TFG

INTEGRATED ANNUAL REPORT **2012**

ABOUT THIS REPORT

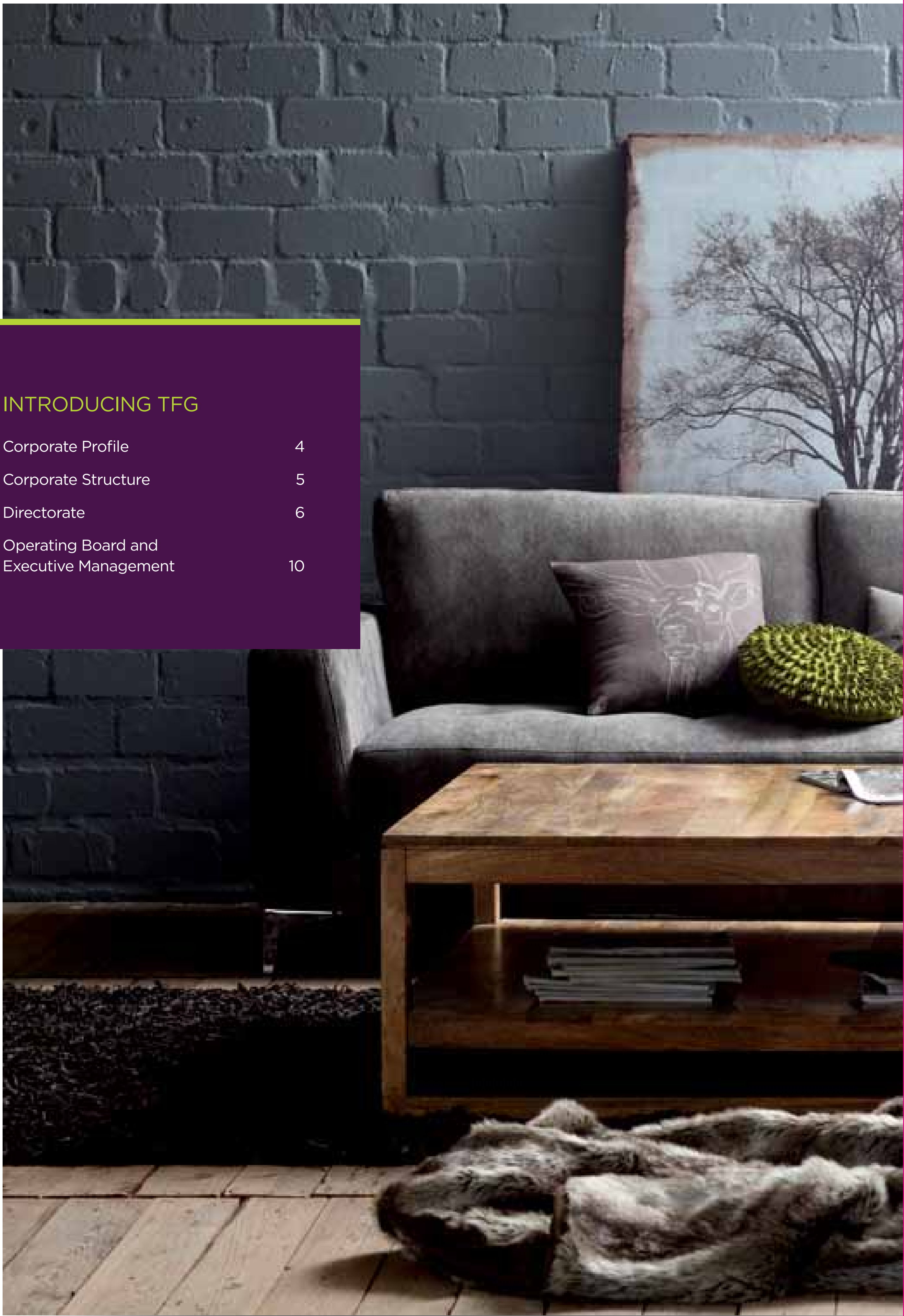
In line with the requirements of the King Code of Governance for South Africa (King III), The Foschini Group Limited (TFG) has again produced an integrated report. This report provides a consolidated review of the group's financial, social, economic and environmental performance for the period 1 April 2011 to 31 March 2012. 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.

This year, in order to present information that is most relevant to our stakeholders, we have included only abridged financial information. The detailed annual financial statements will be made available on TFG's website electronically (www.tfg.co.za) and hard copies will also be made available on request.

The report covers the activities of all of TFG's wholly-owned divisions, as well as its subsidiary, RCS Group, in which the group has a 55% shareholding. There have been no 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 on-line through our website (www.tfg.co.za). We have also provided on-line a detailed index 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.

To view this integrated annual report go to www.tfg.co.za



INTRODUCING TFG

CORPORATE PROFILE

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, Charles & Keith and Luella
- Markham division, branded as Markham and Fabiani
- Sports division, branded as Sportscene, Totalsports and Duesouth
- 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
- Prestige Clothing 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 is 61%.

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 Division** — Foschini • Donna-Claire, Fashion Express • Luella, Charles & Keith
- **Jewellery Division** — American Swiss, Sterns • Matrix
- **Markham Division** — Markham • Fabiani
- **Sports Division** — Sportscene • Totalsports, Duesouth
- **Retail Technology Division**
- **TFG Design Centre**
- **Prestige Clothing**
- **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.

DIRECTORATE

EXECUTIVE DIRECTORATE

A D MURRAY (55)
BA, CA

Appointed: 2007

Member of: Risk and Social and ethics committees

Meetings attended by invitation: Audit, Remuneration and Nominations committees
Joined the group: 1985

Doug was appointed as an executive director of The Foschini Group Limited in 2007. He is currently the CEO, 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 ten years prior to his appointment as CEO.

R STEIN (62)
B Comm, CA(SA)

Appointed: 1999

Member of: Risk committee

Meetings attended by invitation: Audit, and Social and ethics committees
Joined the group: 1996

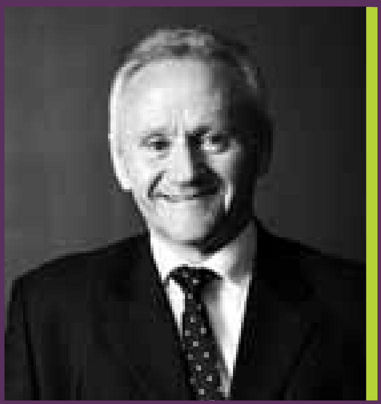
Ronnie is currently the CFO. He joined the group in 1996 and was appointed to the operating board in 1997. Prior to joining the group he was an accountant and auditor in public practice. He was a partner at Kessel Feinstein for 15 years.

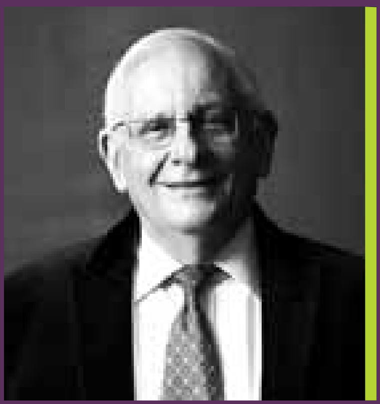
P S MEIRING (56)

Appointed: 2009

Joined the group: 1983

Peter is currently the group director of TFG'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 (62)
Chairman (appointed 2009)

Diploma in Law, Graduate Diploma in Company Law

Appointed: 1990

Member of: Remuneration, Risk, Nominations, and Social and ethics committees

Chairman of: Risk, Nominations, and Social and ethics committees.

Meetings attended by invitation: Audit committee

Also a director of: Clicks Group Limited, Distell Group Limited, Lewis Group 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.

S E Abrahams (73)
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.

Prof. F Abrahams (49)
B Econ (Hons), M Comm, D Comm

Appointed: 2003

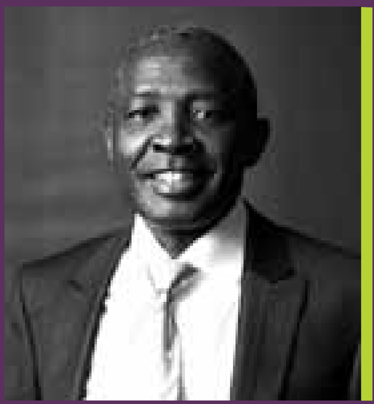
Member of: Remuneration, and Social and ethics committees

Chairperson of: Remuneration, and Transformation (sub-committee of Social and ethics committee) committees

Also a director of: Clicks Group Limited, Iliad Africa 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.

DIRECTORATE CONTINUED



NON-EXECUTIVE DIRECTORATE

W V Cuba (57)
BSc (Land Surveying), BSc (Info. Systems), MBA

Appointed: 1998

Member of: Audit 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 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.

M Lewis (53)
BA (Econ) (Hons)

Appointed: 1989

Member of: Nominations committee

Michael 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 (54)
B Comm, CA(SA), CPA (Isr)

Appointed: 2010

Member of: Audit and Risk committees

Also a director of: Mobile Industries Limited and Trencor Limited.

Eddy 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.

N V Simamane (52)
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.

COMMITTEES

AUDIT COMMITTEE
S E Abrahams (Chairman)
W V Cuba
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
A D Murray
R Stein

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

SOCIAL AND ETHICS COMMITTEE
D M Nurek (Chairman)
Prof. F Abrahams
A D Murray
R Stein (by invitation)

OPERATING BOARD

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

OPERATING BOARD

A D MURRAY (55)
BA, CA
CEO
Joined the group in 1985

A R BISOGNO (54)
Retail Director – Foschini division and TFG Design Centre
Joined the group in 1978

B J CURRY (50)
Chief Information Officer – TFG Infotec
Joined the group in 1988

D B GEDYE (53)
Retail Director – Sports division and Markham
Joined the group in 1979

P S MEIRING (56)
Group Director – TFG Financial Services
Joined the group in 1983

M MENDELSOHN (53)
Retail Director – Jewellery, Exact!, TFG Logistics and TFG Merchandise Procurement
Joined the group in 1982

G S NAIDOO (44)
BSoc.Sc (Hons), MA (Ind. Psych)
Retail Director – TFG Human Resources and @home
Joined the group in 2005

R STEIN (62)
B Comm, CA(SA)
CFO
Joined the group in 1996

EXECUTIVE MANAGEMENT

R F ADAMS (40)
BSc Eng (Elec), B Comm (Hons)
Chief Commercial Officer – RCS Group
Joined the RCS Group in 2004

S A ANNENBERG (51)
Managing Director – Exact!
Joined the group in 1985

S A BAIRD (46)
General Manager – Operations: Foschini division
Joined the group in 1986

G G BRAND (63)
CA(SA)
General Manager – TFG Finance and Administration
Joined the group in 1983

G CHOICE (50)
General Manager – Prestige Clothing
Joined the group in 2012

S E EAGLE (53)
Managing Director – TFG Merchandise Procurement
Joined the group in 1998

B G FLY (44)
General Manager – Retail Technology division
Joined the group in 1996

R A J HARRIS (48)
General Manager – Merchandise: Foschini division
Joined the group in 1996

A L KLEINMAN (53)
BSc, MBA
Managing Director – Jewellery division
Joined the group in 1984

C C LANGE (52)
B Econ
General Manager – Merchandise: Donna-Claire and Fashion Express
Joined the group in 1981

J A LEDGER (49)
General Manager – TFG Design Centre
Joined the group in 2003

M MARITZ (44)
Managing Director – Markham
Joined the group in 2001

A D METELO-LIQUITO (51)
M Comm
General Manager – TFG Financial Services: Publishing and Insurance
Joined the group in 1995

S E MORLEY (42)
BSoc. Science
General Manager – TFG Human Resources
Joined the group in 2002

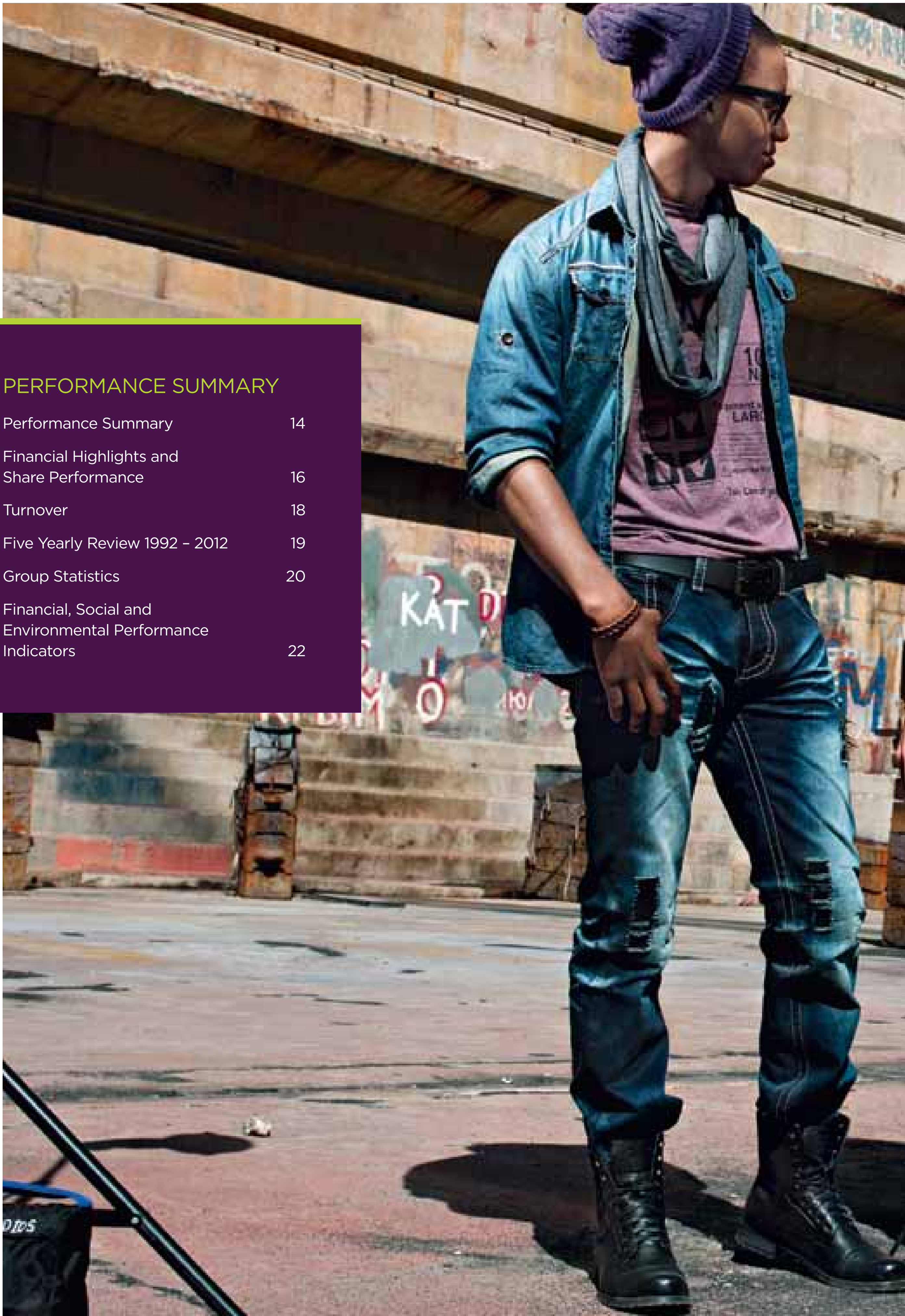
K SAKALIS (44)
B Bus Sc (Hons)
General Manager – CRM and Communications
Joined the group in 1994

K L SCHREUDER (59)
BA
Managing Director – TFG Property
Joined the group in 1976

J J SNYMAN (38)
CA(SA)
Chief Financial Officer – RCS Group
Joined the RCS Group in 2003

J A TUKKER (42)
BSc, MBA
General Manager – TFG Logistics
Joined the group in 1998

S VD MERWE (47)
B Comm (Hons)
Managing Director – RCS Group
Joined the RCS Group in 2006



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

- Following from our favourable performance last year the 2012 financial year was a further good year for the group. We gained significant market share in all our product categories, benefiting from our strategic initiatives as well as the improved economy. All our divisions traded well.
- Our Financial Services business and our 55% investment in the RCS Group, an operationally independent consumer finance business, also performed well, delivering increased profits.
- Supply chain optimisation has started to deliver positive impacts on TFG's merchandise offering. As the group builds the capability to react faster to changing trends, so customers benefit from a merchandise offering that is more relevant and more compelling.
- Buying efficiencies achieved during the year as a result of our supply chain initiatives, were once again passed on to our customers.
- 581 000 new accounts were added during the year, increasing our active account base at year-end by 8,2%. Credit was introduced in Lesotho and Botswana for the first time.
- We made three acquisitions, Fabiani, Prestige Clothing and G-Star (1 April 2012) and opened 150 new stores, including 18 outside of South Africa. These developments have driven an increase in our permanent and flexible staff complement.
- Monthly reporting by stores has been enhanced through the inclusion of reporting against stock turn and other key performance indicators which are aligned to strategic objectives.
- We introduced a customer rewards programme and since its launch on 1 November 2011 we have obtained 650 000 cash customers through this programme to date. Whilst the programme was initially launched for cash customers, it will be rolled out to credit customers within the next year.
- We increased our total investment spend on talent development by 13,8% on last year and introduced additional initiatives aimed at developing and retaining talent in our workforce.
- TFG is currently ranked 40th by market capital of companies listed on the JSE (as at 29 June 2012).
- TFG was placed fifth in the retail sector in the Financial Mail's Top Companies report published in June 2012.
- We were ranked fourth in the 2012 Empowerdex/Financial Mail Top Empowerment company survey within the retail sector.
- We finalised our sustainability strategy and agreed a clear set of sustainability objectives and performance targets. We have made useful progress in starting to implement this strategy and in ensuring that it is integrated across our activities.

CHALLENGES AND STRATEGIC FOCUS AREAS

- Sustaining a strong performance amid an increasingly uncertain global economic outlook. While we expect the more positive consumer sentiment to continue, we are mindful that South African consumers remain under financial pressure.
- Further expand our store base both within South Africa and existing territories as well as into other parts of Africa. A key focus area will be ensuring that an appropriate structure is implemented to manage the African region. Ensuring full compliance outside of South Africa is a challenge as each territory has its own legislative requirements, as well as its own logistical challenges.
- 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.
- Continuing to build a flexible and sustainable supply base to ensure that TFG is able to react to developing trends faster, replenishing goods in season and thereby meeting

customers' preferences for the latest fashion.

- Increasing the number of credit customers with active accounts, launching customer rewards for credit customers and introducing a more comprehensive range of credit offerings.
- Ongoing focus on investing in talent development to ensure a supply of talent and skills to meet our business requirements; improving representation of previously disadvantaged groups at senior levels remains a challenge.
- Repositioning of our Jewellery division, to drive old store growth and to identify additional expansion opportunities.
- Driving implementation and integration of our sustainability road-map across the group. 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 17,0% TO R11,6 BILLION	HEADLINE EARNINGS PER SHARE UP 22,1% TO 772,0 CENTS	DILUTED HEADLINE EARNINGS PER SHARE UP 23,6% TO 766,1 CENTS	FINAL DIVIDEND PER SHARE INCREASED BY 25,0% TO 265,0 CENTS PER SHARE

FINANCIAL STATISTICS AND TARGETS	Medium-term target	2012	2011
Operating margin (%)	25,0	**24,0**	23,2
Net bad debt write-off as a % of debtors' book – retail		**9,4**	9,2
ROE (%)	32,0	**26,4**	24,3
Current ratio (times)		**3,1**	2,4
Debt:equity ratio (%)	40,0	**44,1**	34,0
Recourse debt:equity ratio (%)		**14,8**	16,3
Total liabilities to total equity (%)		**87,3**	79,9
Net borrowings to EBITDA (times)		**1,0**	0,8
Finance charge cover (times)		**9,8**	9,2
EBITDA finance charge cover (times)		**10,9**	10,3
Dividend cover (times)		**1,7**	1,8
Number of stores		**1 857**	1 727
Square metres		**579 365**	537 951
Stock turn			
– jewellery		**1,9**	1,9
– @home		**2,1**	2,1
– other		**3,5**	3,7

SHARE PERFORMANCE	2012	2011
Market price per share (cents)		
– at year-end	**12 368**	8 465
– highest	**12 440**	9 528
– lowest	**8 201**	6 172
– average	**9 720**	7 640
Number of beneficial shareholdings	**3 914**	3 897
Price/earnings ratio at year-end	**16,04**	13,43
Dividend yield	**3,3**	3,6
Number of shares traded during the year (millions)	**259,1**	261,6
Volume traded/number of shares in issue (%)	**107,7**	108,8
Market capitalisation (Rm)	**29 744,8**	20 480,8

TOTAL DIVIDEND PER SHARE FOR THE YEAR INCREASED BY
30,0% TO 455,0 CENTS PER SHARE

CONTINUED
GROWTH IN NEW ACCOUNTS

SUSTAINED
STRONG FINANCIAL POSITION

STRONG
MARKET SHARE GAINS

FINANCIAL HIGHLIGHTS AND SALIENT FEATURES

	% change	2012	2011
Retail turnover (Rm)	17,0	**11 630,5**	9 936,5
Operating profit before finance charges (Rm)	21,1	**2 786,5**	2 301,2
EBITDA (Rm)	19,9	**3 098,1**	2 583,9
Profit before tax (Rm)	22,0	**2 501,6**	2 051,1
Headline earnings (Rm)	21,3	**1 584,2**	1 305,6
Profit attributable to equity holders of The Foschini Group Limited (Rm)	21,5	**1 582,1**	1 301,8
Total shareholders' interest (Rm)	15,2	**6 293,1**	5 462,9
Total equity	15,4	**6 864,2**	5 948,5
Total liabilities	26,0	**5 992,2**	4 754,0
Net borrowings	49,6	**3 026,8**	2 023,4
Earnings per ordinary share* (cents)	22,3	**771,0**	630,4
Headline earnings per ordinary share* (cents)	22,1	**772,0**	632,3
Tangible net asset value per ordinary share** (cents)	13,4	**2 995,8**	2 642,9
Dividend per share (cents) – interim	37,7	**190,0**	138,0
Dividend per share (cents) – final	25,0	**265,0**	212,0
Dividend per share (cents) – total	30,0	**455,0**	350,0
Gross number of shares in issue (millions)		**240,5**	240,5
Net number of shares in issue (millions)		**206,4**	205,3
Weighted average number of shares in issue		**205,2**	206,5
Closing US$ conversion rate		**7,74**	6,81
Average US$ conversion rate		**7,62**	7,23

* Based on the weighted average number of shares in issue

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

TURNOVER

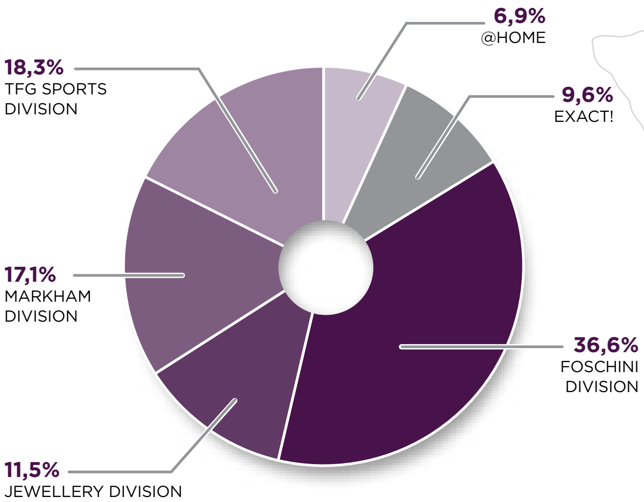
TURNOVER AND STORES BY GEOGRAPHIC REGION

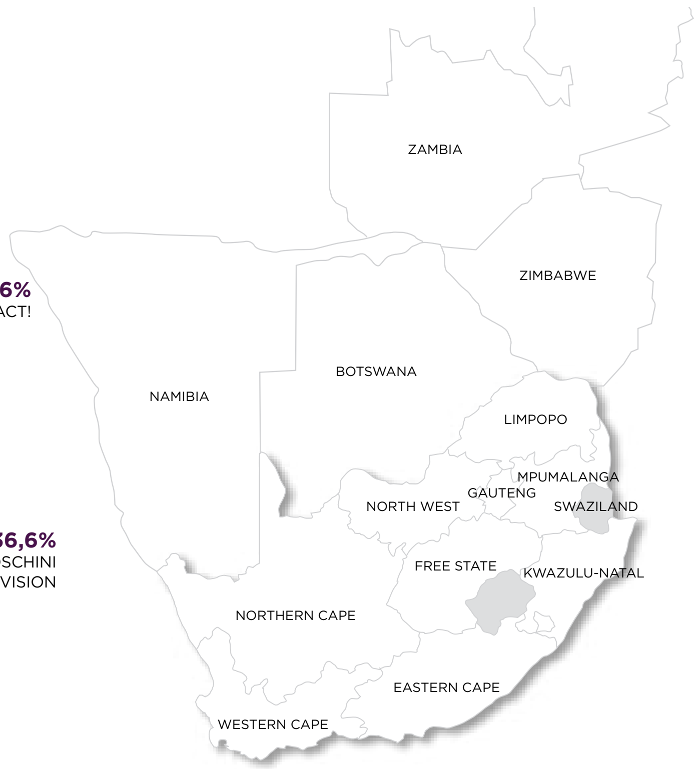
	2012			2011		
	Number of stores	**Turnover Rm**	**% contribution**	Number of stores	Turnover Rm	% contribution
Botswana	**11**	**59,0**	**0,5**	6	43,2	0,4
Eastern Cape	**139**	**838,3**	**7,2**	132	737,4	7,4
Free State	**126**	**713,0**	**6,2**	124	600,3	6,1
Gauteng	**526**	**3 770,3**	**32,4**	482	3 208,8	32,3
KwaZulu-Natal	**213**	**1 423,6**	**12,2**	198	1 226,9	12,3
Lesotho	**2**	**16,5**	**0,1**	–	–	–
Limpopo	**115**	**720,3**	**6,2**	103	594,5	6,0
Mpumalanga	**118**	**662,4**	**5,7**	116	561,8	5,7
Namibia	**58**	**353,5**	**3,0**	55	302,5	3,0
North West	**88**	**543,6**	**4,7**	89	475,8	4,8
Northern Cape	**65**	**352,1**	**3,0**	63	287,6	2,9
Swaziland	**4**	**10,3**	**0,1**	4	11,4	0,1
Western Cape	**380**	**2 134,9**	**18,4**	351	1 878,0	18,9
Zambia	**12**	**32,7**	**0,3**	4	8,3	0,1
	1 857	**11 630,5**	**100,0**	1 727	9 936,5	100,0

TURNOVER BY DIVISION

		2012		2011	
	% change	**Turnover Rm**	**% contribution**	Turnover Rm	% contribution
@home	18,0	**801,8**	**6,9**	679,0	6,8
Exact!	19,9	**1 118,1**	**9,6**	932,7	9,4
Foschini division	14,3	**4 254,3**	**36,6**	3 719,0	37,4
Jewellery division	9,2	**1 334,4**	**11,5**	1 221,1	12,3
Markham division	21,7	**1 991,1**	**17,1**	1 634,7	16,5
TFG Sports division	21,8	**2 130,8**	**18,3**	1 750,0	17,6
	17,0	**11 630,5**	**100,0**	9 936,5	100,0

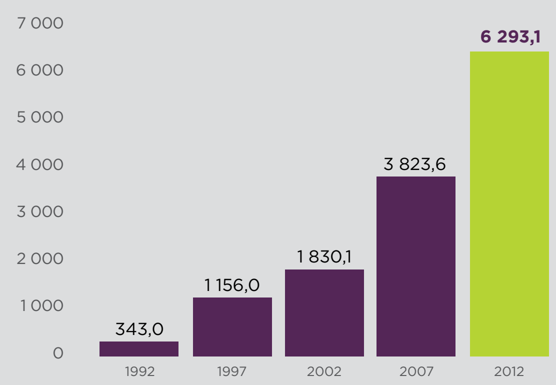
CONTRIBUTION 2012



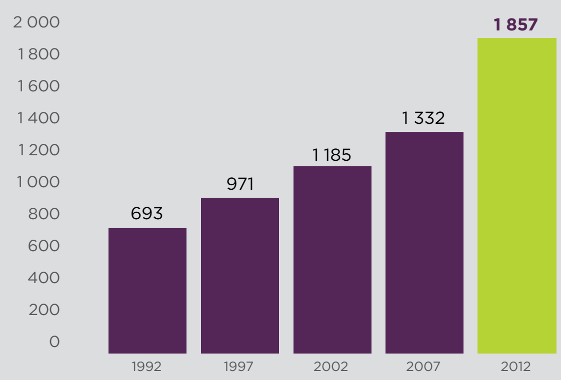


FIVE YEARLY REVIEW 1992 – 2012

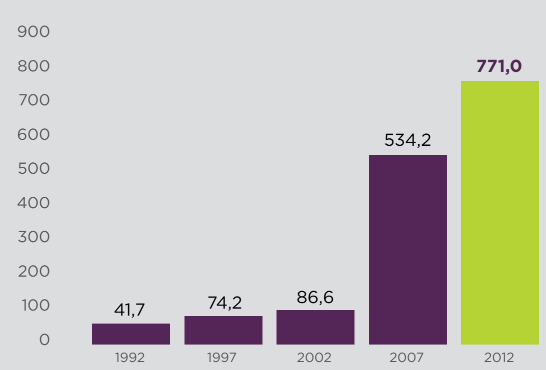
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE FOSCHINI GROUP LIMITED (Rm)



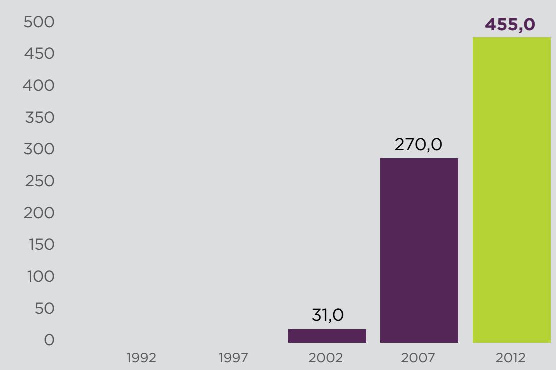
NUMBER OF STORES



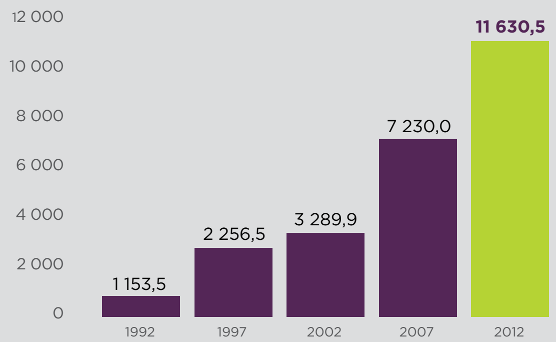
EARNINGS PER ORDINARY SHARE (CENTS)*



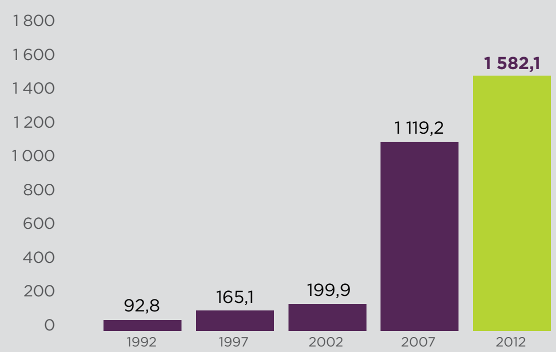
CASH DIVIDENDS DECLARED PER ORDINARY SHARE (CENTS)#



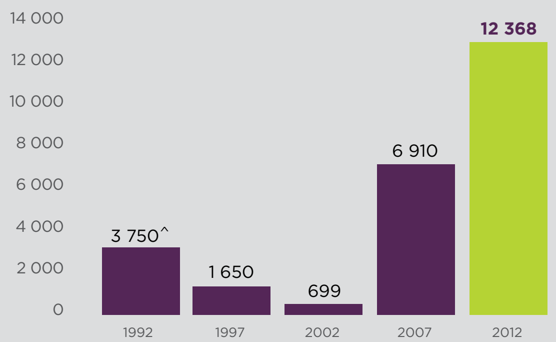
TURNOVER (Rm)



ATTRIBUTABLE EARNINGS (Rm)



CLOSING SHARE PRICE (CENTS)



* Comparative figures have been restated in terms of the increased number of shares in issue resulting from sub-divisions and capitalisation issues. Where applicable, earnings are shown before extraordinary/exceptional items. From 2000 earnings are based on the weighted average number of shares in issue.

\# In 1992 and 1997 there were only capitalisation issues

^ Prior to share split in 1994

GROUP STATISTICS

Years ended	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Profitability										
Retail turnover (Rm)	**11 630,5**	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
Operating profit before finance charges (Rm)	**2 786,5**	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
Profit attributable to equity holders of The Foschini Group Limited (Rm)	**1 582,1**	1 301,8	1 085,6	1 145,8	1 128,4	1 119,2	986,9	767,0	516,9	359,5
Headline earnings (Rm)	**1 584,2**	1 305,6	1 085,6	1 145,8	1 128,4	1 119,2	986,9	767,0	523,4	364,8
Statement of financial position										
Non-current assets (Rm)	**2 805,9**	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
Current assets (Rm)	**10 050,5**	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
Total assets (Rm)	**12 856,4**	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
Total shareholders' interest (Rm)	**6 293,1**	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
Non-controlling interest (Rm)	**571,1**	485,6	427,0	359,2	290,9	181,3	88,9	16,0	10,1	5,1
Non-current liabilities (Rm)	**2 747,3**	1 288,4	1 944,0	2 082,9	1 036,7	1 282,4	1 064,2	1 038,6	554,5	514,7
Current liabilities (Rm)	**3 244,9**	3 465,6	1 807,6	1 725,6	2 007,7	1 496,4	1 427,3	1 368,6	1 034,7	788,5
Total equity and liabilities (Rm)	**12 856,4**	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
Cash flow statement										
Cash flows from operating activities (Rm)	**(376,9)**	150,1	364,5	319,9	(44,4)	99,3	(97,3)	86,7	289,9	288,3
Cash flows from investing activities (Rm)	**(403,8)**	(369,0)	(270,3)	(536,2)	(52,2)	(112,7)	51,5	(165,7)	(187,3)	(155,1)
Cash flows from financing activities (Rm)	**1 153,0**	273,4	(106,4)	343,0	63,8	20,0	72,1	86,0	(100,6)	(132,8)
Net increase (decrease) in cash (Rm)	**372,3**	54,5	(12,2)	126,7	(32,8)	6,6	26,3	7,0	2,0	0,4
Cash at the beginning of the year (Rm)	**338,5**	284,0	296,2	169,5	202,3*	62,5	36,2	29,2	27,2	26,8
Effect of exchange rate fluctuations on cash held	**0,1**	–	–	–	–	–	–	–	–	–
Cash at the end of the year (Rm)	**710,9**	338,5	284,0	296,2	169,5	69,1	62,5	36,2	29,2	27,2

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

Years ended	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Performance measures/ratios										
Turnover growth (%)	**17,0**	15,5	6,4	5,5	6,1	12,4	21,8	19,7	13,6	18,0
Operating margin (%)	**24,0**	23,2	22,9	25,0	24,8	26,1	24,3	22,8	18,5	15,0
Debt:equity ratio (%)	**44,1**	34,0	27,1	33,5	36,2	18,8	16,2	12,7	4,0	8,6
Total liabilities to shareholders' interest (times)	**0,95**	0,87	0,74	0,85	0,79	0,73	0,76	0,96	0,69	0,63
Current ratio (times)	**3,1**	2,4	3,7	3,4	2,5	3,1	3,0	2,5	2,7	3,3
Headline earnings per ordinary share (HEPS) (cents)	**772,0**	632,3	521,4	559,5	547,0	534,2	463,0	359,6	237,1	162,2
Change in HEPS (%)	**22,1**	21,3	(6,8)	2,3	2,4	15,4	28,8	51,7	46,2	84,5
Dividends declared per ordinary share (DPS) (cents)	**455,0**	350,0	288,0	288,0	288,0	270,0	220,0	164,0	94,0	56,0
Tangible net asset value per ordinary share (cents)	**2 995,8**	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
Market capitalisation (Rm)	**29 744,8**	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
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)	**205,2**	206,5	208,2	204,8	206,3	209,5	213,1	213,3	220,7	224,9
Net number of ordinary shares on which net asset value per shares is calculated (millions)	**206,4**	205,3	209,0	207,3	204,6	212,0	212,6	211,9	218,4	223,6
Number of stores	**1 857**	1 727	1 627	1 539	1 393	1 332	1 273	1 233	1 197	1 188
Floor area (gross square metres)	**579 365**	537 951	505 676	467 420	410 378	380 615	354 747	334 662	323 459	317 381

Notes

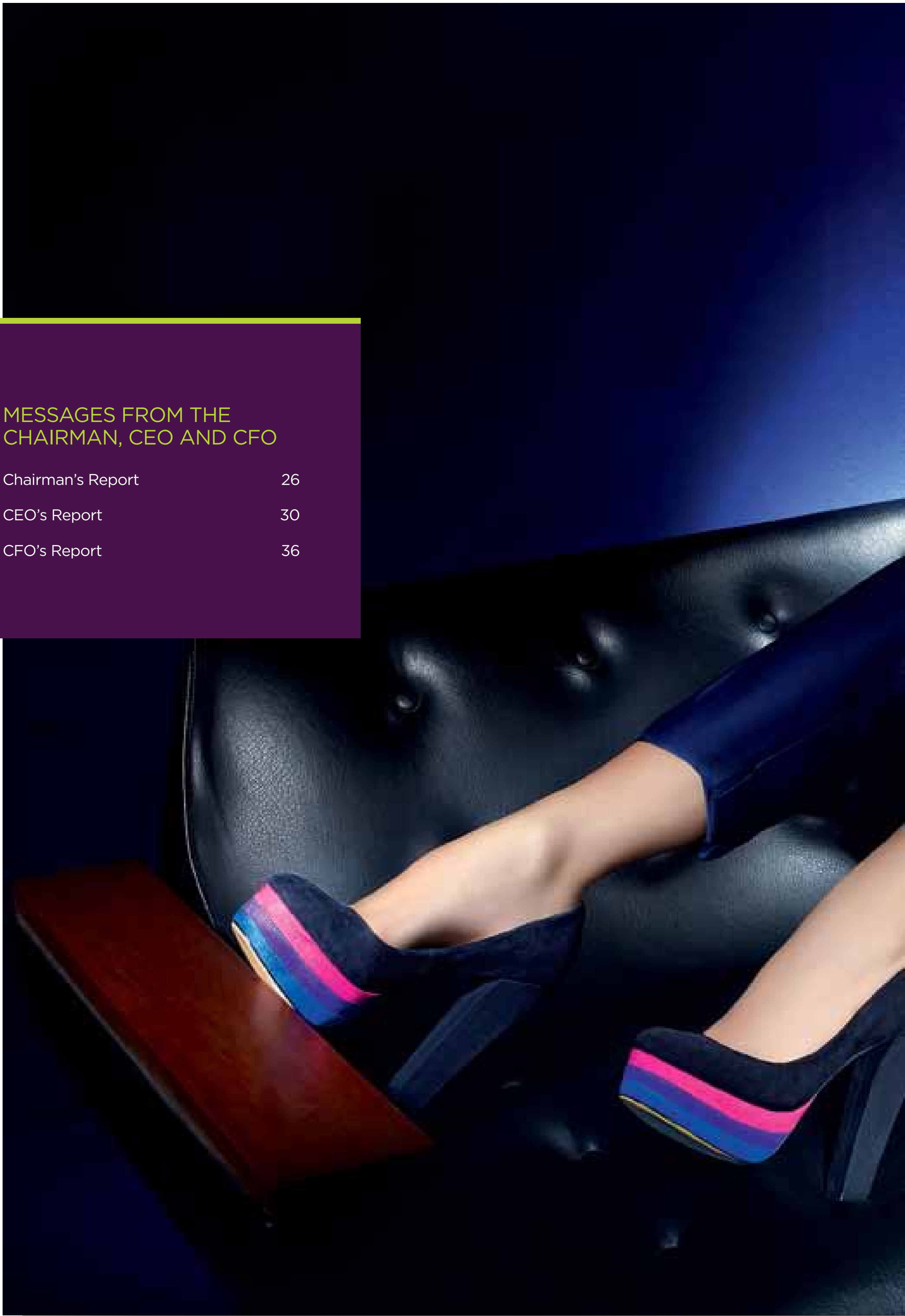
When an accounting policy has been changed, comparative figures have been restated in accordance with the new policy.

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	2012	2011
Retail turnover (Rm)	17,0	**11 630,5**	9 936,5
Operating profit before finance charges (Rm)	21,1	**2 786,5**	2 301,2
EBITDA (Rm)	19,9	**3 098,1**	2 583,9
Headline earnings (Rm)	21,3	**1 584,2**	1 305,6
Earnings per ordinary share (cents)	22,3	**771,0**	630,4
Headline earnings per ordinary share (cents)	22,1	**772,0**	632,3
Dividend declared per ordinary share (cents)	30,0	**455,0**	350,0
Value added	18,0	**5 293,0**	4 484,0
Total number of stores	7,5	**1 857**	1 727
Total number of distribution centres	12,5	**9**	8
Total procurement from BBBEE sources (%)#	17,1	**76,0**	64,9
Number of environmental, health and safety and/or governance legal incidents		**none**	none
Total number of employees:			
Permanent full-time employees	4,1	**11 420**	10 969
Permanent part-time employees	(21,6)	**251**	320
Flexitime employees	8,8	**3 951**	3 632
Contract employees	(5,4)	**701**	741
Casual employees	(27,2)	**147**	202
Employee turnover (excluding contractors) %	8,0	**32,4**	30,0
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
Top management	–	**11,1**	11,1
Senior management	12,2	**16,6**	14,8
Specialists and middle management	8,8	**42,0**	38,6
Skilled technical and junior management	3,2	**81,0**	78,5
Semi and unskilled employees	0,5	**96,4**	95,9

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



MESSAGES FROM THE CHAIRMAN, CEO AND CFO

CHAIRMAN'S REPORT

OVERVIEW

The 2012 financial year was a further good year for our group, following from our favourable performance last year. What is most encouraging is that we gained significant market share in all our product categories driven by the group's strategic initiatives dealt with more fully elsewhere in this report.

The group's headline earnings per share increased by 22,1%.

All our divisions traded well. Our financial services business fared well with its profit growth increasing. Furthermore, our 55% investment in the RCS Group, our operationally independent consumer finance business, also performed well with a growth in earnings of 25,3%.

Our group has a strong balance sheet which has allowed us to invest for future growth. During the year, 150 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.

Household expenditure increased by 4,1% during the fourth quarter of 2011, mostly driven by growth in consumption of semi-durable and durable goods. Even though household debt increased marginally, its ratio to disposable income declined during 2011 from 77,1% in Q1 to 74,6% in Q4.

Employment levels improved yet again during the last quarter of 2011, rising by 2,8% year on year bringing the unemployment rate down to 24,9%.

David Nurek
Chairman

THE 2012 FINANCIAL YEAR WAS A FURTHER GOOD YEAR FOR OUR GROUP, FOLLOWING FROM OUR FAVOURABLE PERFORMANCE LAST YEAR.

ECONOMY AND OPERATING ENVIRONMENT

Global economic fragility, largely fuelled by the European sovereign debt crisis has clouded the outlook for the SA economy and resulted in the Bureau for Economic Research (BER) forecasting GDP at 2,8% in 2012 and 3,6% in 2013.

The outlook for the global economy remains highly uncertain. After improving in the early stages of 2012, more recent events in Europe have created greater uncertainty.

Africa has emerged as an attractive growth opportunity. The South African economy grew by 3,2% (annualised) during the fourth quarter of 2011 which was an acceleration on the previous quarter. This growth was partly driven by consumer demand.

On the financial front, the SA Reserve Bank decided at the end of May 2012 to keep its repo rate unchanged at 5,5% even though the headline inflation rate has breached the 6% target ceiling since November 2011. The biggest contributors to inflation have been increases in the price of food, fuel and utilities. The BER now expects headline CPI inflation to remain above 6% for 2012 as a whole. At this stage it seems as if the Central Bank will keep interest rates unchanged through 2012.

The recent events have highlighted how susceptible the Rand exchange rate is to a sudden change in global investor risk sentiment. After trading around the R7,60/$ at the end of March, the Rand has weakened to around R8,40/$ at the date of this report.

CHAIRMAN'S REPORT CONTINUED

TRANSFORMATION

Our transformation committee continues with 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 2012, our group has again fared well.

GOVERNANCE

During the year a Social and ethics committee was established as required by the Companies Act, with the transformation committee now operating as a sub-committee of the newly-formed committee.

We have a formalised structure for governing the business and how we hold ourselves accountable for our actions. TFG's board of directors is the foundation of corporate governance in the group.

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, transformation and social and ethics, 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.

Our group is compliant with the King III Code of Corporate Governance.

INTEGRATED REPORTING

We continue to provide an integrated report that takes cognisance of the impact of 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 meaningful impact, we have

broader societal issues 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 again sought to provide sufficient context to enable our stakeholders to understand the key socio-economic, governance and environmental trends that may affect the group and to appreciate the impact, both positive and negative, of our operations on the resources and relationships that we depend on to create value for our shareholders.

provided an account of our performance over the past year. We have once again integrated our account of our sustainability performance within each of our operational reviews.

DIRECTORATE

Dennis Polak, after 39 years as an executive and four years as a non-executive director of our group, resigned from the board due to his future travel commitments precluding him from attending board meetings. We wish Dennis well and thank him for the enormous contribution he has made to the group over the last 43 years.

In addition, subsequent to the year-end Ms Khanyi Dhlomo has resigned as a non-executive director for personal reasons. We thank Khanyi for her contribution over the past three years.

LOOKING AHEAD

After two favourable trading periods, the challenge we face next year is to deliver a similar performance.

Whilst there has been a softening of turnover since January of this year, I am confident that we can again deliver a satisfactory performance, mindful, however, of the strong comparative base.

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

29 June 2012

CHIEF EXECUTIVE OFFICER'S REPORT

Doug Murray
CEO

GROUP OVERVIEW

In our last annual report we indicated that all our divisions are well positioned to continue benefiting from our strategic initiatives as well as from the improved economy.

Stronger consumer spending, which became evident to us last year and more particularly in the second half of last year, has continued into this financial year, with Christmas trading above expectation.

Our group trades predominantly in the mass middle market space and our customers continue to benefit from the more positive consumer sentiment which has been driven by real wage increases and sustained lower interest rates.

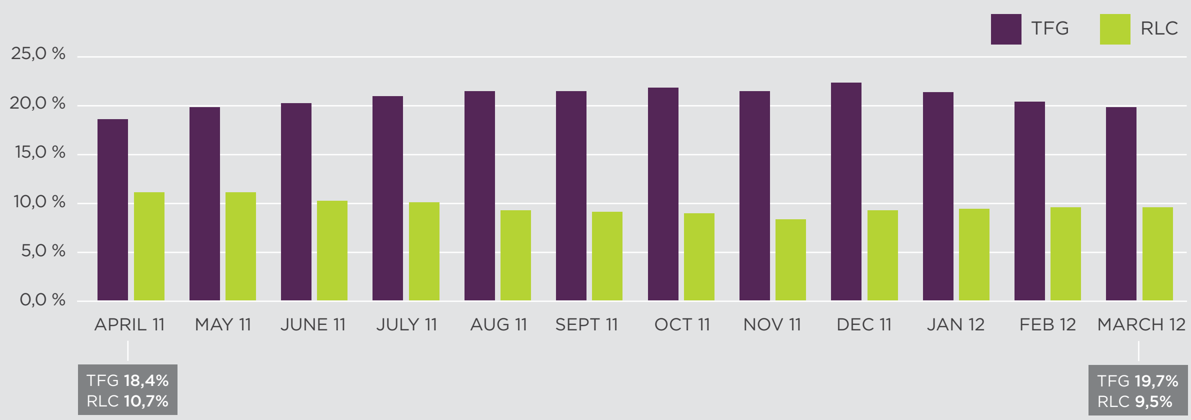
Against this background, together with the strategic initiatives undertaken by our group, the group has produced a good result for this year.

As I mentioned last year, in line with our strategy of driving top-line growth, buying efficiencies achieved during the year as a result of our supply chain initiatives, were once again passed on to our customers. All our product categories have gained market share during the year as evidenced by the Retail Liaison Committee (RLC) and other statistics.

Our group's strategic objectives, which I referred to last year, have continued into the current year. Our supply chain initiative to ensure, inter alia, that lead times in ordering, acquiring and distributing stock are reduced to the minimum and to enable us to replenish stock in season, have enabled us to provide a more consistent delivery of our merchandise promise to our customers. With effect from 1 March 2012 and as a continuation of our ongoing supply chain initiatives, we have purchased our long-standing clothing manufacturing supplier, Prestige Clothing. This will improve the group's competitive advantage and enable us to meet the increased demands for in-season fast-fashion merchandise.

Being a credit retailer, it is essential to continue to grow the size of our active debtors' book. We have continued with our customer relationship management (CRM) strategy of actively pursuing new accounts and maximising low usage of available credit. Following from our success in the prior year when 590 000 new accounts were opened, we were again successful in opening a further 581 000 new accounts and increasing our active accounts by a further 8,2%.

TFG VS RLC MOVING AVERAGE CLOTHING TURNOVER GROWTH



CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

In November 2011 we launched our new and exciting rewards card, initially to cash customers. The purpose of this card is to understand the buying habits of our cash customers in order to increase their annual purchases from our group and I'm very pleased to report that this card has been extremely positively received. To date we have over 650 000 cash customers who have signed up for the rewards programme. It is our intention, towards the latter part of this year, to extend the rewards programme to our 2,5 million credit customer base which we feel should create spending uplift by our credit customers and boost overall turnover.

Our RCS subsidiary which is an operationally independent consumer finance business, performed well during the year with net profit before tax increasing by 25,3% to R345,2 million. Last year we indicated that it is our intention to reduce our shareholding in this subsidiary to below 50%. We aim to achieve this through a separate listing of RCS at some point in the future.

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 17,0% to R11,6 billion;
- EBITDA at R3 098,1 million;
- headline earnings per share up 22,1% to 772,0 cents;
- diluted headline earnings per share up 23,6% to 766,1 cents;
- final dividend up 25% to 265,0 cents per share;
- total dividend of 455,0 cents per share; and
- strong market share gains in all product categories.

TRADING PERFORMANCE

After a good first half performance, all divisions continued to perform well in the second half, albeit off a very strong comparative base resulting in turnover growth of 17% for the year.

Same-store turnover grew by 10,6% whilst product inflation averaged approximately 6% for the year. Cash sales as a percentage of total sales increased to 39,0% from 38,5%.

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

	Number of stores	Retail turnover Rm	% change
@home	88	801,8	18,0
Exact!	215	1 118,1	19,9
Foschini division	516	4 254,3	14,3
Jewellery division	395	1 334,4	9,2
Markham division	266	1 991,1	21,7
TFG Sports division	377	2 130,8	21,8
Total	1 857	11 630,5	17,0

@home increased its store base by five stores and is now trading out of 88 stores, 14 of which are the larger @homelivingspace stores. Turnover grew by 18,0% with same-store turnover growth of 13,5%. Over the last two years greater focus has been placed on merchandise efficiencies with excellent results.

Exact! increased its store base by seven stores and is now trading out of 215 stores. Clothing turnover increased by 21,8% with clothing same-store turnover growth of 18,0%. The focus on clothing price points continues to be very successful. Cellphone turnover increased by 10,8% with total same-store turnover increasing by 16,4%.

The **Foschini division** comprising Foschini, Donna-Claire, Fashion Express, Luella and Charles & Keith, increased its store base by 32 stores and is now trading out of 516 stores. Clothing turnover grew by 15,6% with clothing same-store turnover growth of 10,0%. Cosmetics same-store turnover grew by 5,6%. Same-store turnover of cellphones increased by 9,8%, whilst total same-store turnover increased by 8,9%.

The **Jewellery division** comprising American Swiss, Sterns and Matrix increased its store base by 14 stores and is now trading out of 395 stores. Jewellery merchandise turnover grew by 8,5% whilst cellphone turnover increased by 13,9%. Jewellery same-store turnover grew by 3,0% and total same-store turnover increased by 4,1%.

The **Markham division** including Fabiani increased its store base by 19 stores and is now trading out of 266 stores. Clothing turnover growth was 22,1% whilst cellphone turnover increased by 19,1%. Clothing same-store turnover grew by 15,5% whilst cellphone same-store turnover increased by 14,3%. Total same-store turnover increased by 15,4%.

TFG Sports division, trading as Totalsports, Sportscene and Duesouth, increased its store base by 53 stores and is now trading out of 377 stores. Clothing turnover growth was 17,6%, notwithstanding the 2010 FIFA World Cup™ inflated base. During the year this division continued introducing cellphones into its product offering with positive results. Clothing same-store turnover grew by 6,8% whilst total same-store growth was 10,8%. Excluding the base effect of the World Cup months of May and June last year, same-store clothing growth was 12,2%.

TFG Financial Services' retail debtors' book, which amounts to R4,6 billion, increased by 19,5% during the year, reflecting the impact of good account growth, increased credit sales and the increase in the number of 12-month accounts. New accounts have been sourced in the main from in-store account openings, where there is an inherently greater risk of bad debt than from established accounts. Having regard to the increase in unsecured lending and the growth in new accounts, bad debt as a percentage of closing debtors' book was within management's expectations, increasing to 9,4% from 9,2% in the previous year.

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 arising from the interest-capping formula under the National Credit Act, the RCS Group performed well during the year with net profit before tax increasing by 25,3% to R345,2 million. Net bad debt further improved with a reduction of 13,9% compared to the previous year. Its debtors' book of R3,4 billion increased by 19,5% during the year as its advances to customers increased.

Its domestic medium-term note (DMTN) programme continues to be successfully implemented with R1,9 billion of funding being raised in a mixture of long- and short-term paper. At the year-end the RCS Group had surplus funding of approximately R1 billion which is available to support its future growth.

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

STRATEGY

As detailed in the Strategic Agenda section which appears later in this report, our group currently has the following five strategic objectives:

1. Optimising our supply chain
2. CRM focus
3. Capital C (store optimisation with a customer focus)
4. Developing new markets and expanding our store base
5. Repositioning our Jewellery division

The primary strategic focus across our divisions is to improve our customers' experience by constantly developing our merchandise offering to consistently meet their preferences and by targeted expansion and upgrading of our store base. The two major drivers of this continue to be our supply chain initiatives and our CRM activities.

During the reporting period we finalised our sustainability strategy and agreed to a clear set of sustainability objectives and performance targets. We have made useful progress in starting to implement this strategy and in ensuring that it is integrated across our activities. Responding to what we have identified as our most material sustainability issues that have a bearing on our core business strategy, our sustainability strategy focuses on five strategic focus areas: supply chain, people, optimisation, socio-economic development and governance. In the interests of good governance and accountability and to meet the expectations of our stakeholders, we have once again provided a separate detailed review of our performance against each of the criteria of the international Global Reporting Initiative's Sustainability Reporting Guidelines which is available on our group's website.

NEW BRANDS

Effective from 1 October 2011, our group acquired the luxury menswear brand, Fabiani, which gave our group an entry into the high-end customer segment where we previously did not operate. Fabiani currently trades out of seven stores and has great potential for expansion. As

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

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

During the year our group entered into a franchise agreement with an exciting international footwear and accessory brand, Charles & Keith. Charles & Keith is a fashion-forward ladies footwear and accessories brand that has international presence with over 200 stores in 28 countries. Our first store which opened in Canal Walk, Cape Town in August 2011 has performed well and further stores will be rolled out.

AFRICA EXPANSION

The group currently trades out of 87 stores outside of South Africa, with 58 in Namibia, 11 in Botswana, 12 in Zambia, two in Lesotho and four in Swaziland. Over the next two years a further 39 stores are planned to be opened in the countries where we already operate as well as Mozambique and Nigeria.

PROSPECTS

Whilst there has been a softening in turnover since January of this year, retail turnover for the first twelve weeks of the new financial year has been satisfactory, though some caution is warranted given the impact of fuel and utility increases on our customers, as well as the very strong comparative base.

In line with our strategy of investing for long-term growth, we will continue to open new stores in certain of our formats. We anticipate opening in excess of 140 new stores in the year ahead which will increase trading space by approximately 6%.

THANKS

My 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 16 700 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

29 June 2012

CHIEF FINANCIAL OFFICER'S REPORT

OVERVIEW

As we reported in last year's integrated annual report, 2011 was the start of an upturn and the more positive consumer sentiment which became evident particularly during the second half of last year, has continued in 2012. This, together with the strategic objectives undertaken, has enabled our group to produce a pleasing result with profit before tax of R2 501,6 million, an increase of 22%. Headline earnings per share increased by 22,1% to 772,0 cents whilst diluted headline earnings per share increased by 23,6% to 766,1 cents.

Turnover of R11 630,5 million grew by 17,0%. After a good first half performance, all divisions continued to perform well in the second half, albeit off a very strong comparative base.

Our financial services business performed well with continued profit growth. In addition our 55% investment in the RCS Group also performed favourably with a growth in profit of 25,3%.

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 at the beginning of 2011 and this has continued into 2012.

THE STRATEGIC INITIATIVES UNDERTAKEN AS WELL AS THE MORE POSITIVE CONSUMER SENTIMENT HAS ENABLED OUR GROUP TO PRODUCE A PLEASING RESULT WITH PROFIT BEFORE TAX OF R2 501,6 MILLION – AN INCREASE OF 22%.

Ronnie Stein
CFO

As previously reported, the historical financial performance of our group since 2002 reflects the fact that 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%.

During this period:

- compound retail turnover growth was 13,2%;
- compound headline earnings per share growth of 28,2%; and
- compound growth in dividends per share of 34,1%.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

HISTORICAL FINANCIAL PERFORMANCE

Years ended	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
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	**11 630,5**
Retail turnover growth %	10,4	18,0	13,6	19,7	21,8	12,4	6,1	5,5	6,4	15,5	**17,0**
Compound retail turnover growth %						15,9	14,5	13,7	12,5	12,8	**13,2**
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	**2 786,5**
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	**772,0**
HEPS % change	75,4	84,5	46,2	51,7	28,8	15,4	2,4	2,3	(6,8)	21,3	**22,1**
Compound HEPS growth %						48,4	40,7	30,3	29,7	28,9	**28,2**
Dividends per share	31,0	56,0	94,0	164,0	220,0	270,0	288,0	288,0	288,0	350,0	**455,0**
Compound dividend per share growth %											**34,1**

KEY PERFORMANCE INDICATORS

	2012	Medium-term target	2011
Turnover (Rm)	**11 630,5**		9 936,5
Turnover growth	**17,0%**		15,5%
Gross margin	**42,0%**		42,0%
Operating margin	**24,0%**	25%	23,2%
Profit before tax (Rm)	**2 501,6**		2 051,1
Profit after tax (Rm)	**1 691,8**		1 388,8
Headline earnings per share (HEPS) (cents)	**772,0**		632,3
HEPS growth	**22,1%**		21,3%
Diluted headline earnings per share (HEPS) (cents)	**766,1**		619,9
Diluted HEPS growth	**23,6%**		19,6%
Dividend per ordinary share (cents)	**455,0**		350,0
Dividend per ordinary share growth	**30,0%**		21,5%
Return on average equity	**26,4%**	32%	24,3%
Total gearing	**44,1%**	40%	34,0%
Recourse gearing	**14,8%**		16,3%
Net asset value per share (cents)	**2 995,8**		2 642,9
Net asset value per share growth	**13,4%**		10,1%
Stock turn (times)			
– jewellery	**1,9**		1,9
– @home	**2,1**		2,1
– other	**3,5**		3,7

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, the JSE Listings Requirements 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 following revised accounting standards:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 24 Related Party Disclosures
- IAS 34 Interim Financial Reporting

The adoption of these standards has had no significant effect on these results, although certain disclosures have been increased as a result.

ABRIDGED ANNUAL FINANCIAL STATEMENTS

In order to provide users of this integrated annual report with information that is most relevant to them, this year for the first time, abridged financial information has been included in this integrated annual report. The detailed annual financial statements are no longer included, but have been made available on our website. In addition, hard copies may be requested.

INCOME STATEMENT

Retail turnover and gross margin

Retail turnover of R11,6 billion increased by 17,0% on the previous year, whilst same-store turnover grew 10,6%. All merchandise categories continued to perform well, gaining market share in all our merchandise categories, particularly our largest product category, clothing.

Cash turnover grew by 18,6% whilst credit turnover growth was at 16,1%.

Clothing, cellphones, and homeware and furniture produced very good results.

RETAIL TURNOVER BY MERCHANDISE CATEGORY	**2012 Rm**	2011 Rm	Growth %	**2012 same-store growth %**
Clothing	**7 747,9**	6 550,9	18,3	**11,3**
Jewellery	**1 224,3**	1 134,2	7,9	**2,6**
Cellphones	**1 109,1**	894,8	23,9	**18,5**
Cosmetics	**747,7**	677,6	10,3	**5,6**
Homeware and furniture	**801,5**	679,0	18,0	**13,5**
Total	**11 630,5**	9 936,5	17,0	**10,6**

RETAIL TURNOVER BY DIVISION	**2012 Turnover Rm**	Growth %	Same-store growth %	Number of stores
Foschini division	**4 254,3**	14,3	8,9	516
Markham division	**1 991,1**	21,7	15,4	266
Exact!	**1 118,1**	19,9	16,4	215
TFG Sports division	**2 130,8**	21,8	10,8	377
Jewellery division	**1 334,4**	9,2	4,1	395
@home	**801,8**	18,0	13,5	88
Group	**11 630,5**	17,0	10,6	1 857
Cash sales	**4 533,6**	18,6		
Credit sales	**7 096,9**	16,1		
Total	**11 630,5**	17,0		

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Jewellery, being a more discretionary commodity, traded satisfactorily taking into account the substantial increase in the gold price.

Overall product inflation for the year was approximately 6%.

All divisions traded well during the year.

As part of our ongoing strategy of investing for the long term, the group added 150 new stores across all our brands representing a total increase in trading space of 7,7%. This included 18 new stores in Africa, as well as the acquisition of new brands Charles & Keith and Fabiani.

During the year, cash sales as a percentage of total sales increased to 39,0% from 38,5%.

Our gross margin has remained consistent with the prior year at 42,0% as buying efficiencies achieved during the year as a result of our supply chain initiatives continue to be passed on to our customers.

Interest received

Interest yields on all our receivables were consistent with the prior year, at their lowest for many years, although the average book sizes were higher.

Interest received from our trade receivables book increased by 21,1% to R853,7 million. This was driven by book growth, increased credit sales and the continued take-up of the 12-month accounts by new customers. Currently 86,6% of balances are now attracting interest, up from 84,6% last year.

Interest received on the RCS Group receivables increased by 10,2%, improving from -4,0% last year and +3,9% at half-year, reflecting a gradual improvement as the book grows with the availability of new capital.

Other revenue

Our gross revenue earned by our financial services divisions has increased by 25,9% driven in the main by good performances from:

- Insurance products
- Club income
- Customer charges
- Cellular income (One2One product)

Expenses

Expenses before bad debts grew at 16,5% and included a number of non-comparable items which have inflated expense growth. These include employee and other operating costs relating to new stores, fleet transport (as a result of rising fuel costs), electricity and RCS telemarketing and rebranding costs.

Depreciation and amortisation grew by 10,2% reflecting the costs associated with new stores as well as enhanced IT systems.

Employment costs of R1 929,6 million are our group's biggest operating cost and increased by 16,5% over the previous year. The increase in these costs is due to normal staff salary increases which this year averaged 7%, as well as the appointment of new staff to service new store openings.

Store occupancy costs, the group's second-largest operating cost, increased by 14,2% to R1 041,9 million and as a percentage of sales decreased to 9,0% from 9,2%. Whilst lease escalations average 8%, the balance of this cost is due to the opening of new stores. During the year 150 new stores were opened whilst 20 stores were closed.

Net bad debt and movement in provisions in our retail debtors' book increased by 29,9% to R522,0 million on a 19,5% book growth, reflecting good account growth, increased credit sales as well as the increase in 12-month accounts. New accounts have been sourced in the main from in-store account openings, where there is an inherently greater risk of bad debt than from established accounts. Having regard to the increase in unsecured lending and the growth in new accounts, bad debt as a percentage of closing debtors' book was within management's expectations, increasing to 9,4% from 9,2% in the previous year.

The net bad debt and movement in provisions in the RCS Group further improved with a reduction in net bad debt of 13,9% compared to the previous year. 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 increased to R284,9 million from R250,1 million as a result of investment in debtors, stock and capital expenditure. 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 24,0% from 23,2%. If the current level of trading continues, we would expect our operating margin to increase to 25%, which is our group's medium-term target.

Taxation

The group's effective tax rate remained static at 32,4%, reflecting normal company tax rates plus STC. With the abolition of STC on 1 April 2012, the tax rate is expected to reduce to around 29% in the new year.

Earnings

Headline earnings increased by 21,3% to R1 584,2 million from R1 305,6 million, whilst headline earnings per ordinary share increased by 22,1% from 632,3 cents per share to 772,0 cents per share. Headline earnings per share has been calculated on the weighted average number of ordinary shares in issue of 205,2 million down from 206,5 million in the prior year.

Diluted headline earnings per share increased from 619,9 cents to 766,1 cents, an increase of 23,6%.

The group's return on equity (ROE) of 26,4% increased from last year's ROE of 24,3%. Whilst this is at a satisfactory level a material improvement is only likely should our RCS Group subsidiary be 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 STC savings which have been passed back to shareholders, we increased our final dividend by 25,0% to 265,0 cents per share and together with the interim dividend of 190,0 cents per share, the total dividend for the year is 455,0 cents per share, an increase of 30,0% on last year's dividend.

In terms of the new Dividends Tax effective from 1 April 2012, the local dividend tax rate is 15%. The withholding tax at the rate of 15%, if applicable, will result in a final net cash dividend of 225,25 cents per share.

STATEMENT OF FINANCIAL POSITION

The tangible net asset value per share grew by 13,4% to 2 995,8 cents per share. Total assets now amount to R12 856,4 million and grew by 20,1%.

Assets

Property, plant and equipment

Property, plant and equipment increased by 20,8% to R1 313,2 million from last year's R1 086,9 million primarily due to:

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

Trade receivables – retail

The group's net retail trade receivables increased by 19,5% to R4 569,9 million from R3 823,0 million reflecting account growth, increased credit sales and continued take-up of 12-month accounts by new customers. This accounts for the growth in the book in excess of the credit turnover growth of 16,1%. In terms of our strategy of actively pursuing new accounts, we were again very successful this year and opened in excess of 581 000 new accounts. As a result our active accounts grew by 8,2%. Net bad debt as a percentage of credit transactions is 4,9%, whilst the net bad debt write-off as a percentage of the debtors' book increased to 9,4% from 9,2%, within management's expectations. At the year-end the doubtful debt provision as a percentage of the debtors' book was 9,3%, up from 8,7% in the prior year. The key debtors' statistics are detailed in the TFG Financial Services section of this report.

Inventory

Total inventory on hand increased by 19,4% to R2 155,0 million from R1 804,7 million. Aside from new stores, stock is at slightly elevated levels at the year-end due to stock being brought in early because of the Chinese New Year and of the movement of Easter, which this year fell in the first week of April. 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 3,5 should improve 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 25,3% to R345,2 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 10,1% from 11,1%. Provisions as a percentage of non-performing loans now amount to 124,7%, an improvement from 112,3%. Non-performing loans as a percentage of total debt have improved to 6,3% from 7,3%.

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

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

At the year-end, RCS Group's receivables increased by 19,5% to R3 450,5 million from R2 888,6 million. The key debtors' statistics are detailed in the RCS Group section of this report.

On the total profit before tax line RCS Group currently represents 13,8%, a marginal increase from last year. After taking minorities into account, this amount represents 8,4%. 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.

Its domestic medium-term note (DMTN) programme continues to be successful with over R1,9 billion of funding being raised to date, comprising a mixture of long- and short-term paper. At the year-end it had surplus funding in excess of R1 billion to support its future growth.

Equity

The group's attributable equity increased to R6 293,1 million from R5 462,9 million, translating into tangible net asset value of 2 995,8 cents per share. At the financial year-end, treasury shares held by subsidiaries including the share trust, amounted to 34,1 million shares.

Non-controlling interest

The non-controlling interest of R571,1 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

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, represents net gearing of 44,1% and retail gearing of 10,6%. The group's medium-term objective remains at 40%.

Of this debt, the non-controlling interest loan by SBSA to the RCS Group of R242,4 million, together with the RCS Group's external funding of R1 766,4 million, has no recourse to TFG. Accordingly, our net recourse borrowings amounts to R1 018,0 million which represents net recourse gearing of 14,8% (2011: 16,3%).

Taking into account the R291,9 million advanced as a loan to the RCS Group, the retail side of our business has low gearing of R726,1 million.

Trade and other payables

Trade and other payables increased from R1 710,7 million to R1 827,0 million.

Capital expenditure

Total capital expenditure for the year amounted to R547,4 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 2013 is approximately R500 million. We anticipate opening in the region of 140 new stores in the year ahead, increasing floor space by approximately 6%.

DEBT PROFILE

	2012 Rm	2011 Rm	% growth
Interest-bearing debt and non-controlling interest loans	**3 737,7**	2 561,9	45,9
Less: Preference share investment	**–**	(200,0)	
Less: Cash	**(710,9)**	(338,5)	
Net borrowings	**3 026,8**	2 023,4	49,6
Less: SBSA loan to RCS Group (non-controlling interest loan)	**(242,4)**	(144,3)	
	2 784,4	1 879,1	
Less: RCS Group external funding (commercial paper + bank loan)	**(1 766,4)**	(908,0)	
Recourse debt	**1 018,0**	971,1	4,8
Less: TFG funding of RCS Group	**(291,9)**	(733,5)	
Retail borrowings	**726,1**	237,6	

CASH FLOW

Cash flows from operating activities before working capital changes amounted to R3 180,4 million, an increase on the previous year's R2 630,3 million. Cash generated by operations amounted to R1 612,0 million compared to R1 806,2 million in the previous year. The majority of our spend related to investment in future growth with a R746,9 million increase in our retail debtors' book and a R561,9 million increase in the RCS Group debtors' book. Capex, the majority of which relates to new stores, amounted to R547,4 million.

Financial targets

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

Ronnie Stein
Chief Financial Officer

29 June 2012

TFG'S STRATEGIC AGENDA

TFG'S STRATEGIC AGENDA

TFG's operating board reviews the group strategy annually to assess progress against our stated strategic objectives and to ensure that our strategy remains appropriate. While this process inevitably results in certain adjustments being made to the strategic objectives, it does not involve a complete reworking of these objectives. The operating board views strategy as relating to those focus areas that guide the operations of the business over the medium term; the strategic objectives are seen to be broader than actions to be achieved one year at a time.

Last year, in our 2011 integrated annual report, we identified and reported against the following seven strategic objectives for the group:

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

Following an internal process of review at board level, we have narrowed our focus to five key strategic objectives; this includes four of the objectives from last year (highlighted in bold alongside), as well as one new objective relating to our Jewellery division. While our previous strategic focus areas relating to the Foschini division, developing world-class HR capability and ensuring transformation remain key to the group's performance, they are no longer seen to be board strategic objectives, but rather have been embedded into TFG's day-to-day operations.

Our five strategic objectives are:

1. Optimising our supply chain
2. Customer Relationship Management (CRM) focus
3. Capital C (store optimisation with a customer focus)
4. Developing new markets and expanding our store base
5. Repositioning our Jewellery division

Each strategic objective is championed by a member of TFG's operating board. Appropriate targets and measures are in place to drive performance and progress against each objective is reviewed regularly. In addition to these group-level strategic objectives, each of the operating businesses has responsibility for their own strategic direction that is aligned with and guided by, these overall group objectives.

TFG'S SUSTAINABILITY STRATEGY: INTEGRATING SUSTAINABILITY WITH 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 had 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.

The sustainability strategy process was facilitated by external consultants and driven internally through a task team involving 23 senior managers from across the group. Through this process TFG identified and agreed a detailed sustainability road-map that has a strong link with our overall strategic objectives. During the reporting period we have focused on driving implementation and integration of the road-map across the group.

Responsibility for integrating sustainability into TFG's strategy rests with an executive sustainability committee chaired by a member of the operating board. The sustainability strategy is being implemented across the following five strategic focus areas:

- **Supply chain:** with a focus on supporting development of the local clothing, footwear and textile industry and on reducing the environmental impacts associated with transport and distribution.
- **People:** with a focus on increasing sustainability awareness amongst employees, enhancing talent and diversity through skills development and establishing and monitoring effective HR metrics aligned to sustainability and transformation.
- **Optimisation:** with a focus on reducing the environmental footprint of our stores and head offices and reducing packaging from source to customer.
- **Socio-economic development:** with a focus on promoting job creation and enhancing employability in the communities in which TFG operates.

- **Governance:** ensuring that relevant key performance indicators (KPIs) are in place for each of these pillars of the sustainability dashboard and are measured quarterly, with the aim of promoting integrated sustainability management across TFG.

A business champion has been appointed for each of these five pillars. We have developed clear action plans and appointed project teams for each of these strategic focus areas and in most of these areas we have established benchmarks to enable measurement against agreed targets. In this integrated report we have reported our performance against certain key indicators within each of our divisional reports. In addition we have provided a separate detailed review of our performance against each of the criteria of the GRI's Sustainability Reporting Guidelines.

This is available on our website: www.tfg.co.za/sustainability/gri.asp

TFG'S STRATEGIC AGENDA CONTINUED

1

OPTIMISING OUR SUPPLY CHAIN

The focus remains on continuing to build a flexible and sustainable supply base to ensure that TFG is able to react to developing trends faster, meeting customers' preferences for the latest fashion.

Whilst the key driver is "fast-fashion capability", it is expected that over time stock turn will improve. Stock turn targets continue to be measured and in the coming year a quick response model that was piloted last year will be further rolled out. Focus will again be placed on in-season trading by implementing replenishment and hold-back where appropriate.

In addition, various processes within the distribution channel will be revisited whereby TFG will pilot suppliers being responsible for "pick and pack" (traditionally done in TFG's distribution warehouse), as well as investigating global trends in "store ready" product delivery.

The area of supply chain optimisation is a good example of the alignment between our business strategy and specific sustainability commitments.

2012 HIGHLIGHTS

- In-season trading focus has delivered promising results by allowing TFG to repeat "top sellers".
- The establishment of the fast-fashion cluster and the acquisition of Prestige Clothing will give TFG greater capability to react to changing trends faster.
- Measurement of achievements against stock turn targets is now reported on monthly (at store level) and embedded into the way of working.

CHALLENGES/FUTURE FOCUS AREAS

- Maintaining a reliable source of supply requires an ongoing focus.
- Progress can be impacted by lack of visibility of the supply chain and effort is therefore being placed in improving this.

2

CRM FOCUS

It remains a key strategic objective to increase customer spend through a combination of compelling merchandise and the continuation of our customer loyalty programme.

In the coming year the focus will be on increasing the number of credit customers with active accounts, launching customer rewards for credit customers and introducing a more comprehensive range of credit offerings. In addition, ensuring compliance with protection of personal information legislation will be a key objective.

2012 HIGHLIGHTS:

- Growth of 8,2% in active accounts was achieved, to 581 000 accounts.
- During the year TFG introduced a customer rewards programme and since its launch on 1 November 2011 has obtained 650 000 cash customers through this programme. Whilst the programme was initially launched to cash customers, it will be rolled out to credit customers in the new year.

CHALLENGES/FUTURE FOCUS AREAS:

- Roll-out of the rewards programme to credit customers will be a key focus in the new year.
- Understanding customer behaviour to ensure that customer rewards are increasingly attractive.
- Ensuring that risk metrics for customer acquisition remain relevant and aligned to acquisition channels.

3 CAPITAL C – STORE OPTIMISATION WITH A CUSTOMER FOCUS

The primary objective is to place the customer at the heart of store operations, with the aim of improving efficiency and customer service in stores. The focus for the coming year will be on stabilising store technology, simplifying store processes and optimising communication between head office and stores. In addition staff retention will be reviewed.

2012 HIGHLIGHTS:

- Store training has been centralised.
- Technology in stores has been revisited and plans are in place to replace our technology over a period of time in order to become more efficient and improve communication channels between head office and stores.
- Monthly reporting to stores has been enhanced through the inclusion of reporting against stock turn and other key performance indicators (including return on assets managed) that are aligned to strategic objectives.

CHALLENGES/FUTURE FOCUS AREAS

- Being a multi-brand retailer that operates in approximately 1 900 stores across southern Africa brings not only logistical challenges, but also challenges in determining a single future approach.
- A new project team has been created to manage “Capital C”. It is believed that placing the customer back at the heart of the store experience is key to driving appropriate behavioural shifts.
- Managing the expectations around project timing and ensuring that this does not impact momentum remains key; replacing technology is costly and cannot be done all at once.

4 DEVELOPING NEW MARKETS AND EXPANDING OUR STORE BASE

A key growth objective is to further expand our store base both within South Africa and existing territories, as well as into other parts of Africa. A key focus area will be ensuring that appropriate structures are implemented to manage the African region.

2012 HIGHLIGHTS:

- 150 new stores opened in 2012, including 18 outside of South Africa.
- Introduced credit into Lesotho and Botswana for the first time.
- Acquisition of Fabiani gives entry into the luxury menswear market.

CHALLENGES/FUTURE FOCUS AREAS

- Ensuring full compliance outside of South Africa is a challenge as each territory has its own legislative requirements.
- Logistical issues outside South Africa.

5 REPOSITIONING OUR JEWELLERY DIVISION

The Jewellery division has managed their business well despite the high levels of volatility in the gold price through innovative changes to their product offering, but the board believes that the division will benefit from additional focus in terms of positioning the business to drive old store growth and to identify additional expansion opportunities.

TFG'S STRATEGIC AGENDA CONTINUED

RESPONDING TO SOCIETAL TRENDS AND STAKEHOLDER EXPECTATIONS

As a credit retailer operating in the apparel, footwear, sporting, cellphone, jewellery, homeware and furniture businesses with financial services offerings, there are some significant socio-economic, governance and environmental trends that are having a material impact on our business strategy. In addition to tracking and anticipating the implications of these trends for our business strategy, we strive to be responsive to the expectations of our principal stakeholders.

CHANGING GOVERNANCE REQUIREMENTS

Our business is impacted by growing government policy requirements, as well as by an increasing number of voluntary frameworks addressing social, environmental and corporate governance issues. Key legislation and governance frameworks that impact our day-to-day operations include:

- Legislation relating to consumer protection – such as the National Credit Act, the Consumer Protection Act, the Competition Act and the Protection of Personal Information Bill
- Legislation aimed at protecting employees and promoting transformation – such as the Labour Relations Act, the Employment Equity Act and the Broad-based Black Economic Empowerment Act
- General fiscal policies – including the Income Tax Act and Value-Added Tax Act, employee taxes, as well as specific environmental taxes such as fuel levies and possible carbon taxes
- Legislation and voluntary frameworks promoting good governance – such as the Companies Act, the King Code of Governance (King III), the JSE Listings Requirements, the Security Services Act and the Financial Markets Bill
- Voluntary initiatives such as the Carbon and Water Disclosure Project (CDP and WDP), the Kimberley Process, the Global Reporting Initiative (GRI), as well as various ethical trading and product labelling programmes

These governance trends have both a direct and indirect impact on our business. In addition to the cost implications associated with meeting the new legislative requirements, there are also potential impacts on our business arising from the broader macroeconomic implications resulting from government policy. For example, certain policy measures – such as the proposed introduction of a carbon tax – may prompt an increase in prices generally, leading to reductions in the disposable income of consumers and a potential slowing in consumer spending.

In addition to ensuring compliance with relevant legislation, TFG participates in various voluntary initiatives to ensure that its stakeholder expectations are managed. This includes participating in the Carbon and Water Disclosure Project, adhering to the Kimberley Process and reporting against the GRI's Sustainability Reporting Guidelines.

CONTINUING MACROECONOMIC VOLATILITY

The current business context, globally and regionally, is characterised by high levels of uncertainty and volatility relating to a range of macroeconomic factors that impact on TFG's operations. These include:

- continuing uncertainty regarding the rate of economic growth of the South African economy, fuelled in particular by the global economic fragility associated with the European sovereign debt crisis;
- changing levels of disposable household income, affected by issues such as the rate of employment, levels of household debt and interest rates;
- the nature and extent of product inflation, which is affected among other things by the current volatility in exchange rates, oil price and (for our Jewellery business) gold price;
- the nature of our cost base, which will be influenced by the inflation rate and domestic interest rates; and
- the levels of indebtedness of customers, impacting their ability to repay accounts.

In the context of this uncertainty we see continuing opportunities for business growth associated both with the emerging black middle class in South Africa and with the growing consumer market throughout Africa.

POTENTIAL ENVIRONMENTAL AND RESOURCE PRESSURES

Although we are not a resource-intensive company, we nevertheless recognise that environmental and resource issues have the potential to impact on our activities, for example through new legislative requirements, changing resource prices, shifts in consumer expectations and impacts on our supply chain and distribution activities. In addition to identifying opportunities for greater efficiencies in our operations – particularly as regards electricity and fuel usage – TFG remains committed to promoting transparency on our environmental impacts, for example through our participation in the CDP and WDP initiatives.

DEVELOPING STRONG RELATIONSHIPS WITH OUR STAKEHOLDERS

In addition to anticipating and being responsive to these various societal trends, our ability to create sustained shareholder value is also strongly influenced by the quality of our relationships with each of our various stakeholders.

- **Our employees:** We strive to maximise employee productivity, innovation and efficiency and minimise employee turnover, by investing in staff training and development opportunities and by providing a rewarding work environment that contributes towards making us an employer of choice.
- **Our customers:** By understanding and being responsive to customers' preferences and by continuing with our strong focus on customer relationship management and our rewards schemes, we continue to grow and maintain a loyal customer base; our active management of customer credit limits and account payments assists us to minimise potential losses.
- **Our shareholders:** We maintain a positive relationship with current and potential investors through our transparent reporting practice and by ensuring consistency in our trading performance.
- **Our suppliers:** Through active engagement with suppliers we are able to maximise buying efficiencies, improve speed to market and reduce potential external risks.
- **Our communities:** Our investment in local procurement activities and in resurrecting and strengthening the South African clothing industry reflects our commitment to supporting the communities in which we operate and to contributing towards the greater well-being of the South African economy – all of which is to our collective benefit.
- **Government and regulators:** We maintain constructive relationships with key government departments, closely monitor policy developments and submit comments on new legislation either directly or through industry representative bodies.

To deliver increasing shareholder returns in the context of these changing societal trends and stakeholder expectations, TFG must ensure that:

- Our retail stores remain world-class and our merchandise offering remains compelling
- Our cost base is managed at an acceptable level and our funding structure is optimised
- Earnings are improved and new market and growth opportunities are realised, ensuring that our performance compares favourably with other credit retailers in South Africa

In this context we believe that our five strategic objectives are sufficiently responsive both to the current business context and to the expectations of our stakeholders. Further provision for addressing some of these societal challenges and expectations has been made within our sustainability strategy, which has been developed to ensure alignment with our overall business strategy.

TFG'S STRATEGIC AGENDA CONTINUED

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

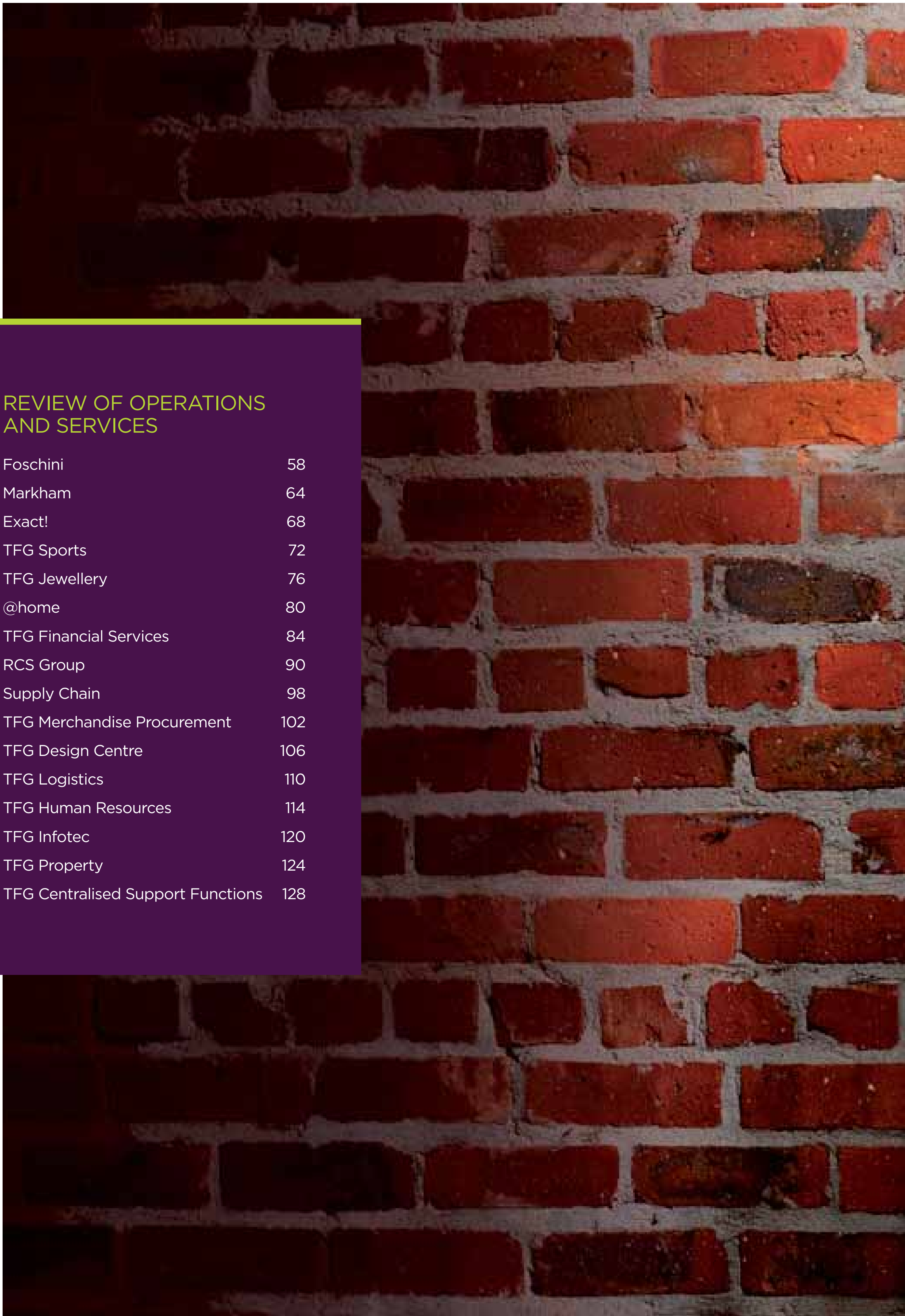
STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
Employees	• Regular dialogue and communication sessions • Break-aways • Team-building exercises • Notice boards • Newsletters • Union meetings • Intranet • E-mail • Training and development initiatives • Store visits by senior managers • Staff meetings	Requests relating to employee benefits.	Human resources policies are all available to staff on 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.	Performance continues to improve and the processes currently in place 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.	Performance continues to improve and the processes currently in place 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 and we have an on-line reputation management process in place.
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 continue to impact on the competitiveness of the local supply base.	TFG merchandise procurement division is responsible for overseeing supplier relationships and ensuring 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.

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
Government and regulatory authorities	• Ad-hoc formal meetings • Written and oral submissions regarding relevant draft legislation	On occasion government and regulatory authorities approach the group with queries on compliance with the law, or requesting input on draft legislation.	The group submits comments on draft laws to the relevant government department or authority. 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. Where it is recommended or advised that the group change a practice based on a government or regulatory authorities' interpretation of the law, this is discussed with the authority and we will take measures to ensure compliance.
Department of Labour	• 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 on 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.

TFG'S STRATEGIC AGENDA CONTINUED

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
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. Short-listed 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.
Retailers' 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 and 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 determined.
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 or 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.

STAKEHOLDER GROUP	PRINCIPAL METHODS OF ENGAGEMENT	KEY ISSUES AND CONCERNS RAISED BY THE STAKEHOLDERS	HOW WE ARE RESPONDING
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 those 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.



REVIEW OF OPERATIONS AND SERVICES

FOSCHINI DIVISION

ABIGAIL BISOGNO

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

POSITIONING

The Foschini trading division comprises the Foschini, Fashion Express, Donna-Claire and Luella chains and the recently opened Charles & Keith chain franchise.

Foschini stores offer 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 a 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.

		2012	% change	2011
Turnover (R million)	Foschini	**3 210,8**	13,3	2 833,5
	Fashion Express	**617,3**	24,1	497,4
	Donna-Claire	**377,7**	8,2	349,1
	Luella	**45,3**	16,2	39,0
	Charles & Keith	**3,2**		
	Total	**4 254,3**	14,3	3 719,0
Number of stores	Foschini	**233**	2,2	228
	Fashion Express	**175**	18,2	148
	Donna-Claire	**88**	(2,2)	90
	Luella	**19**	5,6	18
	Charles & Keith	**1**		–
	Total	**516**	6,6	484
Floor area (gross m^2)	Foschini	**170 595**	3,4	164 934
	Fashion Express	**51 852**	20,4	43 064
	Donna-Claire	**23 882**	(2,4)	24 469
	Luella	**2 542**	1,6	2 501
	Charles & Keith	**165**		
	Total	**249 036**	6,0	234 968
Most significant countries from which merchandise is imported		**China**		China

FOSCHINI

donna-claire

fashíonexpress

Luella

CHARLES & KEITH
FOOTWEAR AND ACCESSORIES

NO. OF STORES

516

RETAIL TURNOVER

R4 254,3m

FOSCHINI DIVISION CONTINUED

Luella, a niche footwear and handbags chain, offers reasonably priced products in a modern international store format.

Charles & Keith is a Singapore-based chain with more than 200 stores across Europe, the Middle East and Asia, offering well-priced footwear, belts, handbags and sunglasses. The first store in South Africa was successfully opened in Canal Walk, outside Cape Town. It operates on a franchise basis.

REVIEW OF THE YEAR

The past year started well and merchandise for the winter of 2011 showed good sales growth. The period April to June of 2011, which are the division's historically good winter months, yielded clothing sales growth in excess of 20%. Fashion Express had an exceptionally good winter season. By contrast sales in the summer months were less buoyant across the chain against a higher base established in the previous year.

In total 43 new stores were opened across the division's chains. In addition 12 stores were enlarged or relocated.

One of the most significant store developments for the division was the relocation and enlargement of the flagship Sandton City store. Its floor area was increased to just under 2 000 m^2 and has traded very well in its new position. The store reflects the latest new Foschini format which is modern yet flexible. The store has clearly captured the attention of Sandton shoppers and has elevated the reputation of the Foschini brand.

The new store format adopted for Sandton has been used to guide future developments with appropriate changes to make it cost-effective for other locations.

Overall, more than 14 000 m^2 of retail space were added during the year and, with enlargements, the total retail space occupied by the chain grew by 6%.

The most substantial new developments during the year were as follows.

Mall of the North

This is a major regional mall in Polokwane, Northern Province. The Foschini, Donna-Claire, Fashion Express and Luella chains have all traded well in this venue.

Carnival Mall

This mall is located in Benoni, Gauteng. The Foschini, Donna-Claire and Fashion Express chains have traded very successfully in this centre, albeit in smaller stores than those in Mall of the North.

Jubilee Mall

This mall, at Hammanskraal, outside Pretoria, now has Foschini and Fashion Express stores.

Pioneer Mall

A Foschini store was opened in this mall which is located in Maseru, Lesotho. This marked a reappearance of the Foschini brand in Lesotho after the original store was closed following riots and looting in 1998. The new store is trading well.

Levy Junction

This mall, located in Lusaka, Zambia, is the second in Zambia in which the division has opened both Foschini and Fashion Express stores. The first was Manda Hill Mall, also in Lusaka. The new stores are trading well, at levels approaching those of the stores in the Manda Hill Mall.

Stores were also opened in smaller shopping centres including Protea Gardens in Soweto and Wernhil Mall in Windhoek.

At the year-end the renovated and expanded Blue Route Mall in Tokai, outside Cape Town, was at the point of being opened, housing new Foschini, Fashion Express and Donna-Claire stores.

The programme of renovating the major CBD stores continued. Following the success of the new format at the Foschini store in West Street, Durban, the Foschini store in Church Street, Pretoria, received a similar transformation. There were immediate trading benefits and the division has been able to present a positive image of the brand in this key retail node.

Cosmetics

The Foschini cosmetics range represents 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.

Repositioning of the Foschini cosmetics business continues with the goal of improving efficiencies and attracting customers. The governing strategy is to align the beauty offering with the fashion offering.

Annual turnover in cosmetics grew by 10,3% and is now close to R750 million. The challenge in this business is to keep abreast of new product launches whilst managing levels of existing stock. The business is highly responsive to promotions and requires a hands-on approach to its management. Competition is intense and the double-digit growth achieved is satisfactory. The corresponding growth recorded by the RLC (Retailer Liaison Committee) as the norm for the industry was 3,3%, indicating that Foschini Cosmetics has gained market share from its peers.

Cellular products

Total cellphone sales improved but the year ended on a softer note, particularly in the last quarter. Sales are highly dependent on the availability of stock and the division relies to a considerable extent on the collaboration of the suppliers (MTN and Vodacom).

With the creation of the group's Retail Technology Unit, the cellular department within Foschini continues to be managed centrally.

Foschini

Total sales in the Foschini chain grew by 13,3% year on year, with same-store turnover up 8,0%.

The performance of womenswear, the largest component of the Foschini business, was above the annualised RLC average for the full year.

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 24,1% with same-store turnover rising by 5,5% effected by the substantial roll-out of new stores.

During the year 30 new stores were opened and three stores were closed.

Donna-Claire

Sales in this chain for the full year grew by 8,2% with same-store growth at 5,3%. Strategic changes for the next year are being put in place and better results are expected.

The chain opened three new stores during the year, which will be accelerated once the strategic changes have been implemented. A decision had been taken to focus on getting optimal selections of merchandise into the stores rather than primarily pursuing growth in the store footprint. Five stores were closed, three of which were converted into Fashion Express stores.

Luella

Luella-branded products are now sold in 30 Foschini stores and this development led to a rise in total sales by 35% to almost R60 million for the year. Sales in Luella standalone stores grew by 13%.

During the year one store was closed and two new stores were opened in Mall of the North and the Cresta shopping centre in Gauteng. This took the chain to a total of 19 stores at the year-end, all of which are in key shopping centres.

There is further scope to improve the fashion level of the Luella products and the chain has the potential to grow to 50 stores.

MARK-DOWNS AND STOCK LEVELS

The overall ratio of mark-downs to sales in the division remained under 14% but above target.

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

Stock levels at year-end were well contained.

SUPPORT FOR LOCAL CLOTHING INDUSTRY

The quantity of units produced for the division by the group's in-house manufacturing division, TFG Design Centre, continues to grow as a result of closer collaboration between TFG Design Centre and its CMT (cut, make and trim) factories. TFG Design Centre expanded its casualwear capabilities by employing experienced designers for products sought by the Foschini, Donna-Claire and Fashion Express chains, as well as placing increasing focus on other product categories in high demand such as childrenswear and sleepwear.

Through greater use of TFG Design Centre the Foschini division has been able to achieve shorter lead times and faster responses to repeat orders. At the same time support has been provided to the local manufacturing industry.

The division will continue to participate actively in the group's supply chain initiative which will continue to improve the speed-to-market and fast-fashion capability of the division.

STRATEGY

Foschini

The division is continuing to look for opportunities to right-size stores in key shopping centres in South Africa.

In the next year the stores in Menlyn Park and Gateway will be enlarged and refurbished, together with the division's flagship store in Canal Walk.

FOSCHINI DIVISION CONTINUED

Other major CBD stores throughout the country will also be refurbished. Following the successful relaunch of the West Street, Durban and Church Street, Pretoria stores, the large Foschini stores in Eloff Street (Johannesburg CBD) and East London CBD will also be refurbished into the new formats in the next year.

Part of the division's development strategy is to open smaller stores in country and rural towns, where it is believed there are opportunities to gain market share.

In addition, the division will open its first store in Nigeria, which will be in the Ikeja City Mall in Lagos. As the division's first store beyond sub-Saharan Africa it will provide a useful learning curve for future expansion into the continent.

Fashion Express

There will be further expansion of the Fashion Express chain throughout South Africa and elsewhere in Africa in the next year. Between 25 and 30 stores will be opened in the next year.

Donna-Claire

A new flagship store for this brand will be opened in the Sandton City complex in August 2012. It will represent a new format for the chain.

The product offering will be aligned with that of the Foschini chain in offering top-to-toe fashion for the fuller-figure, fashion-conscious women of South Africa. This format will be extended into key stores throughout the chain.

The division's continuing capital investment in new store openings and the refurbishment of existing stores is part of a long-term strategy to benefit from South Africa's proven pattern of economic growth. In the next year the division will open a total of more than 30 new stores and will continue to upgrade existing stores, with particular emphasis on CBD stores.

MARK-DOWN STATISTICS	2008	2009	2010	2011	**2012**
Mark-down value (R million)	450,6	380,8	410,4	411,2	**487.2**
% of sales	17,4	15,0	15,2	13,5	**13,9**

STORE STATISTICS	2008	2009	2010	2011	**2012**	**Projection 2013**	**Projection 2014**
Foschini	211	217	223	228	**233**	**240**	**245**
Fashion Express	100	115	126	148	**175**	**200**	**225**
Donna-Claire	70	82	88	90	**88**	**90**	**92**
Luella	19	18	17	18	**19**	**20**	**22**
Charles & Keith					**1**	**4**	**8**
Total number of stores	400	432	454	484	**516**	**554**	**592**
Closures	5	2	5	2	**7**	**2**	**2**
Floor area (m^2)	191 787	210 659	222 554	234 968	**249 036**	**262 000**	**275 000**


FOSCHINI


donna-claire
FOSCHINI


fashíonexpress


Luella


CHARLES & KEITH

MARKHAM DIVISION

MANIE MARITZ

INTERNATIONALLY INSPIRED MENSWEAR OF GOOD QUALITY AND VALUE.

POSITIONING

Markham is the largest men's fashion retail chain in southern Africa. Its stores are located in most major shopping centres and towns in this territory. Markham stores provide modern, internationally inspired menswear suitable for all occasions and daily experiences. Most of the stores offer a full range of menswear, while in others the emphasis is on fashion casualwear.

While the Markham chain targets the LSM 6 to 10 range the LSM 3 to 5 categories are also buyers of its apparel and accessories. Increasingly, shoppers tend to be younger men, often in the age group 19 – 25, with appreciable discretionary income.

Towards the end of the year the division acquired the Fabiani men's fashion chain, serving customers in the LSM 9 to 10 categories and comprising seven stores located nationally in major shopping centres. It has potential for expansion.

As a consequence of the Fabiani acquisition, with effect from 1 April 2012, the two local G-Star stores, which operate on a franchise basis, were acquired. G-Star is an up-market international jeans and clothing brand headquartered in the Netherlands. This brand has further roll-out potential in South Africa. G-Star serves the LSM 9 to 10 categories.

Cellphones and related accessories and services are also sold in Markham stores and are a steady contributor to the business.

REVIEW OF THE YEAR

The Markham division had a successful trading year with annual turnover rising by 21,8%. Growth of 22,1% in apparel sales slightly exceeded that in cellphones (19,1%). Same-store growth was 15,4%.

Performance in all product categories was good.

A strategic decision in the previous year to raise the profile of men's fashion accessories led to a doubling of sales of this category of products.

Branded denim again had a good year and smartwear continued its comeback. The apparel ranges were boosted by the addition of a new in-house brand, Carlo Visconti, to the high-quality end of the business. This trade mark is used on locally manufactured goods that incorporate imported fabric.

Steps taken to improve efficiencies and to reconfigure the product mix allowed the price of merchandise to be kept

	2012	% change	2011
Turnover (R million)	**1 991,1**	21,8	1 634,7
Number of stores	**266**	7,7	247
Floor area (gross m^2)	**81 738**	7,2	76 250
Most significant countries from which merchandise is imported	**China, Mauritius, Bangladesh**		China, Mauritius, Bangladesh

NO. OF STORES

266

Markham

Fabiani

WEAR IT WITH PASSION

RETAIL TURNOVER

R1 991,1m

MARKHAM DIVISION CONTINUED

at acceptable levels despite underlying inflation. One of the moves made was to shift sourcing of items selectively to countries providing the fastest and best response to demand. Sourcing from local suppliers increased because of the speed to market which they can now provide if they are securely integrated into the supply chain. Mauritius was another country from which increasing volumes of merchandise were successfully obtained.

The "new look" renovation of the division's stores continued and at year-end had been applied to 43 stores. The parallel "brand wrap" process, which also amounts to visual restatement, has been applied to 53 stores. There is no doubt that the enhanced image of the division presented by the upgraded stores has attracted customers and contributed to the rise in sales.

Customers need to locate with ease the items on their shopping lists as they enter the stores and to find full ranges rationally displayed, received further attention during the year. Progress with this "customer navigation" factor also played a part in lifting sales.

A boost to the standing of the Markham chain was provided by the opening of a I 000 m^2 store in Sandton City, north of Johannesburg, which is now the largest in the division. It includes a section devoted to a new line of products comprising men's grooming items such as skin moisturisers. This is a promising avenue for growth.

Customers are increasingly raising the level of fashion they expect in their acquisitions, particularly younger men who are eager to expand or replace their wardrobes.

The fashion trend for men to wear a combination of smart and casual clothes, such as denim jeans or chinos with a blazer or sports jacket, is still gaining ground, as is the habit of wearing accessories such as scarves, hats, gloves and jewellery. Male jewellery in the form of neckwear, bracelets and earrings is rapidly gaining in popularity.

Mark-downs of 7,8% of sales were well contained and were again at acceptable levels. The current mark-down level, considering the history of recent years, represents substantial progress towards a stable and optimal target.

During the year 12 new stores were opened and a further nine were relocated or enlarged. There are now two stores in Zambia, where trading results were satisfactory.

Markham already has a digital element to its operations and this is gaining in importance. A Facebook page which intending customers can consult for product information is being increasingly utilised and feedback from their usage is incorporated into the planning of the division's strategy. Clearly, rapidly growing numbers of customers now go on-line 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 trip to a Markham store.

MARK-DOWN STATISTICS	2008	2009	2010	2011	**2012**
Mark-down value (R million)	97,1	94,3	101,8	119,4	**149,7**
% of sales	9,8	7,5	7,9	7,5	**7,8**

STORE STATISTICS	2008	2009	2010	2011	**2012**	**Projection 2013**	**Projection 2014**
Markham	201	223	234	247	**259**	**271**	**283**
Fabiani					**7**	**13**	**20**
Total number of stores	201	223	234	247	**266**	**284**	**303**
Closures		–	–	–	**–**	**–**	**–**
Floor area (m^2)	61 298	67 889	71 303	76 250	**81 738**	**86 500**	**90 550**

STRATEGY

The repositioning of the Markham brand, now largely completed, has ensured that Markham remains a relevant and aspirational brand among a new generation of shoppers who seek good deals in fashionable goods in a sophisticated shopping environment.

The number of new stores which are planned for the next year is upwards of 18, comprising Markham, Fabiani and G-Star brands.

In line with the group's Africa expansion strategy the first Markham store in Nigeria will be opened in the Ikeja City Mall next year.

There will again be strong emphasis on cost controls in the division's drive to enhance profitability. Training of staff members to provide high levels of customer service will continue to be a priority.

The group's supply chain initiative to reduce lead times for merchandise procurement and enhance the efficiency of distribution is fundamental to the division's efforts to boost sales and improve customer service and progress in this area was again made. One of the gains was the introduction of the Logility system which is discussed elsewhere in this annual report and which is now operating in the division's stores. Its full benefits will be felt in future years. A spin-off benefit of the increases in efficiency in the supply chain is the ability of the division to raise the volume of stock obtained from local manufacturers. This has the dual benefit of enlarging the job opportunities available to South Africans and enabling the division to have some leeway in dealing with exchange rate volatility.

On-line browsing by customers for apparel is clearly on the increase and the division is taking steps to facilitate this process for customers and to extend virtual shopping as a tool for the expansion of business.

PROSPECTS

The shift in the customer base to increasing numbers of younger men who have the means and motivation to acquire fashionable apparel and the other products stocked by the division is a welcome one, underpinning the normal demand for clothing in a growing population. The division intends to maximise the benefits of this trend.

The momentum created in recent years for the division is likely to continue through the next year, supported by new store openings.

The indications now available suggest that the next year will again be one of growth in sales and profits.

EXACT! DIVISION

SUZANNE ANNENBERG

CONTEMPORARY FASHION FOR SOUTH AFRICAN FAMILIES.

POSITIONING

The Exact! division provides stylish contemporary clothing for families in the LSM 5 to 7 groups who seek an optimum combination of quality and value. The product ranges stocked, which include footwear and accessories, are carefully selected to match the tastes of a target market comprising women and men aged 30 and upwards, as well as girls and boys aged between three and 12 years.

The concept of value for money is entrenched in the Exact! brand. Customers find surprisingly affordable prices, pleasing levels of quality, well-considered combinations of matching items and a stylish shopping environment.

Cellphones complete the product range.

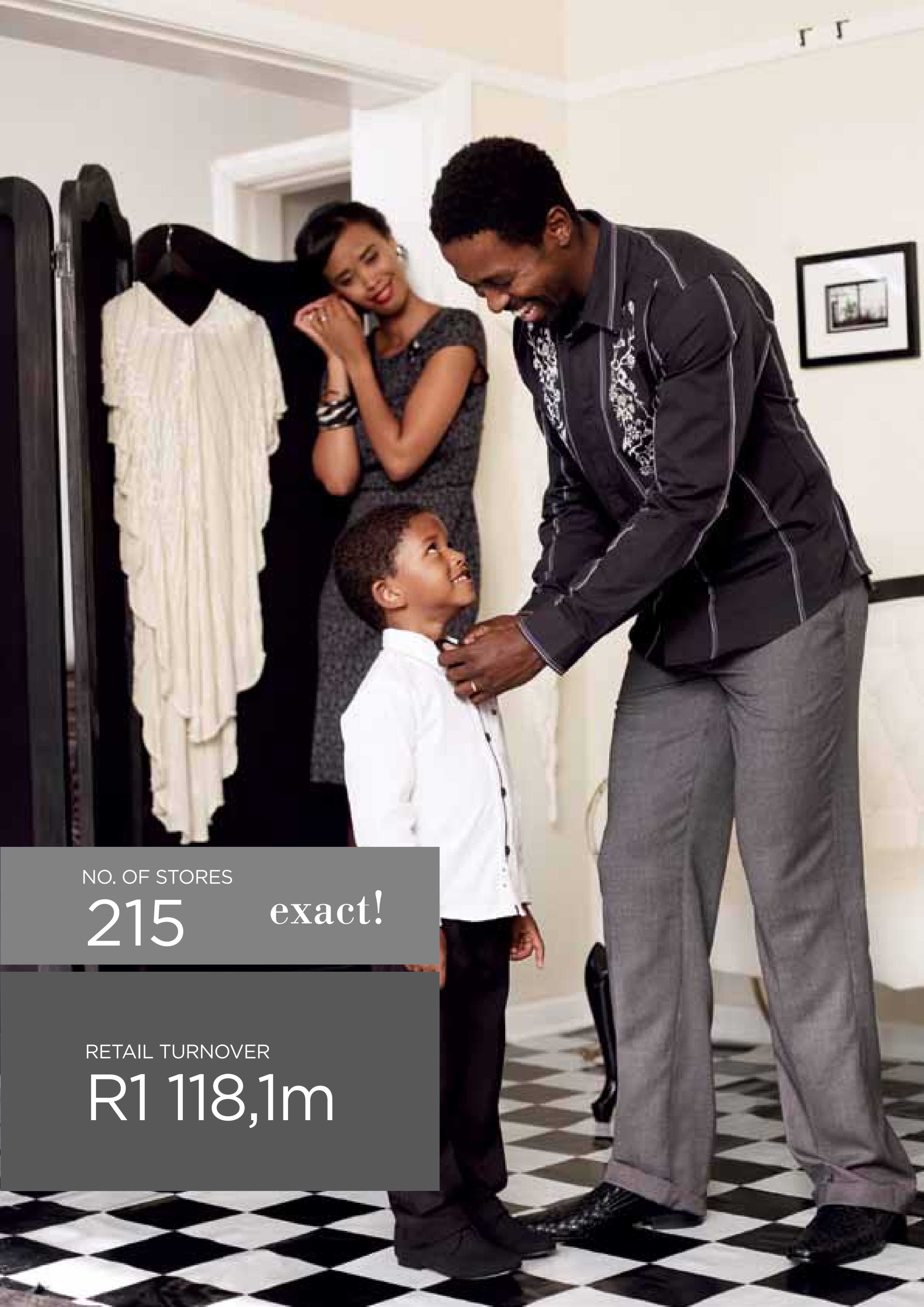
Exact! stores are located in shopping malls, high streets and rural areas.

	2012	% change	2011
Turnover (R million)	**1 118,1**	19,9	932,7
Number of stores	**215**	3,4	208
Floor area (gross m^2)	**67 661**	4,2	64 907
Most significant countries from which merchandise is imported	**China**		China, India, Bangladesh

Store location	**% of turnover**	**% of m^2**
Shopping malls	**52,2**	52,4
High streets	**26,6**	24,1
Rural areas	**21,2**	23,5

A breakdown of sales by product category in the Exact! stores in the 2012 year is set out in the following table:

Womenswear	25%
Menswear	17%
Footwear (for men, women and children)	21%
Childrenswear	15%
Accessories	3%
Smalls	3%
Cellular products	16%



NO. OF STORES

215

exact!

RETAIL TURNOVER

R1 118,1m

EXACT! DIVISION CONTINUED

REVIEW OF THE YEAR

The division's turnover grew by 19,9%, with same-store growth of 16,4%. Floor space occupied increased by 4,2%. Sales of clothing units increased by 12,9%. Product inflation was limited to 3,9% despite an increase in the cotton price over the year and a weaker exchange rate for the Rand in the second half of the year.

These results follow a good performance in the 2011 year and support the prospect that a turnaround of some significance in the division has begun after a three-year period of low growth. There are thus strong signs of the success of recent strategies to enhance performance by providing "surprisingly affordable fashion to the modern family". Effort was focused on meeting customers' budgets and on optimising the product mixes in the division's stores. Achieving these objectives has meant buying smarter, increasing speed to market and carefully observing and acting on customers' preferences. The division's slogan in this process has been, "Give customers more than they expect for less than they expect to pay."

In line with the group's strategy, the division continued to make progress in the implementation of its supply chain initiatives. Improved speed to market enabled the division to provide customers with more of the right merchandise where and when it is most needed, thus maximising customer service. In addition suppliers gained in efficiency and reliability when fulfilling orders.

As the table below demonstrates, the amount of merchandise marked down dropped satisfactorily in percentage terms. The division's target is to reduce the mark-down percentage to single digits over a number of years.

The division continued to support local clothing manufacturing through a strong collaborative effort between its buying teams and the group's manufacturing arm, TFG Design Centre (TFGDC). Local procurement remained at a level similar to that of the previous year.

In addition, the division participated in the pilot project of the TFG fast-fashion cluster initiative which started in the previous year in conjunction with the Department of Trade and Industry. This cluster-based initiative aims to develop a local quick response capability at its key in-house supplier, TFGDC and six of its core cut, make and trim (CMT) operations that principally supply womenswear and girlswear. Early indications of the project are promising.

During the course of the year the division opened nine new stores, including two in Zambia, relocated five, renovated six and closed three.

Staff development activities continued to focus on training programmes for store and area managers. Merchant training was once again a key focus area.

MARK-DOWN STATISTICS

	2008	2009	2010	2011	**2012**
Mark-down value (R million)	104,3	105,3	146,3	105,4	**122,2**
% of sales	15,8	15,2	20,3	12,0	**11,4**

STORE STATISTICS

						Projection	
	2008	2009	2010	2011	**2012**	**2013**	**2014**
Number of stores	182	198	205	209	**215**	**233**	**251**
Closures	1	–	3	3	**3**	**–**	**–**
Floor area (m^2)	52 831	58 789	62 988	65 087	**67 661**	**73 061**	**78 461**

STRATEGY

The division's strategy is designed to grow revenue consistently and to justify and entrench customers' confidence in the value they receive by shopping at its stores.

For the next year particular focus will be placed on achieving consistent performance from all product areas, as well as motivating and engaging staff. The division will continue to drive the concept of value for money in combination with levels of quality that customers expect in a stylish store environment.

The quick response initiative will be extended to additional products as more suppliers are able to meet the division's requirements of speed to market.

The Exact! division will maintain its involvement with TFG's fast-fashion cluster project by bedding down new processes over the next two years.

During the next year, the division plans to open 18 new stores. At least five will be enlarged or relocated, focusing on sites where mass shopping takes place.

In addition growth will be achieved by improving customer service, store processes, efficiencies, communication and training.

Strategies to ensure that customers will continue to receive good value for money are being reinforced and expanded.

It remains an objective of the division to provide rewarding careers to all employees through training, performance measurements and succession planning.

PROSPECTS

Rising costs of electricity and transport as well as high levels of unemployment will continue to put pressure on customers. However, the momentum created over the last few years should continue by providing desirable products at prices which bring customers into its stores.

TFG SPORTS DIVISION

DONALD GEDYE

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 southern Africa.

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 positioned as the premier sportswear destination with top performance brands such as Nike, Adidas, Puma and Asics, complemented by own-brand, Fusion.

Sportscene 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.

Duesouth caters for high-tech outdoor enthusiasts who demand a highly differentiated retail environment where they find apparel, footwear, equipment and accessories for the outdoors.

		2012	% change	2011
Turnover (R million)	Totalsports	**1 269,1**	20,2	1 056,1
	Sportscene	**697,1**	24,0	562,1
	Duesouth	**164,6**	24,8	131,8
	Total	**2 130,8**	21,8	1 750,0
Number of stores	Totalsports	**197**	16,6	169
	Sportscene	**142**	14,5	124
	Duesouth	**38**	22,6	31
	Total	**377**	16,4	324
Floor area (gross m^2)	Totalsports	**52 763**	15,9	45 516
	Sportscene	**34 413**	18,8	28 961
	Duesouth	**10 628**	9,8	9 675
	Total	**97 804**	16,2	84 152
Most significant countries from which merchandise is imported		**China**		China

NO. OF STORES

377

TOTALSPORTS

sportscene

DUESOUTH BE AN OUTSIDER

RETAIL TURNOVER

R2 130,8m

TFG SPORTS DIVISION CONTINUED

REVIEW OF THE YEAR

The division had a successful year, achieving overall turnover growth of 21,8 % and same-store growth of 10,8%. These results confirmed the division's ability to maintain its position as the market leader. Same-store growth in the first half was 7,4% and in the second half 13,9%. The seemingly subdued growth in the first half should be seen against outstanding World Cup sales in the corresponding period of the previous year.

To retain the momentum of the World Cup sales of the previous year, the division put strategies in place targeting overall growth in excess of 20% for the full financial year. These strategies proved successful, delivering full-year growth of 21,8%.

In total 54 new stores were opened.

The division's mark-downs have remained well controlled and at acceptable levels.

Totalsports

Totalsports achieved turnover growth of 20,2% for the year, with same-store growth of 9,6%. The expansion policy continued with the opening of 28 new stores. Several stores were relocated and/or enlarged.

The strategies implemented to off-set the once-off nature of the turnover derived from the 2010 World Cup tournament proved to be very successful. They included introducing new product categories and expanding existing categories. Implementation of these strategies continues and they remain rewarding.

There has been good acceptance by customers of the new Totalsports logo, the new look and feel of the stores and the modernisation of the in-house brand, Fusion.

Sportscene

Sportscene achieved turnover growth of 24,0% for the year, with same-store growth of 11,6%. The expansion policy continued with the opening of 19 new stores. One store was closed.

Roll-out of the newly revitalised Sportscene stores continued. These stores consistently yield sales growth in excess of the chain's average. The smaller sportscene stores, named "The scene", primarily offer footwear. They are proving to be popular with customers and nine stores were opened during the year. An additional 35 potential sites have been identified and are being investigated.

Duesouth

Turnover grew by 24,8% with same-store growth of 16,5%. Seven new stores were opened and a total of 38 stores were trading at the year-end.

STRATEGY

The roll-out of the revitalised Totalsports and Sportscene formats will continue. Sites for larger-format stores are being

MARK-DOWN STATISTICS

MARK-DOWN STATISTICS	2008	2009	2010	2011	2012
Mark-down value (R million)	160,8	152,0	176,2	193,6	**205,0**
% of sales	12,3	10,3	10,3	9,8	**8,4**

STORE STATISTICS

STORE STATISTICS	2008	2009	2010	2011	2012	Projection 2013	Projection 2014
Totalsports	112	134	148	169	**197**	**221**	**246**
Sportscene	90	105	114	124	**142**	**156**	**168**
Duesouth	19	25	29	31	**38**	**38**	**40**
Total number of stores	221	264	291	324	**377**	**415**	**454**
Franchise stores	2	2	–*	–	**–**	**–**	**–**
Closures	3	2	–	1	**1**	**–**	**–**
Floor area (m^2)	54 338	67 325	74 790	84 152	**97 804**	**106 084**	**114 034**

* Now consolidated

sought with the objective of stocking greater product ranges.

Updates to the Duesouth brand will be pursued in the coming year.

Totalsports will continue its partnerships with Virgin Active and Discovery to exploit opportunities in the fitness area. A strategy to enhance the customer experience in the Totalsports stores is under way.

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 approximately 40 new stores in the next year.

PROSPECTS

There exists significant potential for new store locations across South Africa and in Africa for all the division's brands. Turnover growth will be achieved through a combination of new store growth, the rolling out of updated formats, the introduction of additional product lines and further exploitation of current product lines.

TFG JEWELLERY DIVISION

ADRIENNE KLEINMAN

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

POSITIONING

TFG Jewellery division is the leading player in the mass middle market for jewellery and luxury accessories. It operates three chains. American Swiss is the largest jewellery chain in southern Africa, having gained prominence in more than a century of trading as a supplier of desirable and attractive products with a contemporary touch. Sterns, which has also been trading for over 100 years, is the next largest chain, stocking jewellery and accessories with a classic appeal. Matrix sells sunglasses and cellphones.

The AMPS survey of 2011 and the Sunday Times Annual Top Retailer Awards for 2011 confirm American Swiss and Sterns as No. 1 and No. 2 jewellery brands in southern Africa.

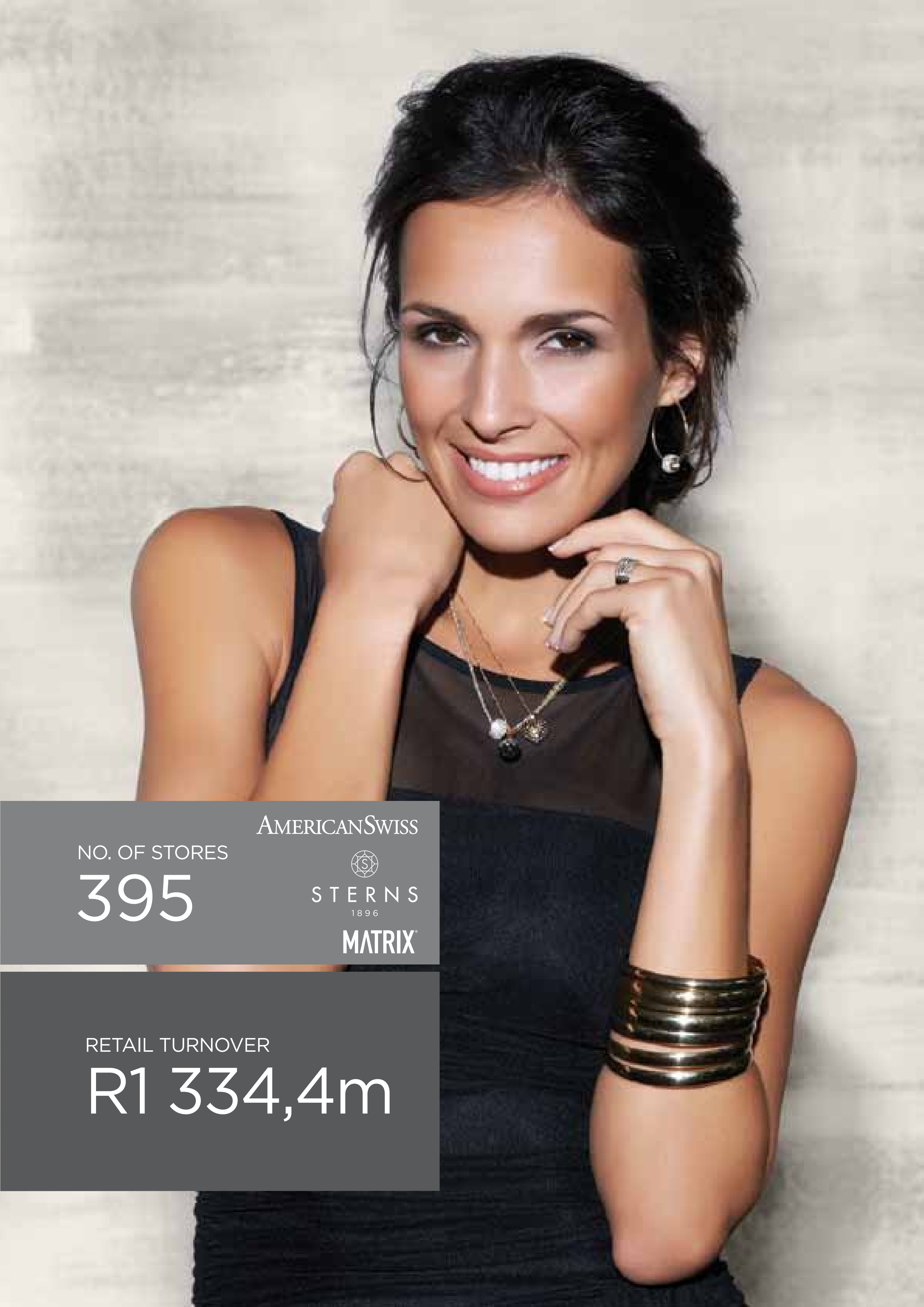
In-house credit accounted for 55% of total sales in the past year.

REVIEW OF THE YEAR

Sales grew by 9,2% over the previous year, which had included the positive boost to trading given by the 2010 FIFA World Cup™.

A 3,7% increase in the number of trading outlets contributed to the overall growth but commodity-driven product inflation reduced

		2012	% change	2011
Turnover (R million)	American Swiss	**801,3**	8,0	741,9
	Sterns	**476,6**	10,1	432,9
	Matrix	**56,5**	22,1	46,3
	Total	**1 334,4**	9,2	1 221,1
Number of stores	American Swiss	**216**	2,4	211
	Sterns	**153**	4,8	146
	Matrix	**26**	8,3	24
	Total	**395**	3,7	381
Floor area (gross m^2)	American Swiss	**15 330**	2,6	14 945
	Sterns	**9 771**	2,3	9 555
	Matrix	**740**	4,4	709
	Total	**25 841**	2,5	25 209



AMERICANSWISS

NO. OF STORES

395

STERNS
1896

MATRIX

RETAIL TURNOVER

R1 334,4m

TFG JEWELLERY DIVISION CONTINUED

turnover growth in the latter months of the year. A 40% increase in the gold price in US Dollar terms during the second half resulted in product inflation from December, making luxury products more expensive for the consumer.

The division has many years of experience of dealing with the effects on the jewellery market of volatility and steep inflation in the prices of metals and other commodities. Product extensions and other forms of product innovation (involving the use of combinations of metals) were used to maintain the appeal of the division's jewellery ranges. Customers were thus offered suitable alternatives at strategic price points.

The ratio of mark-down to sales for the year improved to 10,9%.

Stock turn at 1,9 times reflects the well-controlled stock levels and speed-to-market initiatives that ensured that the division's best sellers were back in stock more quickly. Closing stock at 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), equalling the 18 stores opened in the previous year. Four under-performing stores were closed (two American Swiss and two Sterns). The division has opened 53 new stores over the past three years.

Trading densities continued to improve to R51 000 per square metre from R48 000 in the previous year.

In a drive to work smarter the division is making increasing use of employees on flexitime. One of the benefits is that greater staff resources are available at weekends when activity in the stores is at its height. There is a corresponding reduction in numbers during periods of low activity. While this has led to a higher total number of staff members in formal employment, total remuneration paid to staff members remained efficient.

STRATEGY

The division has deep strengths in product innovation and has the experience needed to adjust product mixes to limit the impact of inflation and price spikes. The division's customer base will also continue to benefit from real wage increases awarded over the past year.

The digital customer base continues to grow and on-line brand exposure facilitates interactive communication and ultimately attracts customers into stores. Digital marketing will remain a focus for the coming year together with growing the credit database.

A brand audit of Sterns has been undertaken in order to establish a cohesive plan to ensure alignment of the brand with purchasing strategy, customers' in-store experience, advertising and store design. The results of the audit are being used to align products and marketing progressively in a new direction and the first new-concept store will open in the next year. The brand strategy will provide long-term direction for Sterns.

There are indications of early success of the Sterns brand alignment strategy and this has led the division to undertake a

MARK-DOWN STATISTICS	2008	2009	2010	2011	**2012**
Mark-down value (R million)	119,4	113,6	127,3	141,3	**145,4**
% of sales	9,9	10,1	11,6	11,6	**10,9**

STORE STATISTICS	2008	2009	2010	2011	**2012**	**Projection 2013**	**Projection 2014**
American Swiss	187	199	205	211	**216**	**221**	**227**
Sterns	122	132	138	146	**153**	**160**	**168**
Matrix	19	19	22	24	**26**	**28**	**30**
Total number of stores	328	350	365	381	**395**	**409**	**425**
Closures	7	4	2	2	**4**	**2**	**2**
Floor area (m^2)	22 519	24 077	24 538	25 209	**25 841**	**26 697**	**27 587**

similar programme for American Swiss. The alignment of products and marketing will be the focus in the short term.

Matrix is also being reviewed to recalibrate its brand identity, product mix and growth opportunities. The outcome will be a cohesive strategy to take the Matrix brand into the future.

The Jewellery division considers that customer service is one of its key strengths. The foundation phase of a new selling skills programme was completed and applied to a limited number of store staff members during the year. It will be applied to all store staff members in the next year. In addition, approximately 200 staff members will be trained by the use of an accredited product knowledge correspondence course.

There will be cautious expansion in store numbers in line with the core strategy of seeking long-term growth in sales and profit. 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

The division will continue implementing strategies to take account of potentially inflationary product factors, building on the strength of its brands, the positive cash flow of the group and the expertise at its command. The division will remain at the forefront of its market and will be able to grow its turnover and profits.

@HOME DIVISION

SHANI NAIDOO

SELLS A COMPREHENSIVE RANGE OF CONTEMPORARY HOMEWARE AND FURNITURE TO THE MODERN HOME-MAKER.

POSITIONING

At year-end the @home division had 88 stores operating in South Africa's leading shopping centres, supplying contemporary homeware and furniture to the modern home-maker. There is emphasis on both the practical and the fashionable in the selection of merchandise.

The @home stores serve the LSM 8 to 10 groups with a full range of homeware products. The @homelivingspace stores, averaging about 2 000 m^2 in area, comprise a full homeware offering and in addition a comprehensive offering of furniture. Both categories of store are housed in regional or nodal shopping centres throughout the urban areas.

The store tally in South Africa at year-end was divided between 74 @home stores and 14 @homelivingspace stores.

There are also nine franchised @home stores, seven located in the United Arab Emirates and one in Bahrain. The remaining store, the latest to be opened, is in Mozambique.

REVIEW OF THE YEAR

Turnover in the @home division grew by 18% over the previous year, assisted by the opening of six new stores. Same-store growth was 13,5%. One store was closed. The new livingspace store located in the up-market Sandton City shopping complex in the Johannesburg area occupies 1 900 m^2 and is the flagship of the 14 livingspace stores.

Performance in the past year was good for both the homeware and furniture formats.

In the homeware stores a new merchandise strategy, to arrange and display products in separate core and fashion categories, is now bearing fruit. Keen attention to details of store layout, visual display and ease of shopping have allowed the homeware section to present products to customers in creative and appealing ways. Rational layouts make it easy for customers to locate items in store.

Performance in the furniture section was also satisfactory. The furniture team has improved its understanding of customer preferences in various segments, allowing better choices to be made in the design and fashion status of the products stocked.

	2012	% change	2011
Turnover (R million)	**801,8**	18,0	679,0
Number of stores	**88**	6,0	83
Floor area (gross m^2)	**56 101**	5,9	52 966
Most significant countries from which merchandise is imported	**China, India, Vietnam, Europe**		China, India, Vietnam, Europe

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

NO. OF STORES

88

@home
THE HOMEWARE STORE

@homelivingspace
THE HOMEWARE STORE

RETAIL TURNOVER

R801,8m

@HOME DIVISION CONTINUED

The quality of products stocked in the case of both homeware and furniture has been enhanced by placing additional focus on the standards required of suppliers.

In order to continue the improvement of the pipeline, a furniture distribution centre was opened in Pretoria. It will optimise the distribution of stock to stores serving the growing consumer base in the northern regions of South Africa. This move is expected to lead to more efficient logistics for the division and to greater customer satisfaction. Lead times have been reduced and orders are being executed more swiftly. A quality control department was established within the furniture distribution centre to advance the process of assessing quality throughout the furniture pipeline. The division will work further in the next year with suppliers to set and maintain quality standards.

The division has gained significant market share during the year.

The mark-down factor of 8% was within expectations.

Trading density for the past year in comparable stores was R18 107 per square metre compared to R17 010 per square metre in the previous year.

STRATEGY

The @home division will focus in the next year on product performance and operational efficiencies in both the homeware and furniture formats. An enhanced in-store visual strategy will be progressively implemented and renewed focus will be placed on customer service and staff training.

The management team is exploring the use of new retail channels addressing the corporate market and also in the on-line space. In addition, there will be continuous critical evaluation of product quality. The goal is to ensure continuous improvement in the division's offering in order to increase customer interest and to boost sales.

PROSPECTS

The trend for the past several years has been for customers to equip and upgrade their homes to fulfil contemporary needs. People are spending more of their time at home and they become acutely conscious of comfort levels in their domestic environment. Hence the needs of their homes enjoy a high priority in their discretionary spending. These realities, together with a sound approach to merchandise selection, underlie the good performance of the @home division in recent years and the trend established shows no sign of wavering. Accordingly there is reason for optimism for the next year, when the strategies outlined above to raise the level of attractiveness of the division's offerings and optimise its pipelines and its levels of service to customers will be taken further.

MARK-DOWN STATISTICS

MARK-DOWN STATISTICS	2008	2009	2010	2011	2012
Mark-down value (Rm)	47,3	46,5	72,4	65,7	**73,2**
% of sales	9,0	8,0	10,7	8,4	**8,0**

STORE STATISTICS

STORE STATISTICS	2008	2009	2010	2011	2012	Projection 2013	Projection 2014
@home	58	65	66	70	**74**	**79**	**85**
@homelivingspace	3	7	12	13	**14**	**14**	**15**
Total number of stores	61	72	78	83	**88**	**93**	**100**
Franchised stores	2	6	7	9	**9**	**9**	**12**
Closures	–	–	1	1	**1**	**–**	**–**
Floor area (m^2)	27 605	38 766	49 587	52 966	**56 101**	**58 101**	**63 101**

TFG FINANCIAL SERVICES DIVISION

PETER MEIRING

PROVIDES GROUP-WIDE CREDIT-RELATED PRODUCTS AND SERVICES TO TFG CUSTOMERS.

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 in excess of 1 172 agents.

The division is made up of four specific business units:

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

REVIEW OF THE YEAR

The division achieved another successful year of operation, growing its profits by 27,0%.

This was accomplished in a tough consumer lending environment marked by higher delinquencies and flat interest rates. This profit growth attests to the resilience of the group's credit management strategy and the appeal of its diverse financial service offering.

Consumers' disposable income in the mass middle market in which the group operates has come under pressure following a succession of fuel and electricity price hikes.

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 RCS Group, a company that provides financial products and services to retailers and customers external to TFG.

TFG FINANCIAL SERVICES DIVISION CONTINUED

Added to this has been the pressure placed on consumers through the significant increase in short-term unsecured lending in recent times. This lending has been offered in the form of debt consolidation and pay-day loans. These new loans have in many instances not resulted in old debt being retired, but have further exposed consumers to new lines of credit.

The division's new accounts strategy remained focused on growing the active account base. These efforts led to growth of 8,2% in the active account base after growth of 10,5% in the previous year. Growth at these levels comes with a concomitant cost. Whilst all accounts are scored on their profit contribution, the cumulative effect of opening new accounts at this pace does introduce additional delinquency into the portfolio.

Against this backdrop intensive effort has been applied within the unit to improving decision-making regarding new accounts, as well as to the division's collections capability. In keeping with these objectives a key collection component, the automated dialer, was upgraded. Whilst there were some initial teething problems in this conversion, there is no doubt that this system will enhance the division's collections capability over time and meet expectations for improved account management.

The consequence of the consumer lending environment and the division's strong account acquisition strategy has been an increase in arrears, which moved up to 21,8%. Net bad debt as a percentage of debtors' book moved up to 9,4% (2011: 9,2%). This is well within management's expected range.

There was no relief by way of an interest rate change to off-set the additional costs associated with collections and bad debt. The average NCA interest rate remained at 22,1%. Book growth of 19,5% (2011: 20,6%) did, however, support overall income growth.

During November 2011 the group successfully launched its cash rewards programme, targeting a base of 500 000 accounts by year-end. This was exceeded and a total of 541 221 cash reward customers were signed up. This programme is unique as it gives discount rewards to customers each time they shop in any of the group's 16 different chains. These rewards are lifestyle-orientated and incentivise customers to cross-shop in the group's stores. By its very nature, the programme supports incremental sales.

TFG CREDIT SERVICES UNIT

This unit manages the group's in-store credit card programmes, which consist of 16 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.

The unit had a very good year despite increases in delinquency.

Interest income

The group's credit offering gives customers the option of paying for their purchases over six, twelve or 18 months. On the six-month product, customers who pay the required monthly instalment are charged no interest. All other payment options attract interest.

Currently 37,0% (2011: 40,9%) of customers make use of the six-month product. A total of 76,0% (2011: 74,0%) of customers are paying interest on balances that represent 86,6% (2011: 84,5%) of the value of the entire book.

The interest rate remained at 22,1% for the duration of the year. Nevertheless, interest income grew by 21,1% on the back of a 19,5% book growth. The book growth is fuelled by credit sales growth of 16,1% as well as a continued migration by credit customers to longer-term products.

Net bad debt and provisions

The net bad debt situation deteriorated over the past year. Many consumers remain under financial pressure, having to service escalated personal debt and increased cost of utilities. This trend is also manifest in the number of customers resorting to the NCA debt review process.

TFG CREDIT UNIT PERFORMANCE

	2012 Rm	% change	2011 Rm
Interest income	**853,7**	21,1	705,2
Other income	**312,8**	22,3	255,8*
	1 166,5	21,4	961,0
Net bad debt	**(522,0)**	29,9	(401,7)
Credit costs	**(249,1)**	0,4	(248,1)
Profit before tax	**395,4**	27,0	311,2

* Restated to exclude results of Retail Technology Unit

Over the last few months what had been an improving trend has now moved in the opposite direction.

The group's strategy of actively pursuing new accounts through invitational mailing and store openings continues. Scoring models are designed to draw profitable credit business into the group, taking into account the margins derived from both merchandise and financial services. These profit metrics are constantly checked to ensure that performance is in keeping with modelled expectations. Building of the account base of this nature contributes strongly to ongoing credit sales, but does come with an associated cost. New accounts acquired at this rate represent more risk than accounts already in the base. The extent to which the profile of the book changes to newer dated accounts will lead to greater delinquency and ultimately result in higher charge-offs. All of these scenarios have been modelled and cognisance of them has been taken in the provisions for future charge-offs.

Net bad debt grew by 29,9%. As a consequence, the ratio of net bad debt to credit transactions increased to 4,9% from 4,7%. Balances in arrear increased to 21,8% from 20,7%.

The group continues to provide for doubtful debts on a recognised accounting basis that takes account of actual payment performance. The provision ratio increased to 9,3% from 8,7% and the provisions figure amounted to R469,5 million.

Credit costs

The impact of higher credit costs was mitigated by a more stringent policy in regard to income received from debt collection charges. Consequently credit costs increased by only 0,4%.

PUBLISHING AND INSURANCE UNIT ("OTHER INCOME")

This unit oversees the group's interests in the Club, a facility which offers customers of the group a range of benefits including a monthly magazine, automatic insurance, medical helplines, promotional discounts, monthly draws and bursaries. In addition to the Club this unit provides a range of insurance products to customers of the group. They include policies covering both personal and product losses. Net income from this unit grew by 22,3%.

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, Sports, Soccer, Kidz, ClubX and Livingspace. Regular focus groups and surveys are conducted to assess the appeal of the magazines and also to gauge where modifications are necessary to suit the target audience. The distribution of the magazines is audited and in most instances they achieve distributions far in excess of similar publications sold through newsagents.

During the year a new magazine was launched under the title Balanced Life. It is positioned to appeal to professional women striving to balance a career with household aspirations. The magazine has been well accepted and already has a subscription base of more than 35 000 members. The group also now offers a customised version of Soccer magazine sent directly to fans of a PSL club. Net income from publishing grew by 14,5%.

Insurance

During the year a critical illness insurance product was introduced, bringing the total insurance offering to nine products. The critical illness product offers cover for cancer, heart attack, coronary artery surgery, kidney failure, major organ transplant and paraplegia. It also provides further cover for "mobility" through the availability of a wheelchair service. Two existing products, Active Pulse and LifeNet, were enhanced with optional cover for spouses. There was a good take-up of the new product offerings. Net income from insurance activities grew by 26,9%.

SALIENT STATISTICS

	2012	2011
Number of active accounts ('000s)	**2 464,5**	2 278,0
Credit sales as a percentage of total retail sales	**61,0**	61,5
Net debtors' book (Rm)	**4 569,9**	3 823,0
Arrear debtors as a percentage of debtors' book	**21,8**	20,7
Net bad debt write-off* as a percentage of credit transactions	**4,9**	4,7
Net bad debt write-off* as a percentage of debtors' book	**9,4**	9,2
Doubtful debts provision as a percentage of debtors' book	**9,3**	8,7
Percentage able to purchase	**80,2**	82,0

* Including VAT, excluding movement in provision

TFG FINANCIAL SERVICES DIVISION CONTINUED

GROUP COMMUNICATION AND CRM UNIT

This unit is responsible for customer relationship management strategy and its implementation across the group's customer base. This includes optimising customer acquisition drives, devising strategies to grow customers' tenure and spend, as well as implementing activation and reactivation campaigns.

Corporate communication involves both the internal and external marketing of the corporate brand, handling media interaction and reputation management and acting as the brand custodian of TFG's corporate identity.

Increasing the awareness of TFG's 16 brands with all its stakeholders is also the responsibility of this unit, together with group-level marketing campaigns and sponsorships.

Gift cards as a category continued to grow and sales of gift cards grew by 19,5% to R88,5 million. Gift-giving occasions were used as the primary drivers. Exposure was gained through magazine advertorials, digital media and in-store signage.

Customer relationship management

The three core objectives of customer acquisition, growth and retention were again pursued and successful campaigns led to incremental sales and profit growth.

Customer acquisition

In November 2011, Rewards, a unique customer loyalty programme was launched nationwide in all the group's retail chains, initially only for cash customers but with a view to including account customers in the future. The Rewards programme is unique in that it is not a frequent shopper programme by which a customer acquires points over time. In the division's research points-based programmes were shown to be inherently expensive, creating a considerable future liability. In the Rewards programme all cash customers, once registered, instantly receive a reward at point of sale, to be used on their next purchase. The rewards are mainly discounts that incentivise customers to shop within that store or in any of the group's other chains.

The launch was very successful and at year-end there were 541 221 registered cash reward customers who can now be engaged on an ongoing basis.

Customer retention

Campaigns targeting dormant customers at specific points in their dormancy continued to be successful, with the number of dormant customers as a percentage of total book reducing from 11,0% to 9,9%.

RETAIL TECHNOLOGY UNIT (RTU)

This unit is responsible for the procurement, logistics and marketing of all cellular and related products for the group. The unit distributes mobile devices to group stores through an entity known as TFG Mobile and sells airtime products directly to customers under the group's One2One brand and by telemarketing. The financial results for this unit are incorporated in the group's sales figures.

Handset sales

Sales of handsets gained from the previous year's centralisation process and increased by 22,6% (2011: 26,5%).

The roll-out of cellular products to selected Sports division stores continued during the year, bringing the total number of stores in the group involved in cellular trading to 1 454 (2011: 1 160).

One2One

One2One is an attractive airtime contract sold through telemarketing and is charged to the customer's TFG account. Currently customers who pay as little as R15 per month can receive airtime to the value of R50. Airtime is automatically topped up monthly to the value of the contract and customers can buy additional airtime. The arrangement is exclusive to MTN.

The success of the One2One product continued in 2012 and the number of accounts billed grew by 23,2%.

PROSPECTS AND STRATEGY

The current tough consumer environment is likely to persist through the next year. This requires the group to exercise even greater caution when granting new credit or extending existing facilities. During the year it is proposed to develop new scorecards that will provide better insight into credit bureau data and particularly those attributes that are positive or negative predictors of retail credit behaviour.

The group will continue to invest in building the active account database by selectively bringing in well-qualified customers. This will be done through direct marketing and store-based programmes.

Although the division's best efforts are applied in mitigating this risk, it is likely that bad debt numbers will continue to trend upward, but still at levels where the risk-adjusted margin remains strongly positive. Ongoing risk management will see this trend improve over time. Until that happens provisions for bad debt will continue to recognise these changing trends and will continue to be set at conservative levels.

The division's focus on building the cash rewards database will continue and it is likely that this base will number more than one million customers by the next year-end.

Indications after the first five months of operating the Rewards programme are that the average spend of the Rewards customer is well above that of other customers and the frequency of purchases also increases. As the one million mark is approached the impact on cash sales will be significant.

Towards the end of the year the Rewards programme will be rolled out to credit customers. The division already has a wealth of knowledge on their buying habits, collected over many years. There is scope to translate this knowledge into an effective tool to generate increased cross-product and cross-brand shopping and therefore increase the size of the average shopping basket. The payback from the Rewards programme into the credit base could be appreciable.

The division will introduce a new insurance product and two new Club formats early in the next year. Opportunities will again be explored to expand the reach of the Club by developing third-party relationships that provide access to more customers whilst rendering service to these customers and third parties alike.

The demand for cellular and mobile technology devices continues unabated worldwide. The demand that the group has seen for these products in its stores and through direct marketing channels supports an expanded reach in this market.

A number of new concepts will be tested at store level as well as by direct marketing.

RCS GROUP

SCHALK VAN DER MERWE

PROVIDES A BROAD RANGE OF FINANCIAL SERVICES PRODUCTS UNDER ITS OWN NAME AND IN ASSOCIATION WITH A NUMBER OF RETAIL ENTITIES IN SOUTH AFRICA, NAMIBIA AND BOTSWANA.

The RCS Group is an operationally independent consumer finance business that provides a range of financial services products 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 (TFG) (55%) with Standard Bank holding the balance of the shares (45%).

As is illustrated below, the RCS Group operates in two areas. One is Transactional Finance, which focuses on card operations. The second is Fixed Term Finance, which provides retail consumers with personal loans, insurance and home loans under the RCS brand. The operational areas share a number of services. In addition, the RCS Group has investment interests in a number of entities in the consumer finance industry. Redwood Third Party Processing (25% owned), is a company specialising in consumer finance outsourcing and processing solutions and Retail Capital (30% owned) is a merchant financing company that supports SMEs serving consumer markets. During the year a shareholding in a company named Effective Intelligence was disposed of.

Transactional Finance facilitates credit sales by retailers at point of sale in one of two ways:

RCS GROUP

- **Transactional Finance**
  - **General purpose** RCS Card
  - **Private labels** Queenspark Game, Dion Wired, Tekkie Town, Builders Warehouse
  - **Co-branded cards** Spitz, Cape Union Mart, Busby, Galaxy, Coricraft, Tiger Wheel and Tyre
- **Fixed Term Finance**
  - Personal loans
  - Home loans JV
  - Insurance
- **Investments**
  - Redwood Third Party Processing (25%)
  - Retail Capital (30%)
- **Shared services** HR, IT, Risk, Analytics, Collections, Finance, Compliance and Marketing

RCS GROUP CONTINUED

- through an own-branded general-purpose card known as the RCS Card that is accepted at 15 000 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 cards of the following entities: Queenspark, Game, Dion Wired, Builders Warehouse and Tekkie Town. The co-branded card programme comprises the retailers Spitz, Cape Union Mart, Tiger Wheel and Tyre, Galaxy Jewellers, Coricraft and the Busby Group VIP card.

The RCS Group is functionally separate from TFG Financial Services and 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 good full-year results against a backdrop of continued high levels of consumer indebtedness, historically low interest rates, gradually increasing credit demand and slow, but steadily growing, economic activity.

PROFITABILITY

The overall performance of the group resulted in an increase of 25,3% in pre-tax profit, which represents an improvement on published results at the half-year. The profitability breakdown was as follows:

RCS GROUP PROFITABILITY	2012 Rm	% change	2011 Rm
Interest income	**848,4**	9,9	772,1
Other income	**454,8**	18,7	383,3
Total credit income	**1 303,2**	12,8	1 155,4
Net bad debts	**(199,0)**	(13,9)	(231,1)
Operating costs	**(550,5)**	17,6	(468,2)
EBIT	**553,7**	21,4	456,1
Interest paid	**(208,5)**	15,5	(180,5)
Profit before tax	**345,2**	25,3	275,6

RCS GROUP PROFITABILITY STATISTICS	2012	2011
Interest as percentage of total revenue	**65%**	67%
Cost-to-income ratio	**42%**	41%
Profit before tax as percentage of average debtors (net margin)	**10,5%**	9,5%

Overall, revenues grew moderately year on year by 12,8%. The 9,9% increase in interest income resulted from good book growth of 19,5%, as well as the unwinding of the endowment effect of prior-year interest rate decreases. Other income grew by 18,7% because of an increased number of new accounts and enhanced insurance revenues.

The primary cause of the increase in profitability for the year was a continued improvement in asset quality, resulting in a decrease of 13,9% in bad debts. The net bad debt value includes increased provisions to ensure that RCS maintains an acceptable coverage rate for non-performing loans which are ultimately written off.

Operating costs rose by 17,6%. A number of non-comparable costs are included in this value, such as costs related to the relaunch of the RCS brand and the implementation of a single debtors' management system. On a comparative cost basis expenses are well under control and within the required operating parameters. The cost-to-income ratio showed some deterioration but it is anticipated that this ratio will improve in future years as the business brings the benefits of scale into the systems and brand investments.

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

The combined effect of the year's changes in total revenue, bad debts and cost of funds was that the overall margin, measured against average assets, improved by 1%.

Management believes that shareholders will be pleased with the growth in profit achieved over the year and with the continued trend of growth in profit, now extending over three years.

ASSET QUALITY

One of the key reasons for the improved profitability of the group was the continued improvement in the asset quality of the portfolios under management. A strong focus continues to be placed on improving asset quality.

The table below reflects some of the key statistics relating to asset quality.

All the key measures for the quality of the debtors' book showed positive trends. 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.

Despite an improving NPL percentage, management felt it prudent to increase the level of provisions for doubtful debts in view of the many new co-branded programmes launched during the year.

The RCS Group has set a minimum NPL coverage target of 80% and will review this target annually in line with changes in portfolio composition. This supports a strategy to manage asset quality consistently within 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.

FUNDING

During March 2010 the RCS Group successfully launched its DMTN programme to augment

RCS GROUP ASSET QUALITY STATISTICS

	2012	2011
Number of active accounts ('000)	**757**	665
Net debtors' book (Rm)	**3 451**	2 889
Arrear debt as percentage of total debt	**10,1%**	11,1%
Non-performing loans as percentage of total debt	**6,3%**	7,3%
Net bad debt write-off as percentage of turnover (cards)	**5,3%**	6,0%
Doubtful debt provision as percentage of debtors' book	**7,9%**	8,2%
Provisions as percentage of non-performing loans ("NPL coverage")	**124,7%**	112,3%
Percentage of applicants granted credit on card portfolios	**48,0%**	44,4%

RCS GROUP CONTINUED

the current shareholder funding and to position the financial position for future growth. During the year the group had five issuances which were all oversubscribed. The group raised a mixture of short-, medium- and long-term paper during these issuances. They included two successful roll-over events. Collectively more than R1,9 billion has been raised through the programme.

The credit rating of the group, as issued by Moody's, was retained at a long-term rating of Baa1.za (stable outlook).

It is worth noting that the spreads paid on the notes have improved on each issuance, indicating a favourable assessment by investors of the RCS rating.

As a result of fund-raising activities the RCS Group has in the region of R1 billion in available cash for growth. In addition, the group has a strong cash flow base with current cash inflows of R270 – R310 million per month, depending on seasonality. The group attained a healthy debt-to-equity ratio of 64% compared to 62% in the previous year and currently maintains capital adequacy of 35% (36% in the prior year) to cover any system or asset risks.

Since the launch of the DMTN programme the RCS Group has been able to significantly diversify its funding mix as the graph below illustrates.

OPERATIONAL OVERVIEW

Overall, RCS had a good year and growth took place in total account numbers, turnover and book size for all the portfolios.

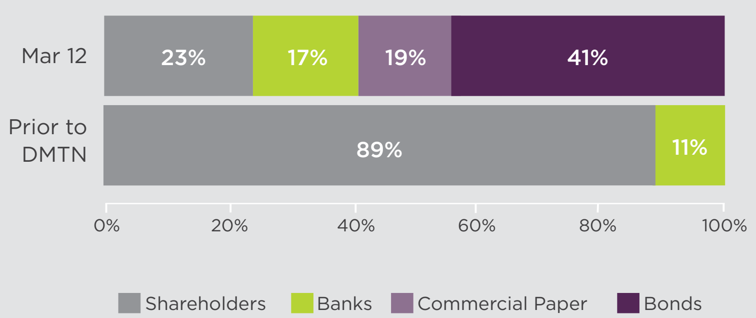
The Group had four strategic focus areas for the year, namely:

- to extend the number of card portfolios;
- to relaunch the RCS brand;
- to change the direct marketing distribution model; and
- to upgrade the debtors system.

These objectives were largely achieved.

Card programmes were extended and there are now 12. The RCS card, Queenspark, Game, Dion Wired, Spitz and Cape Union Mart are well-established programmes and all showed good growth. The Builders Warehouse, Tekkie Town, Coricraft, Galaxy Jewellers, Busby VIP and Tiger Wheel and Tyre programmes are new additions. Their initial growth was in line with expectations. There will be further expansion in the private label and co-branded categories in the next year.

FUNDING DIVERSIFICATION (DRAWN FACILITIES)



The group merchant network also continues to expand and the general-purpose RCS card and co-branded cards are now accepted nationally in 15 000 merchant outlets across a variety of industries. The addition of some FMCG retailers, of which Clicks and Spar were the most significant, was particularly pleasing.

The RCS brand was relaunched during the last two months of 2011 with a more contemporary look and feel. In addition, brand advertising explored new horizons by making use of above-the-line advertising and, in particular, television. The rebranding has already had a positive response. It supports the positioning of RCS as a well-recognised consumer finance brand.

Tests were carried out on a variety of business models to change the direct marketing business. A sizeable telemarketing and digital capability was rolled out to drive sales efforts in this regard. Changes have been implemented and gains have been made in book growth for direct portfolios (personal loans and insurance) at lower cost of acquisition. This progress will stand the RCS Group in good stead when these capabilities are expanded in the new year.

One of the major initiatives of the year was to consolidate the debtors systems on to one platform. All card portfolios were consolidated on to one platform with a single front-end and a back-end that is integrated with the financial and analytics systems. This has led to efficiencies which will be further enhanced in the coming year when the consolidation of the loans debtors system on to the same platform has been achieved.

PROSPECTS

While the consumer markets are showing signs of recovery through increased consumer finance lending activities, further confirmation of the economic uptick is required before the market can be classified as a growth market.

Against this backdrop the RCS Group will continue to apply conservative policies but it is anticipated that the business will again have satisfactory growth in the next year. Gains made in asset quality will be maintained and operational efficiencies will be achieved as both the merchant-based and direct distribution models are leveraged to a fuller extent.

SUSTAINABILITY

RCS Group sustainability report

The JSE's Social Responsibility Index serves as the guide to this report, which also complies with the King III principles.

Workforce review

Employment equity

The principles of employment equity are strongly supported by the RCS Group and reports have been submitted to the Department of Labour in compliance with the Employment Equity Act.

The workforce profile of the RCS Group at the year-end has been reported to the Department of Labour and was as set out in the table below.

Whilst obstacles remain, there has been growth in the number of previously disadvantaged staff in junior and middle management levels, representing progress at the functional level. Senior managers are encouraged to meet the EE targets set and operate with the assistance of the human capital management department to achieve these.

Occupational health and safety in the workplace

There has been increasing use by staff members of the on-site occupational health and safety facility for both occupational health and primary health services. This is mainly the result of increased awareness of occupational health issues and the provision of periodic occupational health evaluations. This service seeks to minimise absenteeism as a result of illness and work-related ailments. The RCS Group has an association with Discovery Health and its Vitality programme helps to convey to employees the need for status awareness and therefore HIV testing. HIV counselling is available to employees as part of this programme.

The Cape Town, Johannesburg and Durban offices of the RCS Group have dedicated health and safety representatives who attend to questions of safety in the workplace.

Environmental performance

The RCS group has made progress in reducing the impact its operations have on the environment. Ongoing educational programmes have been launched to influence behaviour and create awareness on how employees can play a role in reducing that impact.

Recycling takes place within the business and all IT hardware and consumables are disposed of using certified and registered recycling companies.

To reduce paper and printer utilisation multi-user printers are used throughout the business.

Community involvement

The RCS Group continues to be involved in community development initiatives as part of its responsible corporate citizenship. More than R1 million was spent in corporate social investment in the past year.

- R150 000 was spent to provide bursaries for the school-going children of employees. The objective has been to make sure that primary education is a reality for these children. Funding is provided for bursaries up to grade 12. Recipients normally receive bursary support over multiple years. The composition of the recipients was as follows: 59% Coloured; 34% African; 5% White and 2% Indian.
- TSiBA (the free university) remains a flagship project as it is in line with the RCS Group's goal of providing financial literacy to the broader community. A commitment

WORKFORCE PROFILE	African	Coloured	Indian	White	Total
Female	35%	29%	3%	10%	**77%**
Male	5%	9%	2%	7%	**23%**
Total	**40%**	**38%**	**5%**	**17%**	**100%**

RCS GROUP CONTINUED

has been made for another three years of support. The benefits have been widened to include job opportunities for learners and internship opportunities and bursaries for a selected group of students.

- The RCS Group's partnership with Gugulethu Athletics Club has led to sponsorship for athletes from this community and participation in the increasingly popular Gugs Reconciliation race, which takes place on 16 December every year.
- There has been continued association with the JAG Foundation, which received support of R190 000 during the year. The JAG Foundation, run by Elana Meyer, promotes a healthier and better lifestyle through sport in less privileged communities. The RCS Group supports JAG through two initiatives – an annual charity golf day and the Role Model Bursary fund, which provides bursaries to promising young athletes who are involved with the JAG Foundation.
- Habitat for Humanity, an annual home-building programme, that has been running for the past five years was again supported through the completion of two houses.
- In Africa many children need facial reconstructive surgery. Support was provided to Operation Smile, which helps to change the lives of these children.
- A significant partnership was launched with Kuyasa, an NGO focused on improving RDP houses through the provision of lending facilities to RDP homeowners. The RCS Group's support took the form of monetary capital and intellectual capital.
- In addition to the above, staff members responded generously to a number of initiatives aimed at helping underprivileged communities. Clothing was donated to communities affected by fire during winter months and toys were also donated to under-privileged children as part of a December festive initiative.


My new RCS Card.
It's more than buying my family's wardrobe.
It's knowing that with over 15 000 stores to shop at I can create the perfect family home.
RCS
One Card. Over 15 000 retailers.
Visit www.rcs.co.za to apply.
Call 0861 SAY RCS (729 727)
for more information, and start making it possible.
CARDS
LOANS
INSURANCE
Let's make it possible
RCS
Visit at RCS Group. Terms & Conditions apply.
www.rcs.co.za 0861 SAY RCS (729 727)

SUPPLY CHAIN

MARTIN MENDELSOHN

SUPPLY CHAIN IS VITAL IN RETAINING COMPETITIVENESS.

TFG continues to operate in an environment of constant change and requires a supply chain which can continually adapt to the prevailing conditions in that environment. The variables include the group's sourcing and growth strategies, trading conditions in various markets and exchange rates and commodity prices. Since an efficient supply chain is vital in retaining competitiveness, the group's supply chain initiative remains a key issue in policy-making.

Several factors have emerged as major supply chain themes in the past year as the group's learning and understanding of supply chain processes and mechanisms have progressed and as the group has placed additional focus on the operational processes of its stores.

FAST-FASHION CLUSTER PROJECT

The reduction of lead time, i.e. the time between placing an order and delivery of the goods to the store, remains critical in the planning and sourcing models of the apparel divisions. The target that the group has adopted is to achieve 40% of apparel merchandise procurement on a lead time of no more than 90 days.

The fast-fashion cluster project reported on in the previous annual report has made good progress. Through this project processes have been developed and tested to procure women's fashion merchandise in 56-day and 90-day lead times. The manufacturing that is entailed is undertaken by local suppliers and for some product types involves local textile and knitwear mills and converters who undertake processes such as dyeing and combing. TFG Design Centre, which co-ordinates these activities, plays an essential role in achieving the goals of this cluster project.

The group's recent acquisition of the largest local cut, make and trim (CMT) factory, Prestige Clothing, will create further opportunities to expand the project.

As part of this project an international fast-fashion consultant from Turkey, which is a country well advanced in the mass manufacturing of apparel for leading retailers in Europe and the USA, was brought in during the year to study and report on TFG's progress in fast fashion in the light of Turkey's experience. This learning was incorporated into the project.

Terminology for the project which threatened to become vague or confusing has been standardised for use throughout the group and related training has been provided.

The results of the most recent summer season show that stock turn of products manufactured according to the precepts of the fast-fashion cluster project is on average significantly higher than stock turn of products obtained on the traditional lead times. The volume of mark-downs is also lower.

Based on these successes, the Foschini footwear unit and a

SUPPLY CHAIN CONTINUED

local footwear manufacturer will be added to the project with the goal of obtaining 15% of the required merchandise on a 56-day lead time.

SUPPLIER RELATIONSHIP MANAGEMENT

The reliability of the group's apparel and homewares suppliers continues to improve as a result of the implementation of the supplier performance measurement system devised by TFG Merchandise Procurement division. The number of top-rated suppliers increased by 17% over the previous year. The scorecard for the Jewellery division has been finalised and will be brought fully into use in May 2012.

REPLENISHMENT AND HOLD-BACK

The implementation of the new forecasting and replenishment system was delayed as a result of changing priorities. Implementation will now commence in the Markham and Exact! stores in the first half of the next financial year and then in the Foschini cosmetics department in the second half of the financial year.

The apparel divisions have until recently allocated non-replenishment orders in full to stores when stocks arrive at the relevant distribution centre (DC). With the implementation of the new warehouse management software system, Manhattan, the group has the ability to retain in the DC a part of the initial stock they receive and to distribute this portion to stores later in quantities based on historical sales. (This process is known as hold-back). This improves product clearances across the season. Apparel divisions piloted this process in the second half of the past year, with positive results. During the following months there will be aggressive roll-out of the process in these apparel divisions.

LOGISTICAL LEAD TIME

In previous annual reports it was reported that 30 days were removed from the time taken for imported stock to be delivered into the appointed store. There is further opportunity this year to remove logistics time and cost with the "supplier pick and pack project" by which suppliers will pack stock in typical size ratios corresponding to stores' sale histories, thereby making it unnecessary for staff at the DCs to fine-pick these orders. This project will be piloted on footwear in the next year and rolled out fully to the footwear units in 2013.

THE GROUP'S SUPPLY CHAIN INITIATIVE REMAINS A KEY ISSUE IN POLICY-MAKING.

TFG MERCHANDISE PROCUREMENT DIVISION

SELWYN EAGLE

THE DIVISION'S OVERALL OBJECTIVE IS TO ENSURE THAT ALL FUNCTIONS OF THE GROUP IN ITS RELATIONSHIPS WITH SUPPLIERS OF MERCHANDISE ARE OPTIMISED.

POSITIONING

This division, now in its third year of operation, comprises various departments which closely interact with both external suppliers and internal entities of TFG. The division's overall objective is to ensure that all functions of the group in its relationships with suppliers of merchandise are optimised in terms of business efficiency, stability, permanence and alignment of goals and methodologies.

The take-on process for new suppliers is co-ordinated in the division, which also has the responsibility of ensuring that all audit processes on suppliers are carried out. They must be efficient and effective.

The division has developed a supplier rating system based on a detailed scorecard that it customised for the various trading divisions. The Jewellery division was the last for which a scorecard was compiled and implemented and at year-end the system was about to become fully operational throughout the group. It is now possible to analyse and grade all suppliers' performance under numerous headings, so identifying action needed on the buying floor when any trading division interacts with its suppliers.

Having grown in expertise and geographical reach, the division has enabled the group to dispense largely with intermediaries and to deal directly with all its suppliers wherever they are located. This is a valuable capability when the scale of the group's importation and exportation of merchandise has never been greater, partly as a result of local growth and partly as a result of the opening in recent years of group-owned or franchised stores outside South Africa.

The Supplier Relationship department ensures that there is a strong link between buyer and seller and that all transactions between the two are carried out with integrity and in keeping with the group's codes of values and ethics. This department is also responsible for the communication to all key suppliers of the group's supply chain objectives and practices. It is essential for the department to bring a global business perspective to bear on a supplier base that is hugely diverse in geography and business habits.

The division's Quality Assurance department standardises, documents and publishes all processes pertaining to quality conformance of merchandise procurement throughout the group. This is essentially a benchmarking and reviewing function, with a view to enhancing quality performance standards.

Other departments are concerned with the shipping of imported and exported goods, foreign exchange purchasing and conformance and compliance with all internal and external regulations for the group's

TFG MERCHANDISE PROCUREMENT DIVISION
CONTINUED

merchandise procurement operations.

REVIEW OF THE YEAR

The past year was one of consolidation and growth. The division continued its drive to find local and offshore production locations that will provide the group with a competitive advantage in terms of product design, cost and lead times. Sound partnerships with suppliers locally and offshore yielded outstanding results in the past year in enabling the group to respond faster to market trends – the "fast-fashion" imperative.

A total of 86 new local suppliers were added to the group's supplier base along with 58 new offshore suppliers. Overall, local suppliers provided approximately 65% by value of the group's apparel supplies.

An exclusive relationship was negotiated with a partner in China for the application of quality control processes for all Chinese products imported, comprising apparel, footwear and raw materials.

The division established a dedicated inspection centre in China that conducts full inspections of the majority of fabrics imported by the group. This has improved the group's ability to track and manage supplier performance and has also reduced the receipt of unusable materials.

The division made an initial investment in technology to automate fabric fault-capturing and this facility, when completed, will further improve efficiencies.

The local fabric and trim supply base was investigated to provide the group with an understanding of its capabilities and capacities. The results will be used to support the group's fast-fashion initiative. Partnerships have also been established with local mills and processing houses to support the quick response initiatives and some success in shortening lead times has already been achieved.

The new computerised treasury control system mentioned in the previous annual report is now fully operational.

Great strides have been made in achieving rationalisation of foreign exchange policies and establishing practices for this purpose. Further enhancement and development of this system is planned for the next year and a review of forex buying processes has been commissioned in line with these developments.

The strong growth in exports by the group from South Africa to its stores and franchised outlets in Africa and elsewhere has presented opportunities for the division to build strong and healthy relationships with government departments in the African countries in which trading is currently taking place or is contemplated.

STRATEGY

The division will in the next year start work on a project to identify, document and standardise all processes and methodologies involved in procuring merchandise throughout the group.

The division also intends to expand and modify its upstream quality control processes including preproduction processes and finished products, to shorten lines of communication and secure additional efficiencies.

An export management system to support the group's strategy of expansion into Africa will be developed, as well as a system to assist the trading divisions in establishing more effective cost estimation processes.

There will again be a drive to establish freighting solutions intended to reduce lead times from different sourcing locations.

There will be ongoing focus on perfecting compliance processes for customs requirements and relevant legislation locally and offshore, both in the shipping and export departments and the compliance and conformance department.

SOUND PARTNERSHIPS WITH SUPPLIERS LOCALLY AND OFFSHORE YIELDED OUTSTANDING RESULTS IN THE PAST YEAR IN ENABLING THE GROUP TO RESPOND FASTER TO MARKET TRENDS.

TFG DESIGN CENTRE

The TFG Design Centre has completed its first full year of operations and its role is now established in creating innovative local design for the apparel divisions of the group. So far its services have extended to the Foschini, Donna-Claire, Exact! and Fashion Express womenswear and girlswear brands. In the next year menswear, boyswear and sportswear will be added.

All its designs incorporate the expertise of the Design Centre's in-house teams, which draw inspiration from local and global trends in fashion and technology. Implementation of the designs takes place in South Africa either in a group-owned factory or in a contracted cut, make and trim (CMT) manufacturer. In this way the Design Centre aids the group in retaining and growing its volumes of locally-made garments, with benefits that extend well beyond the bottom line of the group.

The Design Centre has an independent relationship with the trading divisions of the group, which are free to place their design requirements with local and international studios and manufacturers of their choice.

The success so far of the Design Centre is based on the fact that speed of delivery is paramount in modern retailing and all the Design Centre's strategies have been devised to achieve exacting time limits. While imports from Asia may take 120 to 150 days from the placing of an order until the time of delivery, the Design Centre is establishing cycles of less than 90 days. This enables the trading divisions to delay the placing of an order for an in-season item until the market's response to the introduction of the item has been gauged, so that the quantities ordered match as exactly as possible the volume of demand. This is the "quick response" approach dictated by modern market pressures.

TFG DESIGN CENTRE AIDS THE GROUP IN RETAINING AND GROWING ITS VOLUMES OF LOCALLY-MADE GARMENTS.

At the same time high quality and competitiveness in price must accompany speed to market, ensuring that customers' interests are fully met.

The South African clothing manufacturing industry has suffered many years of attrition and there remains only a small pool of skilled workers and limited factory capacity. TFG is at the forefront of efforts to resurrect and strengthen the industry, one of its initiatives in the past year having been the acquisition of Prestige Clothing in the Western Cape. Before the acquisition the group was already supplying about 70% of Prestige's orders and this figure has now risen to 100%.

Textiles for local garment manufacture are still almost wholly imported, but there are a few local mills that supply knitted fabrics of good quality. These factors play an important part in the scheduling of garment design and production.

The lesson of the past year has been that there is room for optimism in viewing the future of local garment manufacture in order to achieve results compatible with international best practice, but shortages of skilled workers will be a negative factor for some years. Strategic alliances with established and up-and-coming manufacturing entities are clearly the way to proceed.

An important part of the Design Centre's work is to co-ordinate the gathering and processing of intelligence both in terms of the products desired by the customers, largely as reflected by sales in the group's stores and the selection of new designs from international catwalks and other indicators of design trends. Once products have been designed, manufactured and delivered to the stores, the objective is that at least 20% of this merchandise be sold within the first week after arrival at the store.

With these core factors in mind, the Design Centre has formulated, in conjunction with the trading divisions it serves, a

TFG DESIGN CENTRE CONTINUED

series of objectives to achieve its goals. They include:

- to deliver on time and in full;
- to meet all quality standards and conformance requirements of the trading divisions which ordered the products;
- to align the key performance indicators of the Design Centre and the CMT factories with which it collaborates; and
- to establish strategic relationships between the teams within the Design Centre and customers and suppliers based on collaboration, communication, trust and visibility.

Four operational pillars within the Design Centre support these objectives:

- integration of fashion intelligence and creative design;
- streamlining all processes to be seamless, fast and flexible;
- strategic procurement and management of fabric and other raw materials; and
- enhancing fast-fashion manufacturing capability.

The next year will see a continuation and refinement of the processes of the Design Centre and its adaptation to an expanded role through additional product lines.

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 division operates the group's distribution centres (DCs) which have traditionally been clustered in the Western Cape but which now include a furniture DC in Gauteng. Each DC serves a specialised function in relation to a trading division of the group or a type of merchandise or commodity used in the group's operations.

The group's entire stock distribution function, including receiving, storage, picking, packing and despatch, takes place from these DCs.

FEATURES OF THE PAST YEAR

Distribution

In the past year the DCs distributed 54,6 million units of stock (i.e. individual items), which represents an increase of 13% over the previous year.

Distribution costs as a percentage of turnover decreased by 3,6% to 0,56% of turnover, showing good efficiency gains despite including the start-up costs of the new DC. However, transport costs rose by 11% to 1,23% of turnover, largely because of fuel price increases and the group's expansion into Africa. In total, logistics costs in relation to turnover rose by 6,3% with the result that these costs represented 1,76% of turnover as against 1,66% in the previous year.

- **Supplier delivery conformance:** The performance of the group's suppliers of merchandise, measured against the group's standard norms, improved over the year from 91% to 93%. This improved accuracy has enabled the fast-tracking of stock through the DCs to be enhanced.
- **Throughput speed and cross-docking:** The average throughput speed of stock in the DCs was further reduced to 3,4 days from 3,9 days in the previous year. The groundwork has moreover been completed for a comprehensive process of pre-allocation of stock before it leaves the supplier, providing the basis for greater volumes of cross-docking (i.e. the forwarding of stock to a store without the need to open the container). This will ultimately lead to a one-day distribution channel for the clothing and footwear DCs. Initial results will be felt in the next year. At this stage the group is still fine-picking the majority of its stock, with only 9,2% being cross-docked.
- **DC accuracy:** The accuracy of fine-picked stock leaving the DCs was maintained at a level of 99,9% in unit terms. This is consistent with best-in-class retailers around the world.

Transport

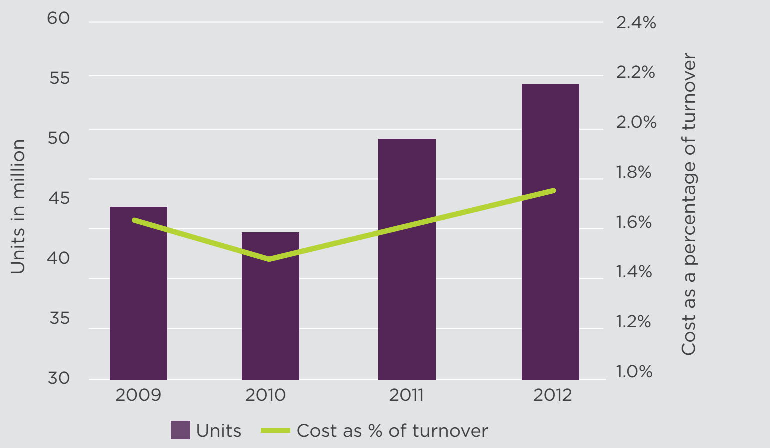
The growth of 13,4% in the number of units shipped out of the DCs equated to a growth of 18,4% in cubic metres shipped because of the bulky nature of much of the additional merchandise shipped. The consequence was significantly higher transport costs since space occupied is a major cost determinant of transport costs.

Transport costs, excluding fuel, rose by 18,9% over the previous year. The fuel price rose by 15% and continues to be a concern to TFG. Total transport costs, including fuel, rose as a percentage of group revenue to 1,22% from 1,09% in the previous year.

The Logistics team and its outsourced transport partners pay close attention to the management of delivery times from the DCs to stores across South Africa and in neighbouring countries. In the past year the

TFG LOGISTICS DIVISION CONTINUED

UNITS DISTRIBUTED AND COST OF LOGISTICS



average delivery time was 3,65 calendar days.

Transport product losses were well contained through the year, being 0,035% of group revenue.

INFORMATION TECHNOLOGY AND OPERATIONAL SYSTEMS

In the past year implementation of the Manhattan warehouse management system (WMS) took place in the @home and @homelivingspace DCs. For the first time product distribution from multiple locations has been achieved, providing a decentralisation model for the future.

The WMS implementations have assisted the group to advance towards its goal of having a world-class distribution model and a corresponding network. Thus far the results achieved include greater ability to track deliveries to the WMS-enabled facilities, the ability to pre-allocate stock to further reduce throughput time in 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.

RISK MANAGEMENT

Fire remains the major risk associated with the DCs and prudent preventative action must be taken. Close attention was again given to this issue. The group's historically fire-free record remains intact.

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.

Business continuity plans are in place and they were again regularly tested and reviewed by the group's risk committee.

ENVIRONMENTAL IMPACTS

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 specifications so that the group can reuse cartons.

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

Continued gains are expected in stock handling and operational efficiency.

System changes are being introduced to facilitate picking and packing at suppliers' premises, with a view to greater volumes of cross-docking at TFG's facilities. In addition, a project will be started to provide visibility of key milestones in the group's supply chain and the ability to move product directly from source through the closest point in the group's network directly to stores.

The materials handling equipment and the racking capacity of the @homelivingspace DC in Gauteng will be extended by another 60% to cater for forecast growth.

Greater flexibility and agility in the processing of merchandise in the DCs is being sought through the further roll-out of radio frequency (RF) picking, which will be given preference over the more rigid pick to light system.

The DCs will be equipped to do more hold-back storage and selective picking. This will further enhance stock clearance rates.

TFG HUMAN RESOURCES DIVISION

SHANI NAIDOO

THE CENTRES OF EXPERTISE WORK CLOSELY WITH BUSINESS UNIT HEADS OF THE DIVISION WHO ENSURE CONSISTENT IMPLEMENTATION OF ALL HUMAN RESOURCES PRACTICES.

The objectives of the Human Resources division support the group's vision to be the leading fashion retailer in South Africa and the group's value system and code of ethics are integral in all human resources objectives and practices. The values of professionalism, resilience, integrity, dignity and respect for others guide all policies and processes that are introduced and implemented in the group, as well as all interactions within the organisation.

The division has been structured into teams known as "centres of expertise" which operate in the following areas:

- talent development and performance management;
- talent planning, organisational development and central resourcing;
- employee reward and benefits;
- payroll and policy development;
- human resources information management systems;
- employee relations and transformation; and
- corporate social investment (CSI) and employee wellness.

The centres of expertise work closely with business unit heads of the division who ensure consistent implementation of all human resources practices.

During the year the group acquired Fabiani, Prestige Clothing and G-Star (1 April 2012) and insourced a transport function for its @homelivingspace division. In addition 150 stores were opened. All these developments created employment opportunities.

The workforce profile at the year-end, compared with previous years, is set out in the table below.

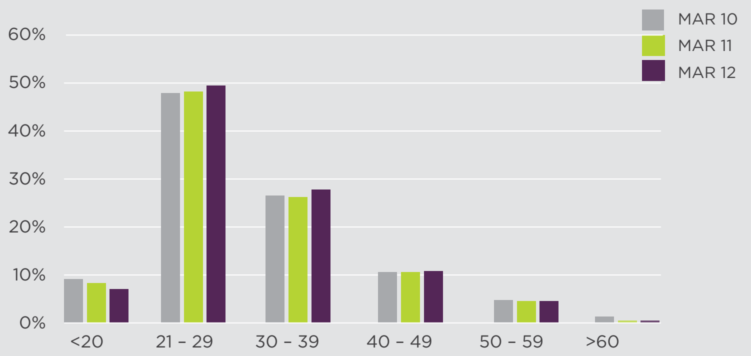
The representation of women in the group's workforce remains consistent at approximately 74,8%. The workforce has a relatively young age profile, with 84,2% being under the age of 40 years and the average age being 30 years.

WORKFORCE PROFILE

Employee statistics	**2012**	2011	2010
Permanent full-time employees	**11 420**	10 969	10 494
Permanent part-time employees	**251**	320	327
Flexitime employees	**3 951**	3 632	3 233
Contract employees	**701**	741	550
Casual employees	**147**	202	182

TFG HUMAN RESOURCES DIVISION CONTINUED

AGE DISTRIBUTION



TALENT MANAGEMENT

Training and development of employees remains crucial to the group's growth and success. Talent reviews are undertaken twice annually and appropriate retention and development strategies are then initiated to ensure retention and advancement of all capable individuals.

Expenditure in the past year on talent development was R114,7 million, an increase of 13,8% on the previous year.

LEADERSHIP DEVELOPMENT

TFG's approach to leadership development is based on a leadership pipeline and focuses on developing capability for leadership, management and coaching. Programmes and interventions are designed to facilitate learning and development at the various leadership levels and also to assist individuals in moving from one leadership level to another. A total of 1 027 leadership needs were met in the past year.

MERCHANT ACADEMY

The merchant academy is a specialised learning stream geared towards training merchants with particular skills in buying and planning. The academy is in-house, utilising the skills of experts in the design of curricula and in teaching processes. The subject-matter includes merchant-specific technical topics, as well as exposure to other topics affecting the retail business such as logistics and distribution, procurement, supply chain and manufacturing. A total of 128 employees received this training in the past year.

TRAINEE DEVELOPMENT PROGRAMME

This is a structured programme of 12 – 18 months which culminates in presentations by participants to senior managers in the various businesses of the group. Trainees are assigned to specialist technical coaches and are given broad exposure to the diverse disciplines of retailing.

STORES AND FIELD DEVELOPMENT

The development of store and field managers remains a key activity in the group. Various interventions and short learning programmes are available to store managers either as classroom or distance learning. Store managers are also able to advance their skills through a store manager's toolkit available on the group's internal learning portal. In the past year a total of 4 226 store manager training needs were met. The design and development of a programme for trainee store managers has started. It will be implemented in the next year.

The field development curriculum focuses on capacity building as well as personal development. During the year 308 training needs under this heading were met.

A new retail management development programme (RMDP) was launched in collaboration with the Wholesale and Retail Seta and the University of Pretoria. The programme has been implemented in Gauteng, KwaZulu-Natal and the Western Cape. This programme has a specific focus on retail trading. A total of 18 field managers have been selected to participate.

The statistics related to the numbers trained are detailed in the table below:

TRAINING STATISTICS	% change	2012	2011
Total number of training interventions attended by employees	(1,0%)	**128 437**	129 733
Total number of training interventions attended by black employees	(0,6%)	**112 070**	112 708
Total number of training interventions attended by black female employees	(19,3%)	**76 000**	94 189
Overall cost of training	13,8%	**R114,7 m**	R100,8 m

	Total number of black employees trained 2012	Total number of black females employees trained 2012	Total number of black employees trained 2011	Total number of black females employees trained 2011
Number of employees who attended workshops	**15 034**	**10 607**	9 452	6 019
Number of employees who attended EMT*	**97 036**	**65 393**	103 256	88 170
Total trained	**112 070**	**76 000**	112 708	94 189

* EMT = Early morning training

SKILLS DEVELOPMENT

The group implemented five learnership programmes, giving career opportunities to 520 young unemployed South Africans. This was in accordance with the group's skills development strategy of active support for government's agenda to alleviate unemployment and improve skills levels. Some national learnership projects include as participants people with disabilities and rural youth. Learnerships have been implemented within both the operational and support services environments of the group's business to equip participants for careers in sales, business administration and store management.

The division has also developed two additional skills programmes for registration with the Wholesale and Retail Seta that will be implemented in the next year. They are aimed at the support services side of the business. Employees who complete the programmes will be awarded credits towards nationally recognised qualifications. To prepare for the implementation of these programmes 90 employees across the business have been trained for registration as qualified assessors. They will conduct internal assessments of skills programmes that the group provides to its employees.

A new programme which aims to build competency in business and systems analysis was piloted internally and will be run in collaboration with the Cape IT initiative and the graduate school of business of the University of Cape Town (UCT). Participants in the programme are drawn from the unemployed labour market at graduate level. Upon completion of the programme they will be awarded a postgraduate diploma from UCT.

GROUP RESOURCING

The division's centralised resourcing team continues to explore innovative ways to raise brand awareness in order to attract well qualified people to careers in TFG and to increase the group's access to all talent pools. TFG furthermore remains committed to redressing scarcities of skills and to placing and promoting equity candidates. Of the candidates hired externally, 83% were equity candidates.

The e-recruitment platform was upgraded further to improve users' experience with it and to improve overall process efficiency. The TFG graduate recruitment programme remains a critical talent pipeline and a key driver of employment equity across the group.

The division continues to foster close relationships with key tertiary institutions across South Africa in order to enhance brand awareness through career fairs, presence on campuses and ongoing dialogue with a number of faculties.

Employment statistics at the year-end were as set out in the table below.

The division will in the next year focus on the following issues:

1. launching a group-wide employee referral programme;
2. executing a more robust social networking strategy;
3. continuing the development of key stakeholder relationships, both internal and external; and
4. optimising processes that improve the experiences of the group's business partners and its prospective employees.

EMPLOYMENT STATISTICS

	2012	2011
Total number of appointments	**1 043**	925
Number of graduate recruits	**38**	53
Equity percentage of graduate recruits	**71%**	63%

TFG HUMAN RESOURCES DIVISION CONTINUED

EMPLOYEE ENGAGEMENT

The division conducts an ongoing employee opinion survey known as "Voice your view" that measures employees' perceptions of the group's performance against a number of criteria.

For the last survey conducted, response rates increased from 50% (7 355 responses) to 70% (10 759 responses), reflecting the willingness of employees to express their opinions through this channel. Overall levels of engagement remained high at 69% and gains were registered in several of the dimensions measured. Each division is accountable for action needed on its part in light of the results of the survey.

EMPLOYEE RELATIONS

TFG aims to comply fully with legislation and best practices applicable in the employment arena. A project was undertaken in the past year to ensure that the group's employee relations policies and procedures were aligned with the relevant legislation. An amended Code of Good Conduct was launched and training was undertaken relating to the management of workplace conflict and to disciplinary remedies. Initiatives of this nature influence the number of referrals received from the Commission for Conciliation, Mediation and Arbitration (CCMA). In the past year, of the 314 referrals received, 34 cases were withdrawn, 67 settled, 53 won, nine cases were lost and 126 successfully concluded by conciliation. These figures represent a success rate of 71% for the processes of settlement, withdrawal and conciliation.

SACCAWU remains the trade union with which the group has a formal relationship. In the past year SACCAWU membership rose from 8% to 11,3% of eligible employees. The purchase of Prestige Clothing brings with it a SACTWU membership of 687 in addition to current membership of 62 elsewhere in the group.

OCCUPATIONAL HEALTH

The group complies with all relevant legislation and is committed to providing a safe and healthy environment for its staff and customers. TFG continues to utilise the services of an external service provider in order to ensure optimal management of all aspects of occupational health. The group's occupational health and safety performance remained consistent with that of previous years. The majority of incidents were minor and minimal work days were lost.

The statistics for reported incidents involving group staff members in the past year are as set out in the table below.

EMPLOYEE WELLNESS

The group's approach to employee wellness is to identify and provide relevant services and information in order to exert a positive influence on employees' engagement and productivity. The current wellness offering consists of an HIV testing and treatment benefit for all employees, primary and occupational health services for head office and distribution centre employees, psycho-social support for all employees via a helpline and face-to-face counselling at the head office and distribution centres. Trauma support and counselling services are provided by the helpline to stores affected by armed robberies. During the year there were 77 incidents which affected 291 staff members, 78 customers and 18 security guards.

Corporate social investment

The CSI strategy of the group was revised in the past year and the new version will be implemented in the next year.

The group concluded its funding commitments to NGOs under the previous strategy, by which support was directed to the focus areas of education, skills development, HIV/AIDS, arts/culture and the environment. Funding totalling R4 744 430 was allocated to 57 projects nationally.

A highlight of the year was TFG's support of Mandela Day in July when employees were given time off from work to participate in a volunteer food packaging event. Together with the NGO Stop Hunger Now staff members packed 67 000 meals for ten pre-schools.

The Feel Good Project, a prominent CSI project which TFG sponsors on a non-profit basis in partnership with Learn to Grow, an NGO, continues to flourish. The project trains unemployed people in skills related to retail. It will mark its third year of operations during the next year.

The numbers of good long-term employment opportunities

Occupational injuries and diseases	**3 days or less**	**4 days or more**	**Total**
Number of days lost	176	1 134	1 310
Number of incidents	322	109	431
Average cost per incident	R351	R2 154	R2 505
Total cost	R60 284	R87 678	R147 962

for graduates from both the warehousing and retail sections of the project are increasing. The project's turnover increased by nearly 80% over the year. Plans for another retail outlet, to be located in Khayelitsha, Cape Town, are well under way. This means that the project will train and develop an additional 30 formerly unemployed individuals per year, with all the beneficial impacts that this brings about.

The group's CSI strategy for the future will focus on creating new employment opportunities.

EMPLOYEE BENEFITS

TFG offers more than 80 forms of employee benefits, primarily to full-time employees. These benefits are reviewed regularly and are managed centrally in accordance with the group's strategy to align human resource practices across all divisions.

Changes made during the year are detailed below.

Medical aid

TFG Medical Aid Scheme is an in-house subsidised medical scheme. Membership of a medical scheme is voluntary except for employees at grades qualifying for vehicle or travel allowance benefits. The scheme has approximately 2 900 principal members and covers more than 6 000 lives as members' dependants are entitled to subsidised benefits.

At the last reporting date the scheme had a reserve ratio of 46,3%, which is well in excess of the 25% required by the Registrar of Medical Schemes.

A decision was taken during the year to go out to tender for a new administrator for the scheme.

This decision was prompted by a long-term trend of increased hospital claims, affecting both this scheme and others in the industry. The trustees determined that the introduction of GP and specialist networks, as well as improvements in managed care processes, were the most important changes required to ensure the sustainability of the scheme. As a result the scheme's administration went out to tender.

Discovery Health was appointed as the new administrator with effect from 1 January 2012. The scheme remains a closed scheme with the trustees accountable for its management.

Operations and administration are reviewed by both the TFG medical aid audit committee and external auditors.

The high claims experience of the scheme necessitated average increases of 12% and 13% respectively in contributions for the two benefit plans available for 2012, but the change of administrator is expected to reduce the escalating trend in contributions over the medium to long term.

Employees based in Namibia may elect to join a medical scheme on a similar basis of funding provided by the group.

All permanent staff members 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 members 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 9,7% during its financial year.

The total market value of the assets of the fund at 31 March 2012 was R3,3 billion which was R325,4 million higher than the figure for the previous year.

Pensioners were awarded an increase of 5,7% effective from 1 January 2012, which is in line with the policy of the fund to award pensioners at least inflationary increases, subject to affordability.

Enhancements were made to fund-related benefits. Two are of particular interest.

The first is that the former funeral benefit of R10 000 was increased to R15 000. The second concerns cover for death in service. Previously a benefit of four times annual salary was paid, with an additional two times annual salary for defined instances of accidental death. The accidental death portion was discontinued and the standard death-in-service cover was increased to four-and-a-half times annual salary. Because the number of accidental deaths has historically been insignificant, the trustees voted to enhance a benefit that was more widely beneficial and is applicable to the families of any contributing employee who dies whilst employed by TFG.

The disability benefit remained unchanged, equating to 75% of a qualifying staff member's 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 the 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.

TFG INFOTEC DIVISION

BRENT CURRY

TFG INFOTEC ENSURES THAT ALL ICT INFRASTRUCTURE AND SYSTEMS ARE STABLE AND SECURE, THAT THEY OPERATE EFFICIENTLY AND THAT THE GROUP'S ICT PRIORITIES ARE ALIGNED WITH ITS BUSINESS STRATEGIES.

POSITIONING

TFG Infotec is responsible for the information and communication technology (ICT) function for the entire group, with the objective of adding value by improving operational efficiencies and supporting growth strategies. ICT is today integral to the group's business operations and TFG Infotec ensures that all ICT infrastructure and systems are stable and secure, that they operate efficiently and that the group's ICT priorities are aligned with its business strategies.

The level of ICT activity during the past year and planned future activity provide an indication of the group's strategic intent to take advantage of the benefits that technology can offer a diverse retail business like TFG. The group's focus on ICT epitomises the group's determination to ensure that TFG becomes and remains a competitive and world-class retail business.

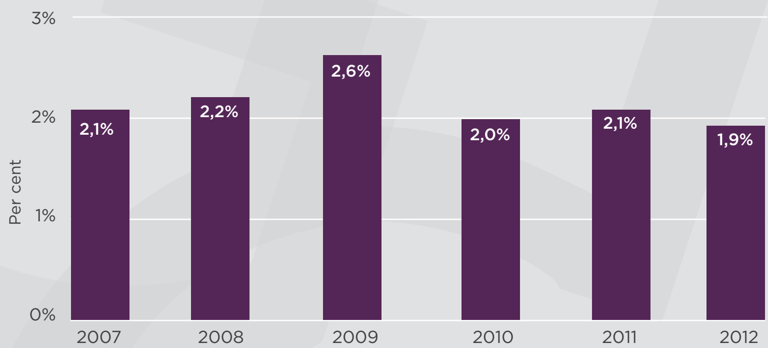
Total ICT capital expenditure in the past year amounted to R125 million, with operating expenses of R257 million, representing 2,3% of turnover. This percentage is slightly higher than the norm for the retail industry, as illustrated in the accompanying graph. This bodes well for future ICT strengths. The norm is represented by the Gartner business information organisation's data as at December 2011.

TFG Infotec has a staff complement of more than 300 full-time and part-time members and also uses the services of third-party outsource partners. With this sizeable skills resource base, TFG Infotec is well structured to deliver best-of-practice ICT solutions to the group.

ACTIVITIES IN THE PAST YEAR

Achievements during the past year demonstrate the capacity of TFG Infotec to deliver large

CONSUMER PRODUCTS: ICT SPENDING AS A PERCENTAGE OF REVENUE



Source: Gartner IT Key Metrics Data (December 2011)

TFG INFOTEC DIVISION CONTINUED

leading-edge ICT solutions to the group, on time and within budget.

Advances made during the year included:

- a start on the implementation of a replenishment and forecasting system named Logility across the group's trading divisions, with implementation completed at the Markham and Exact! divisions;
- upgrading of the group's digital local area network (LAN) and its wide area network (WAN), involving the replacement of ageing networking equipment with state-of-the-art equipment at the head office site in Cape Town and in stores throughout southern Africa;
- implementation of a customer relationship management tool named SAS for the TFG Financial Services division;
- development of an ICT solution for the group's customer rewards programme;
- implementation of a new head office digital PABX solution supplied by Cisco, routing telephone calls through the group's LAN;
- development and enhancement of various credit systems to cater for new financial products and offerings in the TFG Financial Services division;
- continuation of the group's business intelligence (BI) initiative in developing analytical tools to assess suppliers' performance; and
- commencement of the implementation of an ICT solution named iSync, which is a comprehensive manufacturing suite for the TFG Design Centre.

KEY INITIATIVES FOR 2012

With a clearly defined ICT strategy in place, aligned with the group's targets and business requirements, key initiatives for TFG Infotec in the next year will centre on:

- implementing a system known as Share Point as the communication and collaboration system in the group's stores, this project forming part of the group's store optimisation project, Capital C;
- implementing a product life cycle management solution to track the whereabouts of goods ordered and in transit;
- continuing the implementation of the iSync system to facilitate the manufacturing of apparel;
- continuing the roll-out of the Logility replenishment and forecasting system into the Foschini and Sports divisions;
- development of an export management solution to assist the group to expand into African territories north of South Africa;
- consolidation of a number of merchandise solutions on to a single platform;
- development of a debt recovery solution for the TFG Financial Services division;
- implementation of the SAP real estate system; and
- commencement of a project to replace the store point-of-sale system known as POS@NOVA.

CHALLENGES POSED BY EXPANSION INTO AFRICA

South Africa has a largely first-world IT capability and the corresponding infrastructure, but these elements are to a greater or lesser extent lacking in the countries into which the group is now expanding or planning to expand. Communications between South Africa and Namibia, Botswana and Zambia are successfully achieved using cable networks, supplemented to some extent in the case of Zambia by satellite communications. In Nigeria, where the group will open stores in the new year, the medium of communications will be solely by satellite, which is a relatively costly route.

GOVERNANCE

TFG Infotec continues to place high priority on ICT governance. In this connection it conducts regular disaster recovery exercises. The division endorses an international library of best practices for service delivery known as the ITIL framework, as well as another framework known as the Cobit model for ICT governance. Its policies and operations are aligned with the King III IT governance principles.

TFG PROPERTY DIVISION

STORE OPENINGS

Trading space occupied by the group's stores increased by 7,7% during the past year. With fewer regional malls being opened much of the growth in space occupied was attributable to the opening of stores in existing locations by chains of the group not previously present there.

Some of the major new malls in which the group opened stores were:

Mall	No. of stores	Area (m^2)
Mall of the North	13	4 495
Carnival City	7	1 792
Levy Junction	6	1 660
Jubilee Mall	6	1 511
Newcastle Mall	5	1 482
Edendale Mall	5	1 147

The redevelopment of the Blue Route Mall in Tokai, outside Cape Town, resulted in the opening of six new stores by the group and the addition of 1 750 m^2 in space occupied. The enlarged Blue Route Mall and the Newcastle Mall opened for trade in the last weeks of the year.

A total of 150 new stores were opened by the group's trading chains while 20 stores were closed. The 7,7% net growth in trading space equates to an additional 41 650 m^2. At the year-end the group was trading in 1 857 stores and occupied more than 579 000 m^2 of space.

The Foschini division (Foschini, Fashion Express, Donna-Claire, Luella and Charles & Keith) opened 43 new stores and added approximately 14 000 m^2 in space occupied. The majority of this new space was taken up by the Fashion Express chain.

The Sports division (Totalsports, Sportscene and Duesouth) opened 54 new stores totalling approximately 13 200 m^2 in space occupied.

The Jewellery division (American Swiss, Sterns and Matrix) opened 18 new stores totalling 880 m^2 in space occupied.

The Markham division (including Fabiani) opened stores in 17 new locations occupying an additional 4 500 m^2 of space.

The Exact! and @home divisions added ten and six new stores respectively and about 5 000 m^2 jointly in additional space occupied.

In addition, 18 stores in various chains were enlarged and five down-sized and 30 stores were relocated to improved locations.

PROGRAMME FOR THE 2013 YEAR

The group plans to open stores in the following new malls, amongst others:

Middleburg Mall
Gaberone – Airport Junction
Queenstown – Royal Mall
Boitekong Mall
Protea Glen – Soweto
Maseru – Pioneer Mall

After the successful opening of six additional stores in Lusaka, Zambia, further expansion into southern Africa is anticipated in Lesotho, Botswana and Mozambique. The group's first store in Lagos, Nigeria, is scheduled to open in June. Further opportunities in other African countries are also being considered.

SYSTEMS

The implementation of a new SAP real estate system is on schedule for the middle of the next year. The anticipated

TFG PROPERTY DIVISION CONTINUED

benefits of the system include the ability to generate reports which will enable more efficient and professional management of all aspects of the property portfolio.

TRENDS IN RENTAL LEVELS

There is little evidence that rental levels in the most desirable trading spots for the group – existing regional malls with a large catchment area for customers – are weakening. In other existing malls, shopping centres and high streets, landlords are now amenable to discussion about, at the least, escalation factors. In new venues, which are often in townships or smaller towns, property developers find that financial backers are demanding a high degree of pre-letting before they commit to projects, with the result that rentals and escalation factors in these venues show some flexibility.

GREEN ARCHITECTURE

It is now standard practice for developers of new shopping centres to require their designers to ensure that natural light is used as extensively as possible for illumination and that building designs and building materials be selected with a view to minimising the consumption of electricity and water. Retailers in turn are finding ways to display their wares attractively while saving electricity and water. Some gains are therefore being made in reducing the carbon footprint of retailing.

SHOPPING VENUES IN AFRICA NORTH OF SOUTH AFRICA

South Africa has fully adopted the mall shopping culture of Northern America and some other parts of the developed world. This means that many customers travel appreciable distances to reach and return from a shopping centre. In Nigerian cities such as Lagos, where the group's first shop will open early in the new year, the lack of an extensive road network for fast-moving traffic means that the catchment area for shoppers is likely to be far smaller even if disposable income is available for purchases at a mall. This means that there may be scope for more malls, located closer together than would be normal in South Africa.

TFG CENTRALISED SUPPORT FUNCTIONS

This year in order to provide more relevant and concise information to stakeholders, the following is a brief summary of the various additional support functions which have not been covered separately.

These support functions include:

TFG FINANCE AND ADMINISTRATION

This division provides centralised finance functions including:

- Financial systems design, implementation and administration
- Financial accounting and corporate reporting
- Management accounting
- General finance functions including stock tracking, creditor payments and reconciliation of store bank deposits
- Tax and treasury functions
- Risk management
- Legal and compliance

TFG INTERNAL AUDIT

This division's primary responsibility is to support TFG's commitment to strong corporate governance by evaluating the adequacy and effectiveness of internal controls. The division reports to the audit committee of the board and operates in accordance with an internal audit charter which conforms to the International Standards for the Professional Practice of Internal Auditing.

Audits are conducted on an ongoing basis in accordance with the approved audit plan at the head office and at store level. The audit team makes use of specialised information technology resources, including data interrogation tools as appropriate.

TFG SERVICES

This division is responsible for facilities management across the group including:

- Office planning to ensure optimal use of available head office space
- Provision of office equipment and stationery to all divisions
- Procurement of all motor vehicles and management of fleet
- Access security, fire detection and access control services at the head office complexes
- Alarm monitoring
- Monitoring of stores via a centralised control room
- Management of outsourced service providers in terms of canteen and other related facilities

During 2012 the division has been the key liaison with the developer who is in the process of establishing a new call facility for TFG in close proximity to the head office. TFG Services has responsibility for the internal layout and fitting of the space.

In addition, the division has primary responsibility for managing the building of a new design centre which is currently being constructed as an extension to the current head office complex.

The division strives to introduce greening initiatives wherever possible to minimise the environmental impacts of buildings.

GOVERNANCE PROFILE

CORPORATE GOVERNANCE REPORT

TFG remains committed to the highest standards of corporate governance. Transparency and accountability remain the key principles on which all its business activities are conducted. TFG fully supports the governance principles contained in the King Code of Governance for South Africa 2009 (King III) and the Listings Requirements of the JSE Limited.

KING III

TFG continues to apply King III principles in terms of the composition and functioning of its governance structures, as well as to the governance of its day-to-day activities. The following departure from King III principles is highlighted:

- Chapter 2, section 16.45 of King III suggests that the chairman of the board is not the chairman of the risk committee. TFG has not applied this recommendation as it is believed that Mr D M Nurek is currently the most appropriate director to serve as the chair of the internal audit and risk committee.

INTEGRATED REPORT

As previously and in line with the recommendations of King III, an integrated report has been prepared which seeks to ensure that financial, as well as environmental and societal aspects, are adequately reported with clear alignment to TFG's strategy. This year, TFG has sought to ensure that the integrated report is more relevant to users thereof by providing only abridged financial information. This is in line with the recommendations of the Integrated Reporting Committee (IRC) of South Africa as well as the International Integrated Reporting Committee (IIRC). The detailed financial information, the Global Reporting Initiative 3 (GRI 3) table, as well as more detailed environmental information, will be published on TFG's website. Hard copies of the detailed annual financial statements will be available on request.

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 2012 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. No independent assurance of the sustainability disclosures has been obtained.

COMPANIES ACT

During the current year effort has been invested in ensuring compliance with the requirements of the Companies Act No. 71 of 2008 which came into effect on 1 May 2011. Aside from the various operational governance changes that have been implemented, effort has been invested in revising the memorandum and articles in order to produce a new memorandum of incorporation which will be recommended to shareholders for approval at the upcoming AGM. In addition, the following specific structural changes to board composition have been made:

- formation of Social and ethics committee; and
- the transformation committee now functions as a sub-committee of the newly formed Social and ethics committee.

GOVERNANCE STRUCTURES

Non-executive board of directors of The Foschini Group Limited

The non-executive board of TFG is responsible for the direction and leadership of the group whilst the operating board has responsibility for the day-to-day management.

The non-executive board of TFG embraces the responsibilities imposed by King III and acknowledges 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;
- 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 is responsible for the implementation of effective compliance and processes;
  - the audit committee of the board receives regular compliance updates;
- 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;

CORPORATE GOVERNANCE REPORT CONTINUED

  - TFG Internal Audit provides regular updates on the outcome of internal audits undertaken as well as a written assessment of the effectiveness of internal controls to the audit and risk committees of the board;
- stakeholder engagement
  - whilst management is 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.
  - updates on stakeholder engagement will be tabled at the Social and ethics committee; and
- the board should ensure the integrity of the integrated report that should include financial and sustainability performance.

Leadership

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 10 directors, seven of whom are non-executive directors (of whom six are independent) and the remaining three who are executive directors. The executive directors, being the chief executive officer, the chief financial officer and Group Director – TFG Financial Services are all salaried employees of TFG.

Five committees comprising the audit, remuneration, risk, nominations, and Social and ethics committees assist the board in the discharge of its duties. The functions of these committees are discussed later in this report.

The board and its committees are currently constituted as follows:

MAIN BOARD OF DIRECTORS
Independent non-executive directors
D M Nurek (Chairman)
Prof. F Abrahams
S E Abrahams
W V Cuba
E Oblowitz
N V Simamane

Non-executive director
M Lewis

Executive directors
A D Murray (CEO)
R Stein (CFO)
P S Meiring (Group Director – TFG Financial Services)

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

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

AUDIT COMMITTEE
S E Abrahams (Chairman)
W V Cuba
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

SOCIAL AND ETHICS COMMITTEE*
D M Nurek (Chairman)
Prof. F Abrahams
A D Murray
Directors present by invitation:
R Stein

* Inaugural meeting held on 29 November 2011

Committee composition

In order to comply with the Companies Act No. 71 of 2008, the nominations committee recommended the following changes during the year:

Social and ethics committee

The previous transformation committee, chaired by Prof. F Abrahams is now a sub-committee of the newly-formed Social and ethics committee which is chaired by Mr D M Nurek.

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 TFG, its long-term sustainable growth and the enhancement of shareholder value. They review and ratify TFG'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 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 on pages 6 to 11.

CORPORATE GOVERNANCE REPORT CONTINUED

Directors' 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 and the existing memorandum and articles of association. The nominations 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 an 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

Mr D M Polak resigned from the board on 10 February 2012 due to his travel commitments whilst Ms K N Dhlomo resigned on 14 May 2012 for personal reasons.

Independence assessment

All directors are required to complete an independence questionnaire to establish whether they meet the objective independence criteria of King III. Five 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 his indirect shareholding in the group.

Of the five directors that satisfy the objective independence requirements, four directors have served a term exceeding nine years. The nominations committee reviewed the independence of Mr D M Nurek, Mr S E Abrahams, Prof. F Abrahams and Mr W V Cuba and after due consideration concluded that their long association with the group had in no way impaired their independence.

Board charter

The board is governed by a formal charter supported by relevant authority limits, which are reviewed annually. This charter has been reviewed and updated to comply with the Companies Act No. 71 of 2008.

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 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 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 evaluation in respect of the current year has recently been completed. The outcome will be tabled at the upcoming board meeting in September 2012 and any actions will be agreed at this meeting.

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 2012, 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.

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 TFG 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 75 of the Companies Act.

Succession

It is the responsibility of the nominations committee to ensure adequate succession planning for all main board directors, as well as to ensure that all committees are appropriately constituted and chaired.

The nominations 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	Social and ethics committee
Number of meetings	**4**	**4**	**4**	**3**	**2**	**1**
Directors' attendance						
D M Nurek	4	4	3	3*	2	1
F Abrahams	3	4				1
S E Abrahams	4			3	2	
W V Cuba	4			3		
K N Dhlomo#	2			–		
E Oblowitz	4		4	3		
M Lewis	4				2	
D M Polak##	2		1			
N V Simamane	4			3		
A D Murray	4	4*	4	3*	2*	1
R Stein	4		4	3*		1*
P S Meiring	4					

* By invitation
\# Resigned from audit committee on 5 September 2011 and the board on 14 May 2012
\## Resigned from risk committee on 9 June 2011 and the board on 10 February 2012

CORPORATE GOVERNANCE REPORT CONTINUED

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.

Changes to committees included the formation of the Social and ethics committee which is discussed earlier in this report. As reported in last year's integrated annual report, Ms K N Dhlomo did not make herself available for re-election to the audit committee at the annual general meeting held in September 2011. Mr D M Polak resigned from the risk committee in June 2011.

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 chairman 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 annual report.

Risk committee

Members:

D M Nurek (Independent non-executive) – chairman

E Oblowitz (independent 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.

The risk committee comprises two independent non-executive directors and two executive directors as at the financial year-end. 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 annual report.

Audit committee

Members:

S E Abrahams (independent non-executive) – chairman

W V Cuba (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 to 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.

The committee consists of four 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 Audit Committee Report that summarises certain key aspects of the functioning of this committee is included later in this section.

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
- compliance with the principles of good governance and the code of best practice.

CORPORATE GOVERNANCE REPORT CONTINUED

During the year this committee reviewed board and committee composition in light of the requirements of King III. The committee also considered the independence of all independent non-executive directors whose term exceeded nine years and satisfied themselves that all directors who are described as independent in the annual report, are indeed believed to be so. 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 gave due consideration to the outcome of the performance evaluation process and determined certain actions arising therefrom.

This committee met twice during the year. It comprises three non-executive directors. The chief executive officer attends meetings by invitation.

Social and ethics committee

Members:
D M Nurek (independent non-executive) – chairman

Prof. F Abrahams (independent non-executive)

A D Murray (executive)

Directors present by invitation:
R Stein (executive)

This committee was constituted during the current year and is governed by a formal charter which meets with the requirements of the Companies Act No. 71 of 2008. The existing transformation committee now operates as a sub-committee of the newly-formed Social and ethics committee.

The committee has the following focus areas:

- social and economic development;
- good corporate citizenship;
- the environment, health and public safety;
- consumer relationships; and
- labour and employment.

The committee comprises two independent non-executive directors and the CEO. The CFO attends meetings by invitation. The committee met once during the last year in its new format, although the transformation sub-committee met three times. It is anticipated that the Social and ethics committee will meet twice a year in future with three transformation sub-committee meetings taking place.

The Transformation Report that summarises certain key aspects of the functioning of this committee is included later in this section.

THE OPERATING BOARD OF DIRECTORS OF THE GROUP

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 typically meets monthly and further meetings take place at short notice when necessary.

Detailed information of the operating board and their credentials appear on page 11.

LEGAL COMPLIANCE

The purpose of the legal compliance function is documented in TFG's Legal Compliance Policy. This policy is in accordance with Chapter 6 of King III (concerning compliance with laws, rules, codes and standards) and has been adopted by the board.

Broadly, the role of TFG's legal compliance function is to provide the board with assurance that TFG complies with all laws (i.e. all regulatory instruments), give guidance on rules (which includes non-binding rules, codes and standards) and assist the board in complying with the principles in Chapter 6 of King III.

The legal compliance function, which operates independently, is structured into three areas as follows:

- the overall TFG legal compliance function which focuses on compliance with existing, new or amended laws, including rules and the co-ordination of compliance across TFG;
- TFG Financial Services' retail credit and retail technology divisions have a legal compliance officer who focuses on these areas; and
- the RCS Group has its own legal compliance function.

The responsibilities of the three areas of the legal compliance function include:

- identifying and advising TFG on existing, new or amended legislation that is applicable to TFG's business, including giving recommendations on applicable rules;
- facilitating legal compliance with relevant laws and rules and assigning responsibility for areas of compliance;
- facilitating legal compliance with internal policies, rules, guidelines and procedures; and
- facilitating and reviewing management's monitoring of compliance.

TFG has recently focused on the following laws/proposed laws:

- Consumer Protection Act and its Regulations which came into effect on 31 March 2011;
- Companies Act and its Regulations which came into effect on 1 May 2011;
- Financial Advisory and Intermediary Services Act; and
- Protection of Personal Information Bill.

Concerning recently effective legislation, TFG is compliant with the Consumer Protection Act and its Regulations, as well as the Companies Act and its Regulations. Part of the latter legislation involves the drafting of new memoranda of incorporation/MOIs for South African companies. This forms part of a dedicated TFG project and is well under way. New MOIs for all of TFG's companies will be finalised and adopted by shareholders before the May 2013 deadline stipulated in the Companies Act.

There are ongoing changes to fiscal legislation. These are monitored and implemented by TFG's tax department. Similarly, changes to labour and workplace-related laws are monitored and implemented by TFG's human resources department.

TFG has working groups and project boards in place to ensure that there are impact assessments for significant new laws and amendments. Thereafter, timelines, implementation areas and business owners to implement changes are agreed. In some cases, TFG's project management office manages the implementation of new laws where there is extensive group-wide impact.

Based on key laws that are effective as at 31 March 2012, there are no material areas of non-compliance.

TFG's group legal compliance officer gives report-backs on compliance at each board audit committee meeting.

OPERATING BOARD OF DIRECTORS OF THE GROUP

A D Murray	(Chief Executive Officer)
R Stein	(Chief Financial Officer)
P S Meiring	(Group Director – TFG Financial Services)
M Mendelsohn	(Retail Director)
B J Curry	(Retail Director – TFG Infotec)
G S Naidoo	(Retail Director – @home and TFG Human Resources)
A R Bisogno	(Retail Director – Foschini division)
D B Gedye	(Retail Director – TFG Sports division)

CORPORATE GOVERNANCE REPORT CONTINUED

TFG's internal audit department and the TFG legal compliance function work together, with the former assisting with monitoring legal compliance and conducting risk assessments of key laws. Where significant compliance issues are identified they are referred for independent review to outsourced experts.

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.

TFG acknowledges the importance of proactive engagement with all of its stakeholders and in this connection strives to foster sound relationships between the company and each stakeholder grouping. The identified stakeholder groups include:

- employees;
- shareholders and investors;
- banks and other financial institutions;
- customers;
- suppliers;
- government, regulatory authorities and industry bodies; and
- community.

TFG acknowledges that the main audience of this integrated report is shareholders and investors. Communication with these stakeholder groupings is primarily through formal means via the group's investor website (www.tfg.co.za), via the JSE's securities exchange news service, in the press (where this is required) and through the distribution of annual and interim reports in the mail.

Executive directors and senior management are accessible to investors and regular meetings are held with local and international shareholders, both current and prospective. In addition, invitations are extended to members of the Investment Analyst Society to attend results presentations to provide them with timeous and relevant information regarding financial performance and prospects.

A summary of the group's engagement with its various stakeholder groups is provided in the Strategic Agenda section of this report.

DONATIONS TO POLITICAL PARTIES

No donations are made to political parties.

BOARD AUDIT COMMITTEE REPORT

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

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

AUDIT COMMITTEE MANDATE

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

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

ROLE OF THE COMMITTEE

The role of the audit committee is, inter alia:

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and co-ordinated and that the combined assurance received is appropriate to address all significant risks;
- 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 four independent non-executive directors and the chairman of the committee is not the chairman of the board.

Meeting attendance

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

Details of fees paid to committee members 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.

RE-ELECTION OF COMMITTEE MEMBERS

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

S E Abrahams
W V Cuba
E Oblowitz
N V Simamane

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

COMMITTEE FUNCTIONING

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

- 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:

- detailed agenda;
- minutes of previous meeting;
- report by the external auditors; and
- written reports by management including:

MEETING ATTENDANCE

Name of member	Qualifications	23 May 2011	31 October 2011	20 February 2012
S E Abrahams	FCA, CA(SA)	✔	✔	✔
W V Cuba	BSc (Survey), BSc (Info. Systems), MBA	✔	✔	✔
K N Dhlomo[#]	BA (Comm, Ind. Psych.), MBA	X	X	n/a
E Oblowitz	BComm, CA(SA), CPA (Isr)	✔	✔	✔
N V Simamane	BSc (Biochem) (Hons)	✔	✔	✔

[#] Resigned from audit committee on 5 September 2011

BOARD AUDIT COMMITTEE REPORT CONTINUED

- compliance;
- TFG Internal Audit;
- loss statistics; and
- fraud.

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

SPECIFIC RESPONSIBILITIES

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

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

INTERNAL FINANCIAL CONTROL

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

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

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

RISK MANAGEMENT

Whilst the board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the risk committee, assists the board in assessing the adequacy of the risk management process. The chairman of this committee has an open invitation to risk committee meetings to ensure that relevant information is regularly shared. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

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

Further detail on the risk management approach and process is included in the Risk Report.

EXTERNAL AUDITORS

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

KPMG Inc. is afforded unrestricted access to the group's records and management and presents any significant issues arising from the annual audit to the committee. In addition, Mr Du Plessis raises matters of concern directly with the chairman of the committee.

The committee gave due consideration to the independence of the external auditors and is satisfied that KPMG Inc. is independent of the group and management and therefore able to express an independent opinion on the group's annual financial statements.

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

FINANCIAL STATEMENTS

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

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

INTEGRATED REPORT

The committee fulfils an oversight role in respect of TFG's Integrated Annual Report. In this regard the committee gave due consideration to the need for assurance on the sustainability information contained in this report and concluded that the obtaining of independent assurance would not be beneficial to stakeholders.

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

EXPERTISE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

In respect of the above requirement, the committee believes that Mr 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

29 June 2012

SOCIAL AND ETHICS COMMITTEE REPORT

During the current year, the nominations committee appointed a social and ethics committee which comprises two independent non-executive directors and one executive director, being the CEO. In addition, further TFG executives attend meetings of this committee by invitation.

The committee is governed by a formal charter. The committee is responsible for monitoring TFG's activities in compliance with regulation 43(5) of the Companies Act No. 71 of 2008 with regard to matters relating to:

- social and economic development;
- good corporate citizenship;
- the environment, health and public safety;
- consumer relationships; and
- labour and employment.

The transformation committee which was already in existence, will continue to function but will now operate as a sub-committee of the newly-formed social and ethics committee.

The social and ethics committee will meet at least twice per annum.

At the inaugural meeting of the committee held in November the charter was approved and agreement was reached on the proposed committee structure and method of operation.

It is apparent that the group is already substantively addressing all of the areas which the Companies Act requires the committee to monitor and the committee will in due course receive and consider appropriate reports from the various areas of the business in this regard.

This, the first report of the committee is therefore brief, but in future integrated annual reports the committee shall include a more comprehensive report to shareholders on the matters within its mandate.

D M Nurek
Chairman

29 June 2012

RISK REPORT

The primary identified risks to the group are listed below, with our strategies to manage them. Our risk management process has been enhanced to ensure that the group's risks are continually monitored at divisional and board level.

During the course of the year the risk of global uncertainty became prominent and has been added as a key risk. Our risk of "customer-based retention" has been addressed and is well managed; in addition, the impact of crime has shown moderate signs of abating and is no longer considered one of our key risks.

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.
Global financial instability The impact of the global financial instability in the financial markets of the developed countries and the effect on fluctuating exchange rates.	• constantly monitoring all financial indicators and considering their potential impacts upon our business model; and • ensuring that our strategy for purchasing forward cover remains relevant and provides the best possible protection against currency fluctuations for our committed and future orders.
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.	• 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 Retail 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; • fora, 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.
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 academy 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 SETA-sponsored programmes.

RISK REPORT CONTINUED

RISK	HOW WE MANAGE THIS RISK
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 89 reports were received, resulting in eight dismissals and four resignations before enquiry.

REMUNERATION REPORT

INTRODUCTION

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.

The critical role of the remuneration committee is highlighted, detailing the composition and important role they play in TFG's remuneration decision-making, as well as 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 is disclosed.

Non-executive directors' appointment and remuneration is also 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 each other, 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;
- 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.

During the year under review the guideline given by the remuneration committee for increases to all staff (other than unionised staff which are subject to negotiation with the union) was set at 7%. In addition to this benchmark increase, appropriate promotional increases were given to relevant staff. In instances where the market benchmarking (referred to in the paragraphs that follow) indicated that base pay was below the appropriate level, out-of-line adjustments were made to base pay.

The guideline increase to all staff (other than unionised staff) effective from 1 April 2012 approved by the remuneration committee was 6,5%.

Benchmarking 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.

The individual, divisional and group contribution are taken into account when measuring the size of the role against the market, as well as any changes to accountability and structure in the past year that have influenced this.

Benchmarking 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. Some retail-specific roles are targeted between median and 75th percentile owing to the key nature of these roles in our business.

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, the broader South African market.

Job evaluation

Two best-of-breed job evaluation systems, both from the Hay Group, are 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. One system is used for all roles up to middle management and another for more senior roles (above Paterson D-band). Internal facilitators of both of these systems have been trained and accredited in their use.

All evaluations for roles at general manager and more senior (Paterson E-band and above) are performed by an external specialist job evaluation consultant. All senior roles are validated by the operating board.

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, as is the case for all group employees. 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

The group's 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.

Targets are recommended annually to the board by the remuneration committee and approved in advance of communication to participants. All participants are also required to acknowledge receipt and sign the scheme rules.

A maximum bonus is determined based on:

- each individual's pensionable salary, i.e. their basic salary excluding allowances and company contribution;
- their level in the organisation; and
- all bonuses are capped. For example, the maximum bonus payable to the CEO is 137% of annual package, whilst operating board members are capped at a maximum of 110% of annual package. The maximum cap for all other qualifying executive employees is 67%.

The tiered divisional and group bonus structure for all divisional employees reflects two clear group strategies:

- to drive collaboration between divisions to the benefit of the group; and
- reward divisional performance whilst moderating payments where group performance and thus shareholder interests have not been served.

Performance targets

Group performance targets are based on required minimum levels of earnings per share growth, to ensure shareholder alignment.

REMUNERATION REPORT CONTINUED

Divisional performance targets are based on divisional net profit figures. ROE is not considered appropriate, as divisions do not have sufficient line of sight and influence over group assets and functions, such as debtors' performance. However, merchandise efficiency is directly in their control and thus stock turn is included as a bonus modifier.

A stock turn target is defined separately at both divisional and group level, to ensure that merchandise efficiency remains a key performance area. Where this is not achieved, a 10% penalty is applied to qualifying payments at divisional level, group level, or both.

Group employees also have a 10% penalty applied to the qualifying payment if the defined group stock turn target is not achieved.

Group vs divisional performance
Group operating board members and qualifying employees outside of the retail operations are measured against group targets only.

Qualifying employees within the retail operations are subject to both group targets and divisional targets with an equal weighting being placed on group and divisional performance.

Measurement against targets
On completion of the financial year, the remuneration committee confirms whether the required targets have been achieved and recommends payments to the board in terms of scheme rules. Payments, if applicable, are made shortly after publication of our annual financial results.

Targets are set to drive both divisional and group performance and are payable based on the actual performance achieved. No bonuses are payable if performance is below the required threshold level.

Maximum bonus cap per tier
Tier 0:
Actual performance below threshold:
Max = 0% of annual package

Tier 1:
Actual performance on threshold:
Max = 34% of annual package

Tier 2:
Actual performance on target:
Max = 69% of annual package

Tier 3:
Actual performance at stretch:
Max = 137% of annual package

Share-based/long-term incentives
Long-term incentives are in place to align executive and key management interests with those of shareholders.

The number of outstanding share instruments awarded to employees and executives at 31 March 2012 was 1 176 414 share instruments in terms of the 1997 share option scheme, 10 119 800 share instruments in terms of the 2007 share appreciation rights scheme and 881 435 forfeitable shares in terms of the 2010 share incentive scheme. The highest number due to any individual at 31 March 2012 was 216 667 share instruments in terms of the 1997 share option scheme, 1 088 200 share appreciation rights in terms of the 2007 share incentive scheme and 267 535 forfeitable shares in terms of the 2010 share incentive scheme.

These are substantially lower than the maximum allowed in terms of the scheme rules of 7 215 000 per individual and 36 000 000 in aggregate.

Depending on organisational level, qualifying employees receive forfeitable shares (both performance and restricted shares) to the value of between 20% and 55% of their annual package. The corresponding face value of performance-linked share appreciation rights is between 25% and 130% of annual package.

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 initially increased to ensure that the guideline-required holding for their role is reached over time.

All allocations are approved 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.

The following three schemes are currently in place, although only two schemes are active in terms of annual allocations:

- Share options (Foschini 1997 Share Option Scheme); no longer part of active allocations
- Share Appreciation Rights (Foschini 2007 Share Incentive Scheme)
- Forfeitable Shares (Foschini 2010 Share Incentive Scheme)

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 rights 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 the achievement of group performance criteria, being requisite HEPS growth over a period of between three and five years. The minimum period between grant and conversion is three years and all rights expire after six years. If the required performance target is not met, then all rights are forfeited.

Foschini 2010 Share Incentive Scheme

The first allocation from this scheme, a forfeitable share scheme, was made during the year. Two instruments form part of this scheme, namely performance and restricted shares.

Performance shares vest after a minimum of three years, subject to the achievement of group performance criteria being requisite HEPS growth. Shares lapse after five years if performance criteria have not been achieved.

Restricted shares are issued with the specific objective of improving the retention of key senior talent, whilst still utilising an instrument that aligns the interests of recipients with that of shareholders. Restricted shares vest after three years.

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.

The mix of components recognises and optimises the varying balance of the following three factors at differing organisational levels:

- Retention of key senior talent
- Incentivisation of long-term organisational performance
- Tight alignment with shareholders

In excess of 75% of shares allocated to senior management this year were contingent on the achievement of company performance criteria being requisite HEPS growth over a period.

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

During the year the remuneration committee appointed a very experienced remuneration expert as an adviser to the remuneration committee. Along with another independent adviser, he attends certain meetings by invitation. The CEO also attends meetings by invitation and is not present when his remuneration is discussed.

The committee met three times during the 2012 financial year.

REMUNERATION REPORT CONTINUED

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.

- a 7% across-the-board increase;
- approval of targeted adjustments made to specific roles where market adjustment was required;
- allocation of long-term incentives;
- approval of the group annual bonus scheme targets at divisional and group level;
- a wage mandate for union negotiations;
- inflationary adjustments to travel allowances across all qualifying employee categories; and
- confirmation of divisional and group performance and resultant bonus payments.

DIRECTORS' INTERESTS

As at 31 March 2012 directors had the following interests in the company's issued shares:

	Non-executive					Executive			
	W V Cuba 000's	D M Nurek 000's	M Lewis 000's	E Oblowitz 000's	N V Simamane 000's	A D Murray 000's	R Stein 000's	P S Meiring 000's	Total shares 000's
Direct beneficial	57,0			2,0	1,5	1 050,0	677,9	180,7	1 969,1
Indirect beneficial		10,0				265,0	275,7	294,9	845,6
Indirect non-beneficial			10 454,1						10 454,1
	57,0	10,0	10 454,1	2,0	1,5	1 315,0	953,6	475,6	13 268,8

As at 31 March 2012, executive directors had exercised the following options for future delivery:

Year of delivery	Price per option R	A D Murray	R Stein	P S Meiring	Total executive options 000's
2013	60,95	133,3	76,7	60,0	270,0
2014	60,55	83,3			83,3
		216,6	76,7	60,0	353,3

As at 31 March 2012, directors had accepted the following share appreciation rights (SARs):

		Executive			
Year of earliest delivery	Price per option R	A D Murray	R Stein	P S Meiring	Total SARs# 000's
2013	41,87	555,0	225,0	180,0	960,0
2013	42,28	275,0	130,0	130,0	535,0
2014	64,47	173,0	86,0	77,0	336,0
2015	86,62	85,2	43,7	40,0	168,9
		1 088,2	484,7	427,0	1 999,9

Subject to performance criteria

As at 31 March 2012, directors had accepted the following forfeitable shares (FS):

Year of earliest delivery	Grant value	A D Murray	R Stein	P S Meiring	Total FS 000's
2015	87,09	229,6			229,6
2015	86,32	22,3	11,4	10,5	44,2#
2015	86,32	15,6	8,0	7,3	30,9
		267,5	19,4	17,8	304,7

Subject to performance criteria

Executive service contracts

Key executives have formal service contracts to ensure stability and continuity, as well as the protection of competitive advantage.

On expiry of these during the coming year, it is the remuneration committee's intention to offer revised service contracts and restraint of trade agreements to key executives where this is warranted. To this end, the format of the current agreement is being reviewed. It is envisaged that these agreements will include a two-year service commitment, extended notice periods and a permanent restraint of trade of between 9 and 15 months.

No agreements provide for ex gratia or other lump sum payments on severance or retirement.

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.

Aggregate market information and benchmarks derived from all JSE-listed companies are used to benchmark non-executive director's fees. This takes industry and organisation size into account. Moderate fee increases are proposed with effect from 1 April 2012, in order to ensure that non-executive director's 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 schemes.

Non-executive directors' fees are recommended to the board by the executive directors and subsequently to shareholders at the annual general meeting.

The fees for the past year, as well as the 2013 fees for shareholder approval are presented below.

EXECUTIVE DIRECTORS' REMUNERATION

	Remuneration	Pension fund	Travel allowance	Bonus	Other benefits*	Total R'000 2012	Total R'000 2011
A D Murray	4 708,7	635,6	335,3	6 317,4	27,7	**12 024,7**	11 066,7
R Stein	2 683,3	362,2	257,1	2 994,3	21,5	**6 318,4**	5 746,2
P S Meiring	2 420,6	326,7	257,1	2 519,2	21,5	**5 545,1**	4 885,4
	9 812,7	1 324,5	849,5	11 830,9	70,7	**23 888,2**	21 698,3

* Other benefits include medical aid and group life cover

In accordance with the requirements of IFRS 2, the fair value of share instruments granted to employees is expensed over their term. An amount of R12,9 million, R3,6 million and R3,3 million was recognised in respect of share instruments granted to Messrs A D Murray, R Stein and P S Meiring. These amounts are not included in the amounts reflected above.

NON-EXECUTIVE DIRECTORS' FEES

	Fees paid in respect on 2012 R'000	Fees proposed in respect of 2013 R'000
D M Nurek	**1 135,0**	1 210,0
F Abrahams	**340,0**	363,0
S E Abrahams	**368,0**	393,0
W V Cuba	**253,0**	269,5
K N Dhlomo#	**253,0**	25,9
M Lewis	**223,0**	238,0
E Oblowitz	**298,0**	317,5
N V Simamane	**253,0**	269,5
D M Polak##	**243,5**	–
	3 366,5	3 086,4

K N Dhlomo resigned on 14 May 2012
D M Polak resigned on 10 February 2012

TRANSFORMATION REPORT

As reported in the corporate governance report, the previous transformation committee is now a sub-committee of the newly-formed Social and ethics committee.

The board recognises the critical role it has to play in the transformation process and through the transformation sub-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 sub-committee is to achieve sustainable empowerment through alignment with the seven elements of the BBBEE code, 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 sub-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 BBBEE elements have been established.

OUR PERFORMANCE

TFG was rated a level four contributor by Empowerdex, an accredited economic empowerment rating agency (based on information in respect of the year ended 31 March 2011). This is an improvement on our level five rating of the previous year, with performance improvements achieved in the following areas: ownership, management control, employment equity and skills development. Our performance over the past two years is recorded below.

We are pleased to report that TFG was ranked fourth in the 2012 Financial Mail Top Empowerment Company survey within the retail sector.

EQUITY OWNERSHIP

In terms of paragraph 3.4.5 of code 100, statement 100 of the codes of good practice, TFG appointed an external research organisation to undertake a competent person's report to estimate the extent of black rights measurable in TFG originating from mandated investments. The score achieved was 9,1 points and has been included in our verification certificate.

We plan to develop and implement a BBBEE ownership scheme once the changes to the BBBEE codes are implemented.

MANAGEMENT CONTROL

In respect of 2011 TFG scored 5,1 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.

BBBEE ELEMENT	Maximum	2011 Achieved	2010 Achieved
Direct empowerment			
Ownership	20	9,1	–
Management control	10	5,1	4,8
Indirect empowerment			
Employment equity	15	6,9	6,7
Skills development	15	9,1	7,1
Preferential procurement	20	17,8	18,1
Enterprise development	15	15,0	15,0
Socio-economic development	5	5,0	5,0
Total	100	68,0	56,7
BBBEE recognition level contributor	–	Level 4	Level 5

EMPLOYMENT EQUITY (EE)

The attainment of our EE goals continues to be a key objective of TFG's transformation agenda. The group continues to ensure that there is alignment between the national economically active population and the targets that are set within the divisions.

All targets set at the start of the 2011 period were met or exceeded with the exception of the target set for EE representation at the senior management level. Diversity amongst senior management is a key strategic objective and is supported by specific development programmes and retention programmes. TFG's strategy of choice is to develop from within and it thus takes time to achieve transformation at senior management level.

In respect of 2011 TFG achieved 6,9 out of a maximum of 15 points on the BBBEE scorecard. 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 transformation forums continue to discuss and provide input on barriers and affirmative action measures, seeking solutions to address the specific challenges within their areas. Training programmes across all occupational levels are fundamental to developing the talent within the business and particular attention is given to the development of black talent. Priority is also given to the recruitment of black candidates across all levels. The employment of people with disabilities still enjoys limited success, however, it is hoped that the successful introduction of a learnership for people with disabilities during the year under review will result in the appointment to permanent positions of people with disabilities.

The employment equity planning and reporting tool implemented two years ago is allowing for more accurate recording of data and easier monitoring of progress against the targets set.

The bar graph on the following page illustrates the workplace profile in terms of racial representation.

Progress in overall terms is positive with black employees making up 89% of all staff employed by our group. 93% of all new permanent starters in the year under review were black candidates.

Namibia

From a Namibian perspective, affirmative action remains a focus with all targets for 2011 met – 95,8% of all employees and 86,48% of all store managers are from racially disadvantaged groups. Line managers and union members in Namibia are satisfied with the progress that TFG has made.

SKILLS DEVELOPMENT

In respect of 2011 TFG achieved a score of 9,1 points out of a maximum of 15 for the skills development component of the BBBEE scorecard. This was an improvement of 2,0 points, year on year. A total of 277 black learners attended skills programmes and learnerships during the year. Of these learners 59 were males and 218 females.

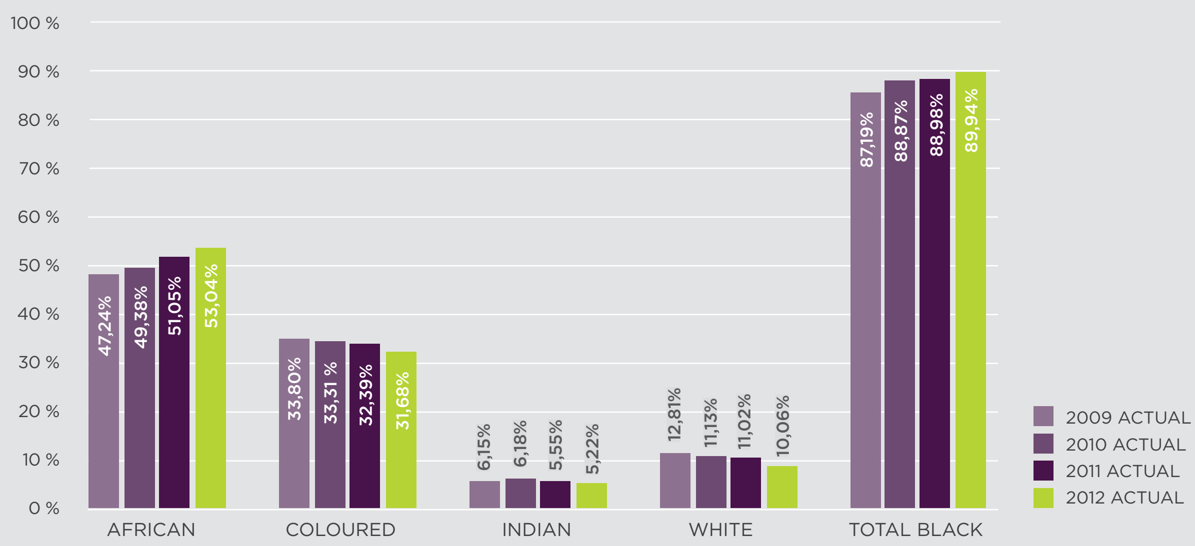
SUMMARY OF OUR STAFF COMPLEMENT, AS AT 31 MARCH 2012

	Female					Female Total	Male					Male Total	Grand Total
	Asian	Black	Coloured	White	Foreign		Asian	Black	Coloured	White	Foreign		
1 Top Management	1			1		**2**				7		**7**	9
2 Senior Management	3		7	66	1	**77**	6	1	13	82	2	**104**	181
3 Professional Middle Management	42	39	135	342		**558**	24	35	84	154		**297**	855
4 Skilled, Junior Management, Supervisors	179	859	986	536	6	**2 566**	46	291	254	70	3	**664**	3 230
5 Semi-skilled	444	5 506	2 704	320	23	**8 997**	111	1 906	863	72	22	**2 974**	11 971
6 Unskilled		15	102	1		**118**	1	54	51			**106**	224
Grand total	**669**	**6 419**	**3 934**	**1 266**	**30**	**12 318**	**188**	**2 287**	**1 265**	**385**	**27**	**4 152**	**16 470#**

Excludes 700 weekly paid employees of Prestige Clothing

TRANSFORMATION REPORT CONTINUED

WORKFORCE PROFILE



The skills programme realignment process started in the previous year has been completed. 174 learners have attended and successfully completed these programmes.

Our developing managers' programme (DMP), which commenced in the previous financial year, was completed in September this year. The programme focused on building store manager capability. Of the 41 participating employees 36 (88%) were black. Of this total, 29 learners were black female and seven black males. For the year under review, total expenditure on skills development for previously disadvantaged employees amounted to R37 160 056.

We have incorporated skills development for people with disabilities as an addition to our strategic focus areas for the year ahead. Another additional key strategy for 2012/13 is an improved focus on learnership opportunities, as opposed to skills programmes. This strategy directly supports government's agenda of poverty alleviation, unemployment eradication and quality education for the underprivileged. The business has been geared to receive approximately 500 previously unemployed learners on the various learnerships to be implemented in the new financial year. This supports TFG's commitment to alleviate unemployment and provide quality education for youth drawn from communities in which we operate. This drive is further supported by the socio-economic and enterprise development strategic drives of TFG.

A more detailed view of skills development within TFG is contained within the Human Resources section of this annual report.

PREFERENTIAL PROCUREMENT

In respect of 2011 TFG achieved a score of 17,8 points out of a maximum of 20 and remains pleased with the progress that has been made in this area through an ongoing focus on the supply base. 39% of our BBBEE procurement spend applied to merchandise purchases and 37% to non-merchandise goods and services.

ENTERPRISE DEVELOPMENT

In respect of 2011,TFG achieved a score of 15,0 points out of a maximum of 15 points, again reflecting the commitment that has been made to ensure development of our supply base.

As reported last year, 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. Prestige Clothing has subsequently been acquired by the group to further enhance our fast-fashion capability.

Other projects include Eddels, a manufacturer of ladies' and mens' footwear based in Pietermaritzburg and New Coe Knits, a manufacturer of knitwear based in Cape Town.

SOCIO-ECONOMIC DEVELOPMENT

In respect of 2011 TFG again achieved the maximum score of 5,0 points. An overview of our activities aimed at promoting socio-economic development is provided in our Strategic Agenda section.

CONTENTS

These audited abridged financial statements comprise a summary of the audited annual financial statements of the group and company for the year ended 31 March 2012. The annual financial statements were approved by the board on 29 June 2012.

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

A copy of the annual financial statements is available on our group website www.tfg.co.za or a hard copy can be requested on the site or using the following link: http://www.tfg.co.za/ar_request.asp or upon request from the TFG Finance and Administration department care of: Mail: PO Box 6020, Parow East, 7501 Tel: +27 (0) 21 938 1911

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets			
Property, plant and equipment		**1 313,2**	1 086,9
Goodwill and intangible assets		**109,8**	37,0
Staff housing loans		**–**	0,7
RCS Group private label card receivables		**465,1**	320,8
RCS Group loan receivables		**610,1**	521,7
Participation in export partnerships		**53,4**	72,5
Deferred taxation asset		**254,3**	249,9
		2 805,9	2 289,5
Current assets			
Inventory	5	**2 155,0**	1 804,7
Trade receivables – retail		**4 569,9**	3 823,0
RCS Group private label card receivables		**1 917,8**	1 709,4
RCS Group loan receivables		**457,5**	336,7
Other receivables and prepayments		**226,4**	194,3
Participation in export partnerships		**13,0**	6,4
Preference share investment		**–**	200,0
Cash		**710,9**	338,5
		10 050,5	8 413,0
Total assets		**12 856,4**	10 702,5
EQUITY AND LIABILITIES			
Equity attributable to equity holders of The Foschini Group Limited		**6 293,1**	5 462,9
Non-controlling interest		**571,1**	485,6
Total equity		**6 864,2**	5 948,5
Non-current liabilities			
Interest-bearing debt		**1 006,8**	262,8
RCS Group external funding		**1 140,2**	491,0
Non-controlling interest loans		**242,4**	144,3
Operating lease liability		**159,5**	134,1
Deferred taxation liability		**100,5**	165,2
Post-retirement defined benefit plan		**97,9**	91,0
		2 747,3	1 288,4
Current liabilities			
Interest-bearing debt		**722,1**	1 246,8
RCS Group external funding		**626,2**	417,0
Trade and other payables		**1 827,0**	1 710,7
Operating lease liability		**12,3**	12,0
Taxation payable		**57,3**	79,1
		3 244,9	3 465,6
Total liabilities		**5 992,2**	4 754,0
Total equity and liabilities		**12 856,4**	10 702,5

ABRIDGED CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

	Note	**2012 Rm**	2011 Rm
Revenue	6	**14 530,8**	12 370,6
Retail turnover		**11 630,5**	9 936,5
Cost of turnover	7	**(6 750,1)**	(5 768,1)
Gross profit		**4 880,4**	4 168,4
Interest income	8	**1 712,1**	1 486,2
Dividend income		**9,9**	12,1
Other revenue	9	**1 178,3**	935,8
Trading expenses	10	**(4 994,2)**	(4 301,3)
Operating profit before finance charges		**2 786,5**	2 301,2
Finance cost		**(284,9)**	(250,1)
Profit before tax		**2 501,6**	2 051,1
Income tax expense		**(809,8)**	(662,3)
Profit for the year		**1 691,8**	1 388,8
Attributable to:			
Equity holders of The Foschini Group Limited		**1 582,1**	1 301,8
Non-controlling interest		**109,7**	87,0
Profit for the year		**1 691,8**	1 388,8
Earnings per ordinary share (cents)			
Basic		**771,0**	630,4
Headline		**772,0**	632,3
Diluted (basic)		**765,1**	618,1
Diluted (headline)		**766,1**	619,9
Weighted average ordinary shares in issue (millions)		**205,2**	206,5

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

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

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH

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

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

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 MARCH

	Note	**2012 Rm**	2011 Rm
Cash flows from operating activities			
Operating profit before working capital changes	11	**3 180,4**	2 630,3
Increase in working capital		**(1 568,4)**	(824,1)
Cash generated by operations		**1 612,0**	1 806,2
Interest income		**16,0**	16,8
Finance cost		**(284,9)**	(250,1)
Taxation paid		**(880,9)**	(769,0)
Dividend income		**9,9**	12,1
Dividends paid		**(849,0)**	(665,9)
Net cash (outflows) inflows from operating activities		**(376,9)**	150,1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(541,1)**	(382,8)
Acquisition of assets through business combinations		**(82,5)**	–
Proceeds from sale of property, plant and equipment		**6,5**	7,5
Sale of subsidiary		**0,1**	–
Redemption of preference share investment		**200,0**	–
Repayment of participation in export partnerships		**12,5**	6,1
Repayment of staff housing loans		**0,7**	0,2
Net cash outflows from investing activities		**(403,8)**	(369,0)
Cash flows from financing activities			
Proceeds on delivery of shares by share trust		**54,4**	134,8
Shares purchased in terms of share incentive schemes		**(77,2)**	(453,8)
Increase (decrease) in non-controlling interest loans		**98,1**	(334,0)
Increase in RCS Group external funding		**858,4**	535,9
Increase in interest-bearing debt		**219,3**	390,5
Net cash inflows from financing activities		**1 153,0**	273,4
Net increase in cash during the year		**372,3**	54,5
Cash at the beginning of the year		**338,5**	284,0
Effect of exchange rate fluctuations on cash held		**0,1**	–
Cash at the end of the year		**710,9**	338,5

ABRIDGED CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEARS ENDED 31 MARCH

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

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

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

SELECTED EXPLANATORY NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH

The consolidated annual financial statements for the year ended 31 March 2012 and these abridged financial statements have been audited by the company's auditors, KPMG Inc. Their unqualified audit opinion on both such financial statements is available at the company's registered office for inspection.

1. These results have been prepared in accordance with the presentation and disclosure requirements of the South African Companies Act (No. 71 of 2008), and IAS 34 Interim Financial Reporting, using the group's accounting policies, that are in line with the measurement and recognition principles of 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 to prior periods except as described in note 2.

2. During the year, the group adopted the following revised accounting standards:
IFRS 7 Financial Instruments: Disclosures (amendments resulting from May 2010 Annual Improvements to IFRS)
IAS 1 Presentation of Financial Statements (amendments resulting from May 2010 Annual Improvements to IFRS)
IAS 24 Related Party Disclosures (revised definition of related parties)
IAS 34 Interim Financial Reporting (amendments resulting from May 2010 Annual Improvements to IFRS) The adoption of these standards has had no significant effect on these results.

3. These financial statements incorporate the financial statements of the company, all its subsidiaries and all entities over which it has operational and financial control.

4. Included in share capital are 24,0 (March 2011: 24,0) million shares which are owned by a subsidiary of the company, and 10,1 (March 2011: 11,1) million shares which are owned in terms of the share incentive schemes. These have been eliminated on consolidation.

	2012 Rm	2011 Rm
5. INVENTORY		
Merchandise	**1 990,0**	1 678,8
Raw materials	**101,4**	82,3
Goods in transit	**30,2**	22,5
Shopfitting stock	**30,9**	17,1
Consumables	**2,5**	4,0
	2 155,0	1 804,7
Inventory write-downs included above	**94,9**	92,7
6. REVENUE		
Retail turnover	**11 630,5**	9 936,5
Interest income (refer note 8)	**1 712,1**	1 486,2
Dividend income	**9,9**	12,1
Other revenue (refer note 9)	**1 178,3**	935,8
	14 530,8	12 370,6

		2012 Rm	2011 Rm
7.	**COST OF TURNOVER**		
	Cost of goods sold	**(6 097,5)**	(5 239,7)
	Costs of purchase, conversion and other costs	**(652,6)**	(528,4)
		(6 750,1)	(5 768,1)
8.	**INTEREST INCOME**		
	Trade receivables – retail	**853,7**	705,2
	Receivables – RCS Group	**842,4**	764,2
	Sundry	**16,0**	16,8
		1 712,1	1 486,2
9.	**OTHER REVENUE**		
	Merchants' commission	**36,4**	30,9
	Club income	**297,5**	253,5
	Customer charges income	**411,5**	305,1
	Insurance income	**372,2**	294,0
	Cellular income – One2One airtime product	**52,8**	47,5
	Sundry income	**7,9**	4,8
		1 178,3	935,8
10.	**TRADING EXPENSES**		
	Depreciation	**(311,2)**	(282,3)
	Amortisation	**(0,4)**	(0,4)
	Goodwill impairment	**–**	(5,8)
	Employee costs: normal	**(1 857,4)**	(1 600,2)
	Employee costs: share-based payments	**(72,2)**	(55,9)
	Occupancy costs: normal	**(1 041,9)**	(912,7)
	Occupancy costs: operating lease liability adjustment	**(25,7)**	(9,2)
	Net bad debt	**(721,2)**	(632,8)
	Other operating costs	**(964,2)**	(802,0)
		(4 994,2)	(4 301,3)

SELECTED EXPLANATORY NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

		2012 Rm	2011 Rm
11.	**OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES**		
	Profit before tax	**2 501,6**	2 051,1
	Finance cost	**284,9**	250,1
	Operating profit before finance charges	**2 786,5**	2 301,2
	Interest income – sundry	**(16,0)**	(16,8)
	Dividend income	**(9,9)**	(12,1)
	Non-cash items	**419,8**	358,0
	Operating profit before working capital changes	**3 180,4**	2 630,3
12.	**RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS**		
	Profit for the year attributable to equity holders of The Foschini Group Limited	**1 582,1**	1 301,8
	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	**(0,3)**	(0,2)
	Loss on disposal of property, plant and equipment	**2,4**	0,8
	Headline earnings	**1 584,2**	1 305,6

13. CONTINGENT LIABILITIES

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

14. RELATED PARTIES

Related party transactions similar to those disclosed in the group's annual financial statements for the year ended 31 March 2011 took place during the year.

15. BUSINESS COMBINATIONS

	2012 Rm	2011 Rm

Jeffdee Clothing CC, trading as Fabiani

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

Prestige Clothing CC

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

G-Star

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

Fair value of assets acquired and liabilities assumed through these business combinations:

	2012 Rm	2011 Rm
Property, plant and equipment	10,3	–
Inventory	12,2	–
Trade and other payables	(4,7)	–
Total identifiable net assets	17,8	–
Trademark	60,0	–
Goodwill	24,1	–
Total purchase price	101,9	–

Cash flow

	2012 Rm	2011 Rm
Business combinations occurring during the reporting period	82,5	–
Business combinations effected after the end of the reporting period	19,4	–
	101,9	–

SELECTED EXPLANATORY NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEARS ENDED 31 MARCH

The Foschini Group Limited and its subsidiaries

16. SALE OF SUBSIDIARY

During the year under review, the RCS Group disposed of one of their subsidiaries, Effective Intelligence (Proprietary) Limited. The disposal did not have a material effect in the consolidated results of The Foschini Group Limited.

	2012 Rm	2011 Rm
17. COMPARATIVE FIGURES		
In order to provide improved disclosure in the condensed consolidated statement of financial position, a portion of the operating lease liability has been reclassified to current liabilities. These changes have no impact on overall equity, net assets or profitability.		
The effect on the comparative statement of financial position is as follows:		
Movement in operating lease liability – non-current portion	**–**	(12,0)
Movement in operating lease liability – current portion	**–**	12,0
Movement in total liabilities	**–**	–

STATEMENT OF FINANCIAL POSITION: COMPANY

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

THE FOSCHINI GROUP LIMITED CONTINUED

FOR THE YEARS ENDED 31 MARCH

INCOME STATEMENT: COMPANY

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

STATEMENT OF COMPREHENSIVE INCOME: COMPANY

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

STATEMENT OF CHANGES IN EQUITY: COMPANY

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

NOTE TO THE FINANCIAL STATEMENTS: COMPANY

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

		2012 Rm	2011 Rm
2.	**SHARE CAPITAL**		
	Authorised		
	200 000 (2011: 200 000) 6,5% cumulative preference shares of R2 each	**0,4**	0,4
	600 000 000 (2011: 600 000 000) ordinary shares of 1,25 cents each	**7,5**	7,5
		7,9	7,9
	Issued		
	Total ordinary shares of 1,25 cents each in issue	**3,0**	3,0
	Total preference shares of R2 each	**0,4**	0,4
		3,4	3,4

APPENDIX 1: SUBSIDIARY COMPANIES

Name of subsidiary	Note	Issued share capital R	2012 Cost Rm	2011 Cost Rm	2012 Indebtedness Rm	2011 Indebtedness Rm
Trading subsidiaries						
Fashion Retailers (Pty) Limited	4	250 006	**0,2**	0,2	**–**	–
Fashion Retailers Zambia Limited	6, 10	75	**–**	–	**24,0**	–
Foschini Finance (Pty) Limited	2	6	**–**	–	**–**	38,9
Foschini Investments (Pty) Limited	2	10	**–**	–	**–**	–
Foschini Lesotho (Pty) Limited	7	2	**–**	–	**–**	–
Foschini Retail Group (Pty) Limited	2, 3, 10	2	**102,5**	102,5	**1 402,0**	1 142,1
Foschini Services (Pty) Limited	2	10	**–**	–	**–**	–
Foschini Stores (Pty) Limited	2, 9	1	**–**	–	**528,6**	528,6
Foschini Swaziland (Pty) Limited	5	2	**–**	–	**–**	–
Markhams (Pty) Limited	2	1	**–**	–	**–**	–
Pienaar Sithole and Associates (Pty) Limited	2, 10	100	**–**	–	**1,0**	1,8
Retail Credit Solutions (Pty) Limited	2	18 200	**–**	–	**–**	–
TFG Apparel Supply Company (Pty) Limited	2	1	**–**	–	**–**	–
What U Want To Wear (Pty) Limited	2	66 200	**0,1**	0,1	**–**	–
Foschini Nigeria Limited	8	2 840 769	**2,8**	–	**–**	–
Total trading subsidiaries			**105,6**	102,8	**1 955,6**	1 711,4
Other*			**1,1**	1,1	**(0,9)**	(0,9)
Total			**106,7**	103,9	**1 954,7**	1 710,5
Summary						
Investment in shares at cost					**106,7**	103,9
Amounts owing by subsidiaries – non-current portion					**1 402,0**	1 142,1
Total non-current portion					**1 508,7**	1 246,0
Amounts owing by subsidiaries – current portion					**552,7**	568,4
Total interest in subsidiaries					**2 061,4**	1 814,4

Notes

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

* A schedule of these details is available on request

Earnings of subsidiaries

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

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

THE FOSCHINI GROUP LIMITED CONTINUED

FOR THE YEARS ENDED 31 MARCH

APPENDIX 2: RELATED PARTY INFORMATION

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

Also refer to note 41 in the full audited annual financial statements for further related party disclosure.

APPENDIX 3: SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS AT 30 MARCH 2012

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 30 March 2012.

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

DISTRIBUTION OF SHAREHOLDINGS

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

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

THE FOSCHINI GROUP LIMITED CONTINUED
FOR THE YEARS ENDED 31 MARCH

APPENDIX 3: SHAREHOLDINGS CONTINUED
BENEFICIAL SHAREHOLDINGS GREATER THAN 3%

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

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

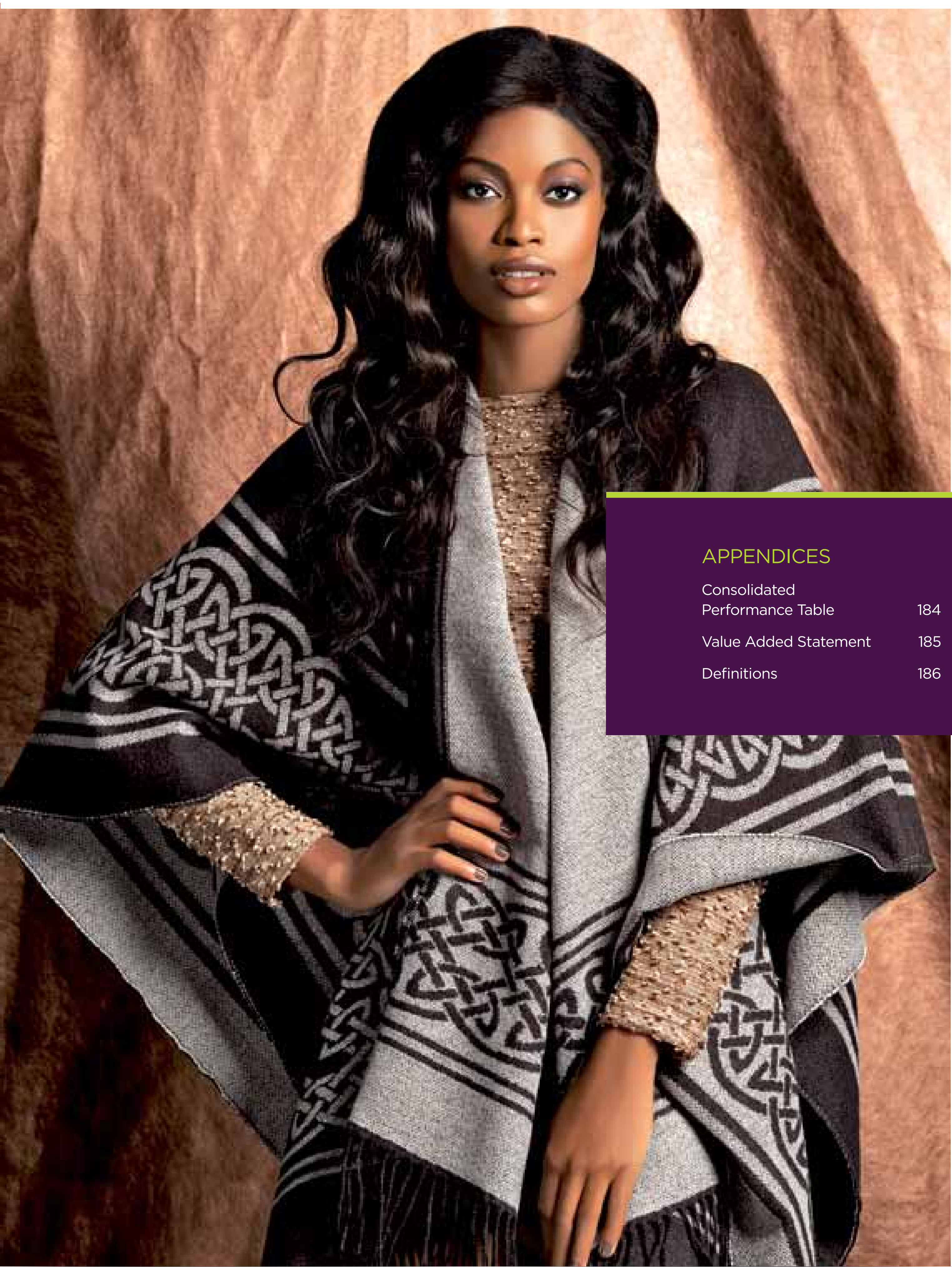
FUND MANAGERS' HOLDINGS GREATER THAN 3%

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

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

SHAREHOLDING SPREAD

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



APPENDICES

CONSOLIDATED PERFORMANCE TABLE

PERFORMANCE INDICATOR	% change	2012	2011
Economic and related core baseline indicators			
Retail turnover (Rm)	17,0	**11 630,5**	9 936,5
Operating profit before finance charges (Rm)	21,1	**2 786,5**	2 301,2
EBITDA (Rm)	19,9	**3 098,1**	2 583,9
Headline earnings (Rm)	21,3	**1 584,2**	1 305,6
Earnings per ordinary share (cents)	22,3	**771,0**	630,4
Headline earnings per ordinary share (cents)	22,1	**772,0**	632,3
Dividend declared per ordinary share (cents)	30,0	**455,0**	350,0
Value added	18,0	**5 293,0**	4 484,0
Total number of stores	7,5	**1 857**	1 727
Total number of distribution centres	12,5	**9**	8
Total procurement from BBBEE sources (%)*	17,1	**76,0**	64,9
Number of environmental, health and safety and/or governance legal incidents		**none**	none
Employee issues			
Total number of employees:			
Permanent full-time employees	4,1	**11 420**	10 969
Permanent part-time employees	(21,6)	**251**	320
Flexitime employees	8,8	**3 951**	3 632
Contract employees	(5,4)	**701**	741
Casual employees	(27,2)	**147**	202
Employee turnover (excluding contractors) %	8,0	**32,4**	30
Employment equity (% representation of previously disadvantaged groups among permanent employees):			
Top management	0,0	**11,1**	11,1
Senior management	12,2	**16,6**	14,8
Specialists and middle management	8,8	**42,0**	38,6
Skilled technical and junior management	3,2	**81,0**	78,5
Semi and unskilled employees	0,5	**96,4**	95,9
Investment in employee training and development:			
Total expenditure (Rm)	13,8	**114,7**	100,8
% of payroll	1,5	**6,8**	6,7
Total number of employees trained#	(1,0)	**128 437**	129 733
Work-related fatalities	none	**none**	none
Number of classified injuries:			
Number of days lost	3,1	**1 310**	1 271
Number of incidents	5,6	**431**	408
Number of incidents where days off three or less	3,2	**322**	312
Number of work days lost due to industrial action	–	**–**	–
Corporate social investment	(0,9)	**22,8**	23,0
CSI total spend (Rm)	(11,3)	**4,7**	5,3
Merchandise donations for the benefit of The Feel Good Project (Rm)	(0,9)	**22,8**	23,0
Environmental issues	% change	**2011***	2010*
Energy usage (kilowatt hours) (stores, distribution centres and offices)	0,8	**165 161 791**	163 861 019
Carbon footprint (tonnes CO_2e)			
Total emissions	1,9	**213 424**	209 368
Scope 1	6,0	**3 608**	3 403
Scope 2	(3,1)	**163 510**	168 777
Scope 3	25,7	**45 415**	36 140
Non-kyoto	(15,0)	**891**	1 048
Intensity: emissions per m^2 (including stores)	(2,9)	**0,33**	0,34
Water consumption (kilolitres) (head offices and distribution centres)	13,8	**46 449**	40 830

* 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	2012 Rm	%	2011 Rm	%
Retail turnover		**11 630,5**		9 936,5	
Dividend income		**9,9**		12,1	
Paid to suppliers for goods and services		**(6 347,4)**		(5 464,6)	
Value added		**5 293,0**	**100,0**	4 484,0	100,0
Applied as follows:					
Employees					
Remuneration to employees		**1 929,6**	**36,4**	1 656,1	36,8
Providers of capital					
To lenders as finance charges		**284,9**	**5,4**	250,1	5,6
To shareholders as dividends		**1 094,3**	**20,7**	841,7	18,8
Taxation					
Taxation		**844,5**	**16,0**	720,1	16,1
Reinvested					
Reinvested in the group to finance future expansion and growth	1	**1 139,7**	**21,5**	1 016,0	22,7
Employment of value added		**5 293,0**	**100,0**	4 484,0	100,0

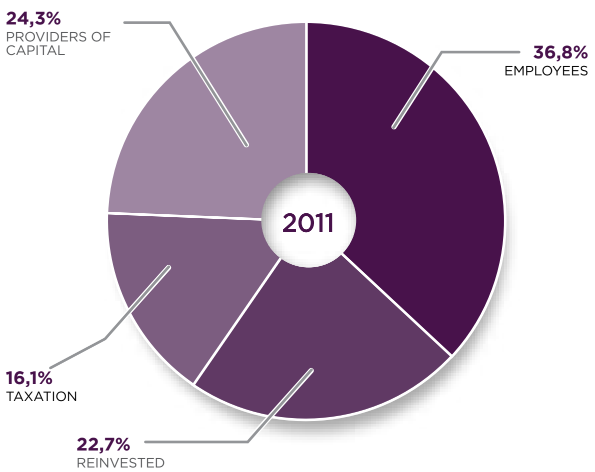
Notes to the Value Added Statement

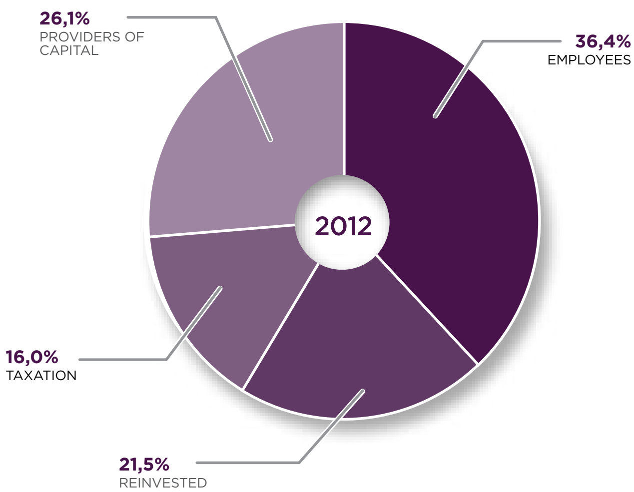
1. Reinvested in the group to finance future expansion and growth

	2012 Rm	%	2011 Rm	%
Depreciation and amortisation	**311,6**	**5,9**	282,7	6,3
Deferred taxation	**69,1**	**1,3**	65,6	1,5
Retained income	**759,0**	**14,3**	667,7	14,9
	1 139,7	**21,5**	1 016,0	22,7

2. State taxes

	2012 Rm	2011 Rm
Direct taxation as above	**844,5**	720,1
Net value added taxation	**384,7**	331,2
Employees' taxation	**207,5**	169,5
Channelled through the group	**1 436,7**	1 220,8



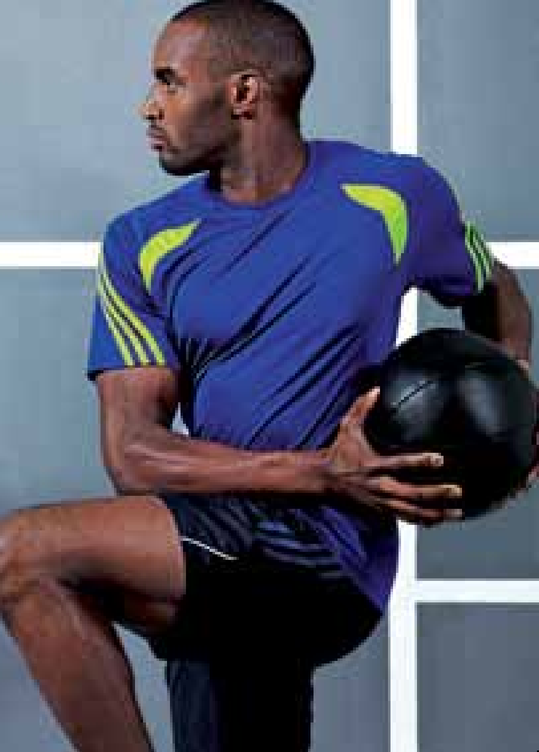


DEFINITIONS

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 the 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 bad debt and provision movement	VAT-exclusive bad debts including provision movement, net of recoveries
Net bad debt write-off – retail	VAT-inclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off – RCS Group	VAT-exclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off as a % of credit transactions	Net bad debt write-off expressed as a percentage of credit transactions
Net bad debt write-off as a % of debtors' book	Net bad debt write-off expressed as a percentage of gross receivables
Net borrowings	Interest-bearing debt and non-controlling interest loans reduced by preference share investment (where relevant) and cash
Operating margin	Operating profit before finance charges expressed as a percentage of retail turnover
Operating profit	Profit earned from normal business operations
Recourse debt:equity ratio	Recourse debt reduced by preference share investment (where relevant) 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) Group	Population 2011	% Population 2006	% Population 2007	% Population 2008	% Population 2009	% Population 2010	% Population 2011	**2010 Average monthly household income R**	**2011 Average monthly household income R**
LSM 1	660 867	6,1	4,1	3,4	3,5	2,4	1,9	1 333	1 224
LSM 2	1 793 066	12,2	9,8	8,7	7,3	5,7	5,1	1 647	1 764
LSM 3	2 117 135	12,6	10,8	9,4	7,8	7,0	6,1	1 917	2 207
LSM 4	4 248 466	14,9	13,8	14,6	14,2	14,0	12,2	2 681	2 781
LSM 5	6 080 466	13,5	14,5	15,5	15,2	16,6	17,4	3 594	3 813
LSM 6	7 828 042	14,4	17,3	17,9	19,5	20,3	22,4	6 197	6 150
LSM 7	4 014 279	7,8	9,3	9,4	10,2	10,6	11,5	9 707	10 553
LSM 8	2 920 684	5,7	6,7	6,9	7,6	8,3	8,4	13 697	14 441
LSM 9	3 093 442	6,7	7,6	8,1	8,4	8,9	8,9	18 749	20 334
LSM 10	2 177 362	6,0	6,1	6,1	6,3	6,2	6,2	28 936	31 366

* Source: AMPS 2006 – 2011









www.tfg.co.za