on Wednesday, 31 August 2011.

By order of the board

D Sheard
Company Secretary

20 June 2011

NOTICE OF ANNUAL GENERAL MEETING: ANNEXURE 1

Brief curricula vitaes of directors standing for re-election

In terms of the articles of association of The Foschini Group Limited, each year one-third of the existing directors are subject to retirement by rotation and are eligible for re-election.

The nomination committee considered the contribution, performance and attendance of the following directors who are retiring by rotation:

- Prof. F Abrahams
- Mr E Oblowitz
- Ms N V Simamane
- Mr R Stein

The nomination committee has no hesitation in recommending these directors for reappointment by the shareholders.

NON-EXECUTIVE

PROF. F ABRAHAMS (48)

B Econ (Hons), M Comm, D Comm

Fatima was appointed as an independent non-executive director of The Foschini Group Limited in 2003.

Fatima is currently the chairperson of the remuneration and transformation sub-committees.

Fatima is a registered industrial psychologist and is currently a senior professor in Industrial Psychology at the University of the Western Cape (UWC). She previously served as Dean of the Faculty of Economic and Management sciences at UWC and served as chairperson of Victoria and Alfred Waterfront Holdings. She is chairperson of TSiBA Education, a non-profit private higher educational institution.

MR E OBLOWITZ (53)

B Comm, CA(SA), CPA (Isr)

Eddy was appointed as an independent non-executive director of The Foschini Group Limited on 1 October 2010.

Eddy is currently a member of the audit and risk sub-committees.

He has considerable audit experience having spent 21 years in professional practice, most notably as a senior partner of the Cape Town, Durban and Port Elizabeth offices of Arthur Andersen. In addition he served as a member of the firm's worldwide Retail and Distribution Industry Team. He is currently the CEO of Stonehage Financial Services (Proprietary) Limited which provides multi-family office, wealth management and advisory services to an extensive international client base.

MS N V SIMAMANE (51)

BSc (Biochem) (Hons)

Noma has been an independent non-executive director of The Foschini Group Limited since 2009.

Noma is currently a member of the audit sub-committee.

Noma has extensive marketing and advertising experience, having previously held the positions of marketing manager at Unilever, marketing director of British American Tabacco and managing director of BLGK Bates advertising agency. She is currently managing director of Zanusi Brand Solutions, a branding consultancy she founded in 2001. She has played an active role in the Association of Marketers in South Africa and has served on a regional advisory council of the UN Development Programme. She has worked in the United States and Kenya.

EXECUTIVE

MR R STEIN (61)

B Comm, CA(SA)

Ronnie was appointed to the board of The Foschini Group Limited in 1999.

He is currently a member of the risk committee and attends transformation and audit committee meetings as an invitee.

Ronnie is currently the chief financial officer. He joined the group in 1996 and was appointed to the operating board in 1997. Prior to joining the group he was an accountant and auditor in public practice. He was a partner at Kessel Feinstein for 15 years.

NOTICE OF ANNUAL GENERAL MEETING: ANNEXURE 2

Brief curricula vitaes of directors proposed for election to the board audit committee

In terms of section 94(2) of the Act, the audit committee is required to be elected by shareholders at each annual general meeting.

In terms of King III the audit committee must comprise a minimum of three independent non-executive directors and further in terms of the Regulations of the Companies Act at least one-third of the members of the committee must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Having regard to the above requirements, the nomination committee considered the expertise, experience and independence requirements of the members offering themselves for re-election and recommended to the board that the board propose the following candidates to shareholders:

Mr S E Abrahams

Mr W V Cuba

Ms N V Simamane

Mr E Oblowitz

Brief details of their qualifications and experience follow.

MR S E ABRAHAMS (72)
FCA, CA(SA)

Sam has been an independent non-executive director of The Foschini Group Limited since 1998.

Sam is a member of the nominations sub-committee and current chairman of the board audit sub-committee.

He is a very experienced director and was formerly the international partner and South African managing partner of Arthur Andersen.

He is also a non-executive director of Investec PLC and Investec Limited and chairman of their audit committees.

MR W V CUBA (56)
BSc (Land Surveying), BSc (Info. Systems), MBA

Vuli has been an independent non-executive director of The Foschini Group Limited since 1998.

Vuli is a member of the audit sub-committee.

Vuli has extensive business consulting experience having previously been employed by Accenture & Monitor Consulting. He is currently president and chairman of NGN Telecoms, a voice and data telephony business he founded in 2001. Prior to this he was the founder and head of Octagon, a business consulting and training organisation, as well as founding MTA Consulting. In 2008 he left Safika Holdings, a widely respected investment company which he co-founded in 1995 which specialises in taking an equity interest in black economic empowerment-driven transactions.

MR E OBLOWITZ (53)
B Comm, CA(SA), CPA (Isr)

Eddy was appointed as an independent non-executive director of The Foschini Group Limited on 1 October 2010.

Eddy is currently a member of the audit and risk sub-committees.

He has considerable audit experience having spent 21 years in professional practice, most notably as a senior partner of the Cape Town, Durban and Port Elizabeth offices of Arthur Andersen. In addition, he served as a member of the firm's worldwide Retail and Distribution Industry Team. He is currently the CEO of Stonehage Financial Services (Proprietary) Limited which provides multi-family office, wealth management and advisory services to an extensive international client base.

Eddy also serves as chairman of the audit committees of Mobile Industries Limited and Trencor Limited and as a member of the audit committee of Sun International Limited.

MS N V SIMAMANE (51)
BSc (Biochem) (Hons)

Noma has been an independent non-executive director of The Foschini Group Limited since 2009.

Noma is currently a member of the audit sub-committee.

Noma has extensive marketing and advertising experience, having previously held the positions of marketing manager at Unilever, marketing director of British American Tabacco and managing director of BLGK Bates advertising agency. She is currently managing director of Zanusi Brand Solutions, a branding consultancy she founded in 2001. She has played an active role in the Association of Marketers in South Africa and has served on a regional advisory council of the UN Development Programme. She has worked in the United States and Kenya.

APPLICATION TO PARTICIPATE ELECTRONICALLY IN THE AGM

The Foschini Group Limited

Incorporated in the Republic of South Africa
Registration number: 1937/009504/06
Share codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

Shareholders or their duly appointed proxy(ies) who wish to participate at the AGM via electronic communication ("participants") must apply to the company's transfer secretaries using the application form below.

Participants are advised that they will not be able to vote during the meeting. Such participants, should they wish to have their vote counted at the meeting, must act in accordance with the general instructions contained on page 261 of this notice.

Shareholders must take note of the following:

- A limited number of telecommunication lines will be available.
- Each participant will be contacted between 9:00 and 11:00 on Monday, 5 September 2011 via e-mail and/or SMS. Participants will be provided with a code and the relevant telephone number to allow them to dial in.
- The cost of the shareholder's phone call will be for his/her own expense.
- The cut-off time for electronic participation in the meeting will be at 12:12 on Monday, 5 September 2011 and no late dial-in will be possible.

APPLICATION FORM: ELECTRONIC PARTICIPATION

To be returned to the transfer secretaries Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) as soon as possible and no later than 11:30 on Wednesday, 31 August 2011.

Full name of shareholder	
ID number of shareholder	
E-mail address	
Cellphone number	
Telephone number (including dialling code from SA)	
Name of CSDP or broker (if shares are in dematerialised form)	
Contact number of CSDP/broker	
Contact person at CSDP/broker	
Number of share certificate (if applicable)	

Signature of shareholder

____

Date

____

Please take note of the terms and conditions overleaf.

APPLICATION TO PARTICIPATE ELECTRONICALLY IN THE AGM CONTINUED

Terms and conditions for participation at the AGM via electronic communication

(1) The cost of dialling in using a telecommunication line to participate at the AGM is for the expense of the participant and will be billed separately by the participant's own telephone service provider.

(2) The shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies TFG against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines whether or not the problem is caused by any act or omission on the part of the shareholder or anyone else.

(3) Shareholders who wish to participate in the meeting by dialling in must note that they will not be able to vote during the meeting. Such shareholders, should they wish to have their vote counted at the meeting, must act in accordance with the general instructions contained within this notice of AGM by:

a) completing the form of proxy; or

b) contacting their CSDP.

(4) The application form will only be deemed successful if this application form has been completed in full and signed by the shareholder/proxy.

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FORM OF PROXY

The Foschini Group Limited

Incorporated in the Republic of South Africa
Reg. No.: 1937/009504/06
Share codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

To be returned to The Transfer Secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) as soon as possible and not later than 11:30 on Wednesday, 31 August 2011.

FORM OF PROXY (N.B. FOR USE ONLY BY CERTIFICATED AND "OWN NAME" DEMATERIALISED SHAREHOLDERS)

ANNUAL GENERAL MEETING, 5 SEPTEMBER 2011

I/We (full names) ____________________

of (address) ____________________

being a member(s) of The Foschini Group Limited and entitled to ____________________ votes (ONE PER SHARE HELD)

hereby appoint ____________________ or failing him/her, ____________________

or failing him/her, the chairman of the meeting as my/our proxy to act for me/us at the annual general meeting of the company to be held at 12:15 on Monday, 5 September 2011 at Stanley Lewis Centre, 340 Voortrekker Road, Parow East and at any adjournment thereof as follows:

	Insert X in appropriate block		
	For	Against	Abstain
Ordinary resolution No. 1 – presentation of annual financial statements			
Ordinary resolution No. 2 – reappointment of external auditor			
Ordinary resolution No. 3 – election of Prof. F Abrahams as a director			
Ordinary resolution No. 4 – election of Mr E Oblowitz as a director			
Ordinary resolution No. 5 – election of Ms N V Simamane as a director			
Ordinary resolution No. 6 – election of Mr R Stein as a director			
Ordinary resolution No. 7 – election of Mr S E Abrahams as a member of the audit committee			
Ordinary resolution No. 8 – election of Mr W V Cuba as a member of the audit committee			
Ordinary resolution No. 9 – election of Mr E Oblowitz as a member of the audit committee			
Ordinary resolution No. 10 – election of Ms N V Simamane as a member of the audit committee			
Ordinary resolution No. 11 – non-binding advisory vote on remuneration policy			
Special resolution No. 1 – non-executive directors' remuneration			
Special resolution No. 2 – financial assistance			
Special resolution No. 3 – general authority to acquire shares			
Ordinary resolution No. 12 – general authority of directors			

Signed this ____________________ day of ____________________ 2011

Signature ____________________ Assisted by (where applicable) ____________________

Please read the notes on the reverse side of this proxy form.

FORM OF PROXY CONTINUED

NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, the chairman shall be deemed to be appointed as the proxy.
2. Unless otherwise instructed above, a proxy is entitled to vote as he thinks fit.
3. A proxy appointed by a member to attend, speak and vote in his stead need not also be a member of the company.
4. In order to be effective this proxy form, and the power of attorney or other authority (if any) under which it is signed, must be RECEIVED by the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited not less than twenty-four (24) hours before the time appointed for the holding of the meeting or any adjournment thereof, as the case may be, at which the proxy proposes to vote, excluding Saturdays, Sundays and public holidays.
5. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the chairman.
6. If you hold shares in certificated form (i.e. you have not dematerialised your shares) or are registered as an "own name" dematerialised shareholder, then you may attend and vote at this meeting; alternatively you may appoint a proxy to represent you at the meeting by completing the attached form of proxy and lodging it with the transfer secretaries of the company to be RECEIVED at least 24 hours before the time of the meeting, excluding Saturdays, Sundays and public holidays.
7. If you have dematerialised your shares and are not registered as an "own name dematerialised shareholder" (i.e. specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name on the company's sub-register), then, subject to the custody agreement between yourself and your CSDP or broker:
   - if you wish to attend the meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
   - if you are unable to attend the meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the meeting. You must NOT complete this form of proxy. The instructions must be provided in accordance with the custody agreement between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.
8. CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the meeting or by completing the attached form of proxy in accordance with the instructions thereon and lodging it with the transfer secretaries of the company at least 24 hours before the time of the meeting, excluding Saturdays, Sundays and public holidays.